2011

Gorenje, d.d.

Management Board

NON-AUDITED BUSINESS REPORT
JANUARY – MARCH 2011
(Gorenje Group and its parent company Gorenje, d.d., pursuant to the provisions of the International Financial Reporting Standards – IFRS)

Gorenje, d.d., Management Board

Velenje, May 2011

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Gorenje Group performance highlights

EUR thousand	Q1 2011	Q1 2010	Index	Plan 2011	Plan real.
Consolidated sales revenue	**370,218**	**290,951**	**127.2**	**1,547,964**	**23.9**
EBITDA	**21,683**	**21,083**	**102.8**	**107,414**	**20.2**
EBITDA Margin (%)	*5.9%*	*7.2%*	*/*	*6.9%*	*/*
EBIT	**8,868**	**7,767**	**114.2**	**54,574**	**16.2**
EBIT Margin (%)	*2.4%*	*2.7%*	*/*	*3.5%*	*/*
PBT	**2,874**	**2,262**	**127.1**	**26,818**	**10.7**
PAT	**1,891**	**517**	**365.8**	**21,104**	**9.0**
ROS *(net return on sales)*	***0.5%***	***0.2%***	***/***	***1.4%***	***/***
ROA *(net return on assets)*	***0.6%***	***0.2%***	***/***	***1.7%***	***/***
ROE *(net return on equity)*	***1.9%***	***0.6%***	***/***	***5.3%***	***/***

Comparable information without the effects of Asko Group takeover

EUR thousand	Q1 2011	Q1 2010	Index	Plan 2011	Plan real.
Consolidated sales revenue	**332,859**	**290,951**	**114.4**	**1,368,232**	**24.3**
EBITDA	**21,837**	**21,083**	**103.6**	**98,740**	**22.1**
EBITDA Margin (%)	*6.6%*	*7.2%*	*/*	*7.2%*	*/*
EBIT	**10,599**	**7,767**	**136.5**	**51,837**	**20.4**
EBIT Margin (%)	*3.2%*	*2.7%*	*/*	*3.8%*	*/*
PBT	**5,385**	**2,262**	**238.1**	**25,073**	**21.5**
PAT	**4,510**	**517**	**872.3**	**19,359**	**23.3**

- Considering the quarterly results of Gorenje Group and its parent company Gorenje, d.d., the Management Board of the latter maintains that **circumstances in downstream markets are still highly unpredictable** and strongly affected by rampant unemployment and budget deficits in most countries. Moreover, raw material prices again hit their historical highs which afflicts the operations of all competitors in the industry. Gorenje is looking to counter these adverse trends by constant innovative development and introduction of new products and services in both existing and new markets.
- In the third quarter of 2010, **rising prices in upstream raw and processed material markets** started to bear a negative impact on the profitability of Gorenje Group; such impact was extended to the first quarter of 2011 with even stronger dynamics.
- **The effects of the increase in the scope of operating activities** in the territories of Slovenia, Russia, and Ukraine in balancing the growth of the majority of Central, Northern, and Western European markets, while growth of demand in South Eastern Europe remained feeble, improved the profitability of Gorenje Group companies and partly neutralized the effects of steep increase in raw and processed material prices.

- For **comparability of quarterly data** between the years 2011 and 2010, the effects of the Asko Group takeover, included in the Gorenje Group as of August 2010, have to be eliminated.
- In the first quarter, operating results of the **Asko Group** were expectedly negative due to historically low sales and manufacturing output (which, however, has improved notably in the second quarter) and due to a transitory effect of intensive activities of **business integration** into the Gorenje Group commenced in 2011. In this regard, EUR 1.0 of provisions recognized for this purpose in 2010 have been drawn and reversed in the first quarter.
- Companies of the Home Appliance and Ecology, Energy, and Services Divisions saw their **net profitability of operations improved**; Home Interior Division, however, continues to face a drop in profitability due to a strong decrease of the scope of operations.
- In the first quarter of the year, Gorenje Group's **free cash flow was negative** at EUR -42,809 thousand, which is comparable to the figure from the first quarter of 2010. Before integration of the Asko Group, the negative free cash flow amounts to EUR 41,923 thousand.

BUSINESS REPORT

Macroeconomic effects on operations and foreign exchange markets

- In 2011, **GDP**[1] is expected to grow faster in emerging markets (+6.5%), of which Central and Eastern Europe +3.6%, Russia +4.5%, China +9.6%, India +8.4%, and Brazil +7.5%. Growth in the euro zone is anticipated at +1.5%; Germany's GDP is expected to rise by 2.2%.
- **Major appliances market** is anticipated to see a[2] trend of growth. In developed countries, market growth will continue to rely on energy efficiency, functionality, and product design. There is still a vast development potential in the emerging markets due to a growing middle class of the consumers, characterized by an increasing purchasing power and an innovation-oriented consumption pattern. In these countries, demand for energy-efficient home appliances will continue to rise.
- Recently, **inflation** is stepping up as a new threat to the recovery of the global economy. As a consequence of rising prices of oil, resulting from political turmoil in the Arab countries, prices of food and some other products also began to mount. This could bring about a reluctance on the part of the consumers to invest in durables. Consequently, there is an increasing risk of rising production costs and also due to the upward pressure on the wages.
- Comparing the changes in **exchange rates** in the first three months of 2011 to those in the equivalent period of 2010, we see depreciation of euro[3] by 1.1% relative to the US dollar, 3.1% relative to the Russian rouble, 1.0% relative to the Polish zloty, and 5.8% relative to the Czech crown; European currency appreciated by 1.6% relative to the Croatian kuna, and by 3.5% relative to the Turkish lira, which affects the competitiveness of sales in these regions.

Gorenje Group performance

Scope of operating activities

- **Gorenje Group sales revenue** in the period January – March 2011 reached EUR 370,218 thousand, which was EUR 79,267 thousand, or 27.2%, more than in the equivalent period last year. Adjusting for the effects of the Asko Group merged as of August last year, sales growth in the first quarter of 2011 reached 14.4% or EUR 41,908 thousand.

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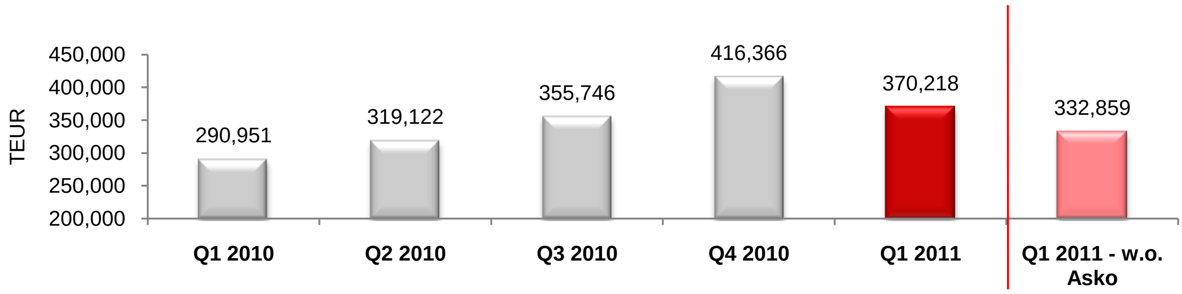
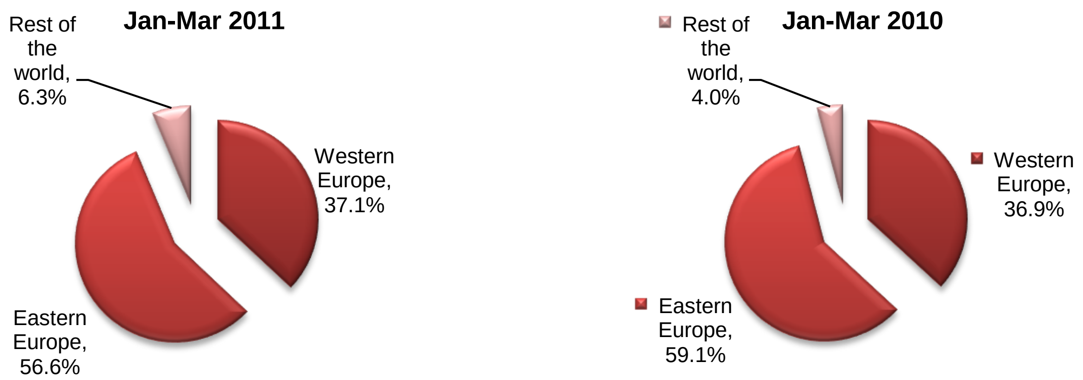
[1] International Monetary Fund, "World Economic Outlook Update", January 2011
[2] GfK TEMAX: http://www.gfkrt.com
[3] European Central Bank report: http://sdw.ecb.europa.eu/

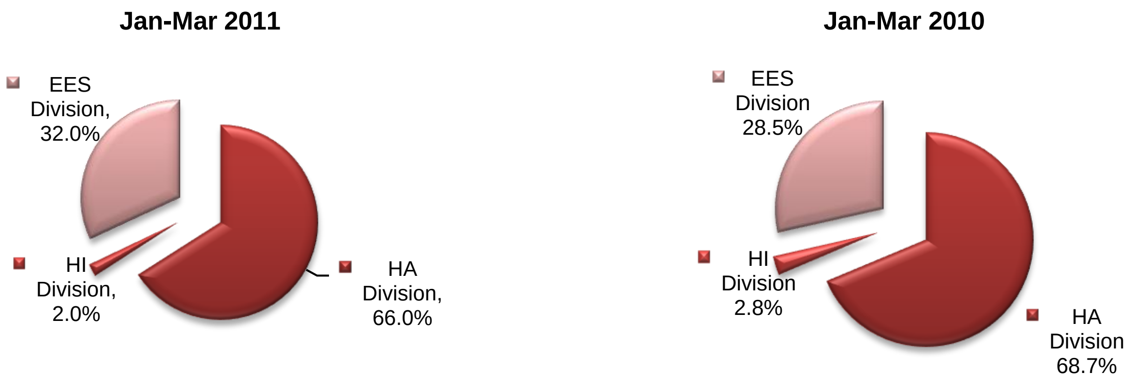


Graph 1: Gorenje Group consolidated sales revenue

- **Composition** of Gorenje Group consolidated sales revenue by geographical segments, is as follows:
    - **Western Europe** includes Austria, Germany, Italy, France, Denmark, Sweden, Belgium, Finland, Great Britain, Greece, Norway, Turkey, Netherlands, Spain, and Switzerland;
    - **Eastern Europe** includes Ukraine, Russia, Macedonia, Croatia, Serbia, Montenegro, Albania, Bosnia and Herzegovina, Belarus, Kosovo, Moldavia, Kazakhstan, Latvia, Lithuania, Estonia, Slovenia, Czech Republic, Hungary, Poland, Bulgaria, Romania, and Slovakia;
    - **Other** includes all other non-European countries.



Graph 2: Sales revenue out of Group by geographical segments



Graph 3: Sales revenue out of Group by divisions

- **In the structure** of Gorenje Group consolidated sales revenue **by divisions**, business activities of the Ecology, Energy, and Services Division (particularly ecology with the central company Gorenje Surovina, d.o.o.) saw great progress at the expense of both the Home Appliance Division and the Home Interior Division.

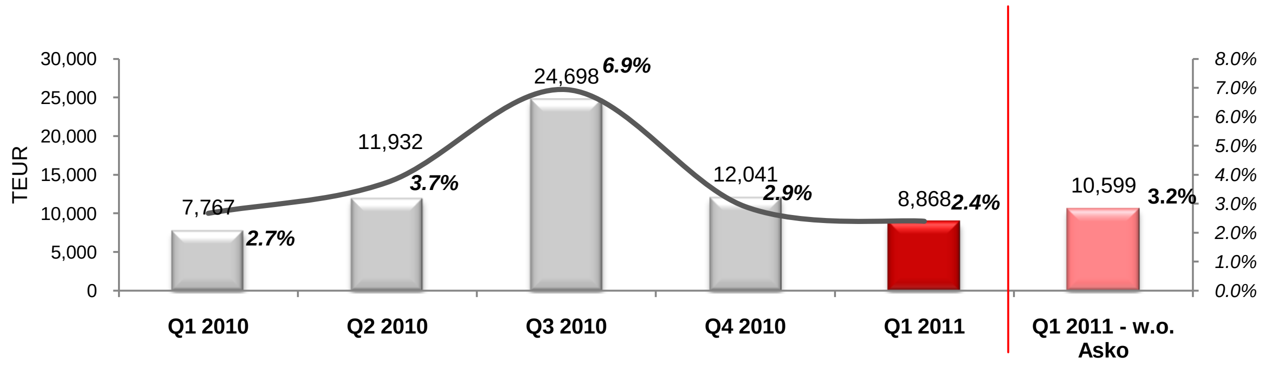
- A closer look at the composition of sales by geographical segments and division reveals the following:

  - Gorenje Group retained sales at geographical segments with higher yield and
  - increased share sales generated through the EES Divisions resulted in relatively lower profitability of sales (the level of gross margin in this division is, due to the nature of the activities, lower than in the activities of the HA Division).

Profitability of operating activities

- **Earnings before interest and taxes (EBIT)** in the period January – March amounted to EUR 8,868 thousand, with EBIT margin at 2.4% (share in sales revenue). This is EUR 1,101 thousand (+14.2%) more than the EBIT of the first three months in 2010. Eliminating for the effects of the Asko Group in the first quarter of 2011, EBIT amounts to EUR 10,599 thousand, with EBIT margin at 3.2%, topping the figure for the equivalent period last year by EUR 2,832 thousand (+36.5%).

  Notable improvement in EBIT after the elimination for the effects of the Asko Group is a result of a transitory quarterly loss from Asko operations, a consequence of historically low sales and production output (which, however, has improved notably in the second quarter), and a transitory effect of the commencement of intensive activities of integration of business processes into the Gorenje Group.



Graph 4: Quarterly dynamics for EBIT and EBIT margin

- A drop in the **contribution margin** at the level of costs of goods and material (gross margin) by 4.8 percentage point (from 40.9% to 36.1%) resulted in lower profitability due to **qualitative changes** (changes in terms of quality, rather than changes in scope of activity) by EUR 17,770 thousand. This is predominantly the result of high growth of prices of raw and processed material which affected the segment of HA Division sales of home products, and lower margin in the EES Division, resulting from the normalization (decrease relative to 2010) of returns in sales of coal. Margin at the HI Division, too, dropped to a lower level; however, the effect of this decrease is materially less significant as its share in the composition of Gorenje Group total sales is rather low.

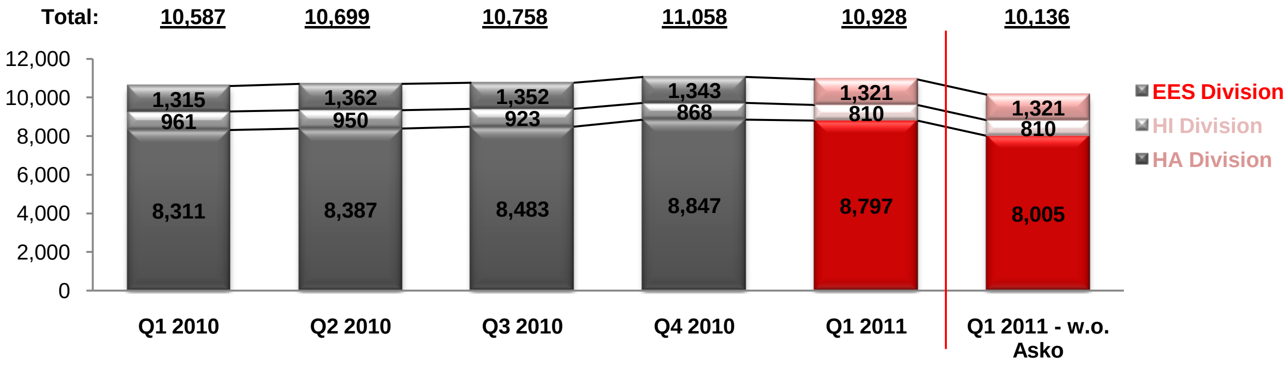
  Increased sales (change in terms of activity) resulted in a higher gross margin for Gorenje Group by EUR 32,511 thousand. Thus, the net improvement effect, accounting for both the qualitative change and change in terms of activity, or turnover, amounted to **EUR 14,741 thousand**.

  Elimination of the Asko Group effects leaves an even lower comparable gross margin of 34.8%, or a qualitative decrease by EUR 20,397 thousand (6.1 percentage point). The gross margin attained amounts to EUR 115,742 thousand, which is EUR 3,229 thousand less than the figure from the first quarter of 2010.

  Increase in sales and improvement of its composition in the first quarter of the year thus falls short of compensating for the negative effects of the increase in prices of raw and processed material and development dynamics (normalization, i.e. decrease) in the profitability of the EES Division.

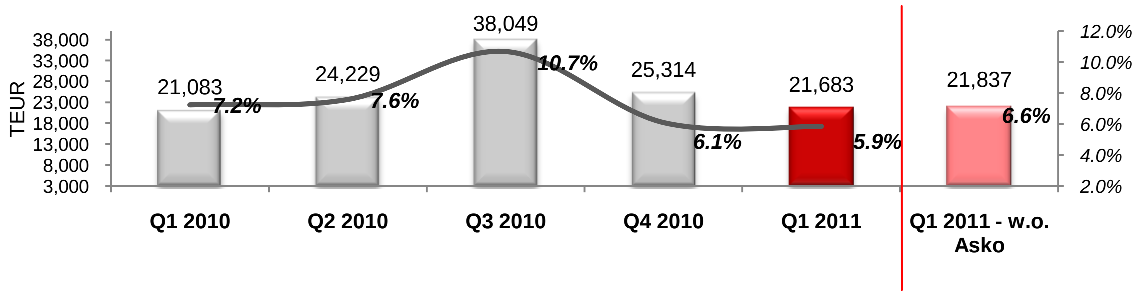
- **Costs of services** are up by EUR 5,481 thousand relative to the first quarter last year, or by 12.7%. In comparable terms, i.e. eliminating for Asko Group, they were cut by EUR 2,402 thousand or 5.6%, despite increased sales. The decrease is a result of process/activity optimization, as well as of lower sales of medical equipment for which a part of sales costs related thereto was recognized in the financial statements for the first quarter of 2010 as costs of other business services.

- **Labour cost efficiency** (economic labour productivity) is up, relative to the first quarter of 2010, from EUR 7,205 of added value per employee in the quarter, to EUR 8,125, or by 12.8%. Eliminating for the effect of Asko Group, it is up to EUR 7,621, or by 5.8%. The share of labour costs in added value rose from 72.4% to 75.6%; eliminating for Asko Group, however, it was cut to 71.7%. Economic labour productivity was improved despite the increase in labour costs by EUR 11,910 thousand, or by 21.6%. In comparable terms, eliminating the effects of Asko Group, labour costs rose by EUR 217 thousand while the number of employees was actually cut.
- **Number of employees** as at the end of March 2011 was 10,963 which is 403 more than at the end of March 2010. Adjusting for the integration of the Asko Group with 801 employees, the number of employees as at the end of March is lower by 398 than as at the end of March last year. Major part of the decrease was a result of consensual layoffs and natural fluctuation. Number of employees was cut by 243 at the HA Division and by 151 in the HI Division.



Graph 5: Quarterly averages of the number of employees by divisions

- Lower **depreciation and amortisation costs** are mostly a result of lower investment in the last three years and prolonged useful life of some assets, established in 2010, mostly at manufacturing centres of the Home Appliance Division. Useful life of this property, plant, and equipment was extended based on the findings from regular audits of property, plant, and equipment (fixed asset) valuation.
- **Other income** amounting to EUR 7,847 thousand are higher than in the corresponding period last year due to reversal of provisions for the costs of integration activities at the Asko Group in the amount of EUR 1,000 thousand, and due to the amount of government grants received for new jobs and employment in Republic of Serbia in the amount of EUR 2,238 thousand. **Other expenses** in the amount of EUR 4,300 thousand are higher than in the first quarter of 2010 due the growing costs related to the Waste Electric and Electronic Equipment (WEEE) Directive, amounting to EUR 366 thousand, and expense for revaluation adjustment to inventory, in the amount of EUR 95 thousand.
- **Earnings before interest, taxes, depreciation and amortisation (EBITDA)**, representing a rough measure of operating cash flows generated, amounted to EUR 21,683 thousand in the period January – March 2011 (2.8% more than in the equivalent period of 2010), or 5.9% in total sales revenue (EBITDA margin); this figure is 1.3 percentage point lower compared to the equivalent period in 2010. In comparable terms, i.e. after elimination of Asko Group effects, EBITDA amounted to EUR 21,837 thousand (3.6% more than in equivalent period of 2010), with an EBITDA margin of 6.6%, which means that the margin fell by 0.6 percentage point relative to the first quarter of 2010. Both is mostly a result in the drop of contribution margin at the level of costs of goods and material.



Graph 6: Quarterly dynamics for EBITDA and EBITDA margin

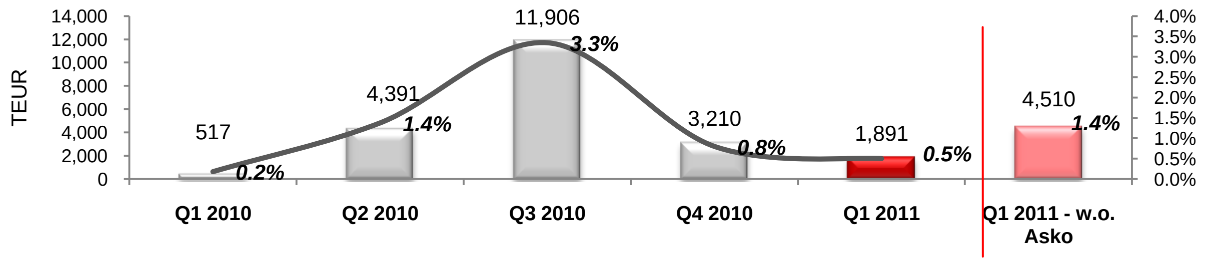
- **Composition of improvement in profitability** at the level of EBIT is as follows:

EUR thousand	Including Asko Group	Excluding Asko Group
EBIT January – March 2010	**7,767**	**7,767**
Contribution margin at the level of costs of goods and material	14,741	-3,229
Costs of services	-5,481	2,402
Labour costs	-11,910	-217
Depreciation and amortization	501	2,078
Other operating expenses	-610	-514
Other income	3,860	2,312
EBIT January – March 2011	**8,868**	**10,599**

Table 1: Development of effects of improvement in Gorenje Group profitability at the level of EBIT

Operating profitability at the level of net income

- Negative **result from financing activities (net finance income)** in the amount of EUR 5,994 thousand did not rise considerably relative to 2010 (EUR 489 thousand or 8.9%). Comparable figure, after elimination of Asko Group effects, amounts to EUR 5,214 thousand, which is EUR 291 thousand, or 5.3%, less than the year before. **Corporate income tax** at EUR 983 thousand is EUR 762 thousand lower than in the first quarter of 2010, mostly as a result of more favourable taxation of development costs at the company Atag.
- **Net profit** for the first quarter of 2011, amounting to EUR 1,891 thousand (ROS of 0.5%) is more than threefold higher than the year before. Net profit after adjustment for the effects of Asko Group which has seen an expected net loss as a result of the launch of intensive integration activities in the first quarter, amounts to EUR 4,510 thousand (ROS of 1.4%).



Graph 7: Net profit – quarterly dynamics

Gorenje Group performance by divisions

Sales at respective Gorenje Group divisions

- Sales revenue at the **Home Appliance Division** (HA) in the first three months of this year were EUR 44,281 thousand, or 22.2%, higher than in the equivalent period the year before. Eliminating for the effect of Asko Group, sales would have been higher by 3.5% or EUR 6,922 thousand. Increase in sales was attained in quantitative terms by higher sales volume, as well as in qualitative terms by improving the composition of sales by products and regions in Slovenia, Russia and Ukraine, Germany, Belgium, Slovakia, Hungary, Turkey, Greece, and in the Middle

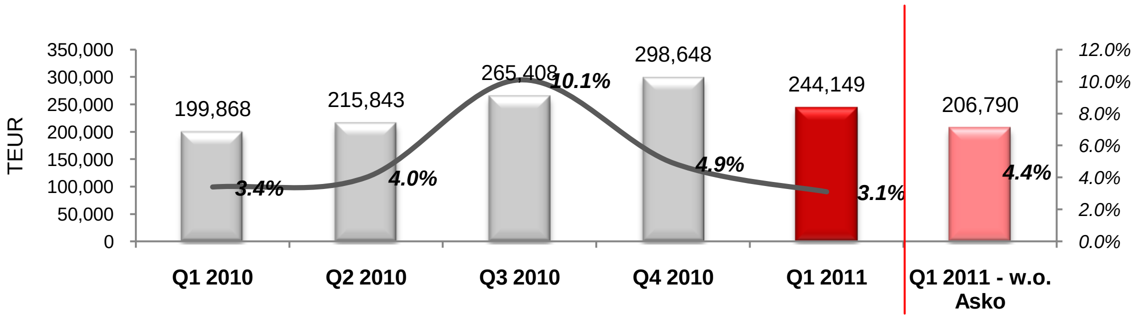
East. In the markets of other countries of Gorenje Group operations, sales growth was equal to that of the first quarter of 2010 or lower, which partly offset the effects of growth in the markets listed above.

- Due to the recession in the furniture industry, for both manufacturers and distributors, which was actually aggravated in some aspects relative to 2010, the **Home Interior Division** (HI) saw notably lower sales volume than in the year before for the third time in a row. Despite the persistently harsh position in the furniture industry, sales were further depressed by the planned reduction of deliveries to some customers that found themselves in financial trouble and lost support of credit insurance companies. Thus, total sales (or scope of business activity) shrunk compared to 2010, causing the sales revenue to drop by 7.7% or EUR 625 thousand relative to the equivalent period last year, which had a notable impact on the decrease in profitability of the Division operations as revenues were below the break-even point.
- The **Ecology, Energy, and Services Division** (EES) saw the highest increase in sales in the period, amounting to 42.9% or EUR 35,611. Segment of energy grew by 34.5%, segment of ecology by 38.6%, and segment of services by 61.6%. The increase of the latter is a result of exclusion of the company from the field of machine building within the HA Division, and its subsequent inclusion in the EES Division, and of sales of two military vehicles in the first quarter of 2011; in comparison, no military vehicles were sold in the first quarter of 2010.

Gorenje Group profitability by divisions

Home Appliances Division

EUR thousand	Q1 2011	Q1 2011 (w.o. Asko)	Plan 2011	Q1 2010
Sales revenue	244,149	206,790	1,142,441	199,868
EBIT	7,449	9,180	48,656	6,719
EBIT Margin, %	3.1%	4.4%	4.3%	3.4%



Graph 8: Quarterly dynamics of changes in sales revenue and EBIT margin at the HA Division

- In the first quarter, **contribution margin (gross margin)** at the level of difference between sales revenue and costs of goods and material at the HA Division amounted to EUR 110,727 thousand, which is an improvement of EUR 16,725 thousand, or 17.8% over the first quarter of last year. In terms of **qualitative change**, i.e. the change the contribution margin level, the margin fell by 1.6 percentage point which decreased the profitability at this level by EUR 3,906 thousand. In terms of **change in activity** (change in scope of activity), the change was positive in the amount of EUR 20,631 thousand. Decrease in qualitative terms is mostly a result of high growth of raw and processed material prices which the Division could not neutralize by changes in the composition of sales and by shifting the increase of upstream prices to the downstream, sales prices.

  Eliminating for the effects of Asko Group, comparable figure for contribution margin in the first quarter of 2011 amounts to EUR 92,757 thousand, which is EUR 1,245 thousand less than in the equivalent period of 2010 (decrease in contribution margin by 2.1 percentage point). The reason for lower profitability after the elimination of the Asko Group effects is higher contribution margin at Asko Group than at Gorenje Group as a whole, before adjustment for Asko.
- Increase in the **costs of services** pulled the profitability of HA Division operations down by EUR 7,923 thousand or 24.3% relative to the first quarter last year due to additional costs in the amount of EUR 7,883 thousand caused by

the integration of the Asko Group. Without this effect, the Division would have retained the costs of services roughly at the level of the first quarter of 2010 despite the increased sales.

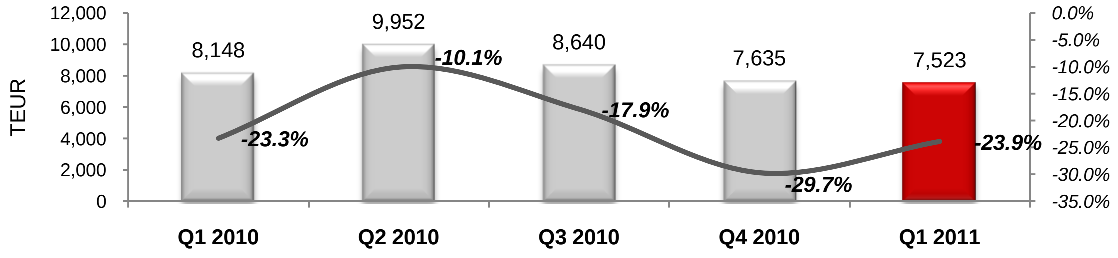
- Decrease in the **costs of depreciation and amortisation** before the effects of Asko Group by EUR 2,021 thousand or 17.9% is mostly the effect of lower investment in the last three years and extended useful life of some property, plant, and equipment, particularly at manufacturing centres of the Division in 2010. Useful life of this property, plant, and equipment was extended based on the findings from regular audits of property, plant, and equipment (fixed asset) valuation. Including the effects of Asko Group, depreciation and amortisation costs at the Home Appliance Division were lower by EUR 444 thousand or by 3.9%.
- Increase in **other income** in the amount of EUR 3,587 thousand, or 99.3%, is mostly related to the effect of reversal of provisions recognized in 2010 for the requirements of expected costs of integration activities at the Asko Group, and the effect of government grants received for job creation in Republic of Serbia. Increase in **other expenses** in the amount of EUR 397 thousand, or 13.2%, pertains to the rise in costs related to the Waste Electric and Electronic Equipment (WEEE) Directive and increase in revaluation adjustments to inventories. The effect of Asko Group is materially irrelevant in both cases and therefore does not affect the year-on-year comparability of data.
- **Labour cost efficiency** (economic labour productivity) is up from EUR 7,464 thousand of added value per employee to EUR 8,415 thousand, or by 12.7% (eliminating for the effect of Asko Group, it is up to EUR 7,806 thousand, or by 4.6%). The share of labour costs in added value rose from 71.0% to 75.3%; eliminating for Asko Group it was cut to 70.5%. Economic productivity of labour was improved despite the increase in labour costs by EUR 11,701 thousand, or by 26.6%, while the number of employees actually rose by 558 persons. Eliminating for the effects of Asko Group, the figure remained virtually at the level of equivalent period of 2010, while the number of employees was cut by 243.
- **Composition of improvement in profitability** at the level of EBIT is as follows:

EUR thousand	Including Asko Group	Excluding Asko Group
EBIT January – March 2010	**6,719**	**6,719**
Contribution margin at the level of costs of goods and material	16,725	-1,245
Costs of services	-7,928	-45
Labour costs	-11,701	-8
Depreciation and amortization	444	2,021
Other operating expenses	-397	-301
Other income	3,587	2,039
EBIT January – March 2011	**7,449**	**9,180**

Table 2: Development of effects of improvement in HA Division profitability at the level of EBIT

Home Interior Division

EUR thousand	Q1 2011	Plan 2011	Q1 2010
Sales revenue	7,523	35,368	8,148
EBIT	-1,799	-3,181	-1,902
EBIT Margin, %	-23.9%	-9.0%	-23.3%



Graph 9: Quarterly dynamics of changes in sales revenue and EBIT margin at the HI Division

- In the first quarter, the HI Division attained a **contribution margin** at the level of costs of goods and material in the amount of EUR 2,977 thousand, or 39.6%. Relative to the equivalent period last year, the margin is lower by EUR 305 thousand, of which EUR 53 thousand, or 0.7 percentage point, is a result of qualitative change (the level of margin), and EUR 252 thousand is the quantitative effect, i.e. the effect of lower sales.

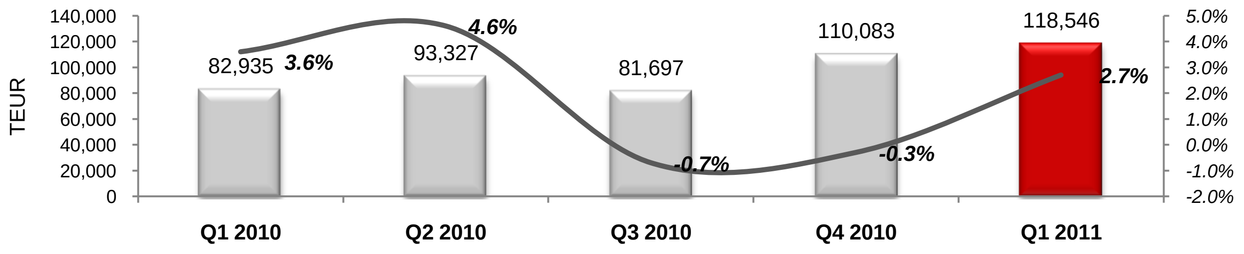
- **Labour cost efficiency** (economic labour productivity) was improved from EUR 2,173 of added value per employee to EUR 2,388, or by 9.9% relative to the first quarter of 2010. Labour costs at the Division were slashed by EUR 261 thousand, or by 7.4%, while the number of employees was cut by 151 persons, or 15.8%.
- The dynamics of changes in other categories of **operating expenses** or **revenues** did not have any considerable effect on the drop in profitability at the level of EBIT relative to the equivalent period last year.
- **Composition of decrease in profitability** at the level of EBIT is as follows:

EUR thousand	Development
EBIT January – March 2010	**-1,902**
Contribution margin at the level of costs of goods and material	-305
Costs of services	78
Labour costs	261
Depreciation and amortization	-4
Other operating expenses	-59
Other income	132
EBIT January – March 2011	**-1,799**

Table 3: Development of effects of improvement in HI Division profitability at the level of EBIT

Ecology, Energy, and Services Division

EUR thousand	Q1 2011	Plan 2011	Q1 2010
Sales revenue	118,546	370,155	82,935
EBIT	3,218	9,099	2,950
EBIT Margin, %	2.7%	2.5%	3.6%



Graph 10: Quarterly dynamics of changes in sales revenue and EBIT margin at the EES Division

- Due to the specific nature of this Division's activity, particularly in the segment of energy management where the margins, given the nature of the operations (commission in trading with electric power), are low, the total **EBIT margin** at this Division is lower than at the HA Division and therefore decreases the Group's average margin. Compared to the core activity, the value of invested capital is lower; hence, the Division is improving the Gorenje Group's total **return on invested capital**.
- Division's profitability at the level of **contribution margin** as the difference between sales revenue and costs of goods and material fell by EUR 1,679 thousand or by 7.7% as the contribution margin dropped by 9.2 percentage points. In qualitative terms, the margin is lower by EUR 10,906 thousand; in quantitative terms, i.e. due to higher sales, the margin rose by EUR 9.227 thousand.

Negative change in the contribution margin at the observed level in the segment of energy management is the result of the general situation in the markets for electric power whose common denominator in the first quarter of the year, relative to the equivalent period last year, was notable decrease in profit margins. In the ecology segment, margins remained the same as in 2010 or dropped by up to 5 percentage points as a result of a transition from a period of fast growth of prices of secondary raw materials to a period of their moderate growth. In the segment of services and from the aspect of the Division as a whole, the most significant negative effect on the margins was brought about by the changes in profit margins in sales of coal which were, due to special circumstances of operations in 2010, notably higher than this year.

- **Labour cost efficiency** (economic productivity of labour) in the first quarter was improved regardless of the circumstances of lower profitability described above, rising from EUR 9,241 added value per employee to EUR 9,712, particularly due to high increase in sales revenue which increased the absolute amount of added value relative to the first quarter 2010, despite lower profitability and virtually the same number of employees. The share of labour costs in added value rose slightly from 62.6% to 63.0%. This means that development potential has been retained at the 2009 level. The number of employees at the division was decreased compared to the first quarter last year from 1,327 to 1,323.
- The dynamics of changes in other categories of **operating expenses** or **revenues** did not have any considerable effect on the drop in profitability at the level of EBIT relative to the equivalent period last year.
- **Composition of improvement in profitability** at the level of EBIT is as follows:

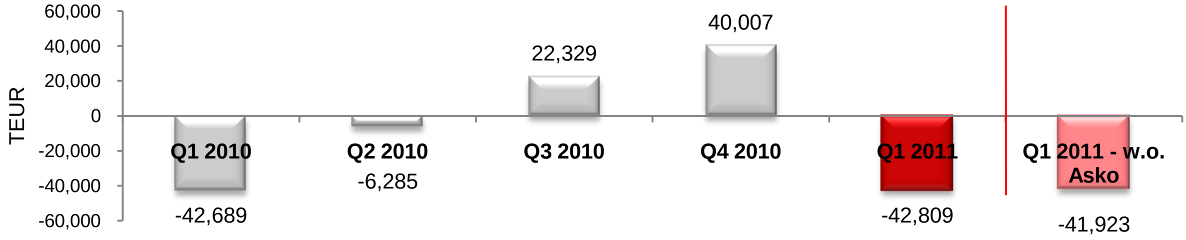
EUR thousand	Development
EBIT January – March 2010	**2,950**
Contribution margin at the level of costs of goods and material	-1,679
Costs of services	2,369
Labour costs	-470
Depreciation and amortization	61
Other operating expenses	-154
Other income	141
EBIT January – March 2011	**3,218**

Table 4: Development of effects of improvement in EES Division profitability at the level of EBIT

Gorenje Group financial performance

Free cash flow management

	EUR thousand	Q1 2011	Q1 2011 (w.o. Asko)	Q1 2010	Plan 2011
	Net profit	1,891	4,510	517	21,104
+	Depreciation and amortization	12,815	11,238	13,316	52,840
=	**Net cash flow**	**14,706**	**15,748**	**13,833**	**73,944**
-	CAPEX	-9,621	-8,388	-4,653	-40,433
-	Net working capital	-47,894	-49,283	-51,869	-4,377
	Change in inventories	-10,045	-9,362	-19,441	-4,531
	Change in trade receivables	14,560	10,359	-8,169	-8,443
	Change in trade payables	-52,409	-50,280	-24,259	8,597
=	**Free cash flow (narrow)**	**-42,809**	**-41,923**	**-42,689**	**29,134**

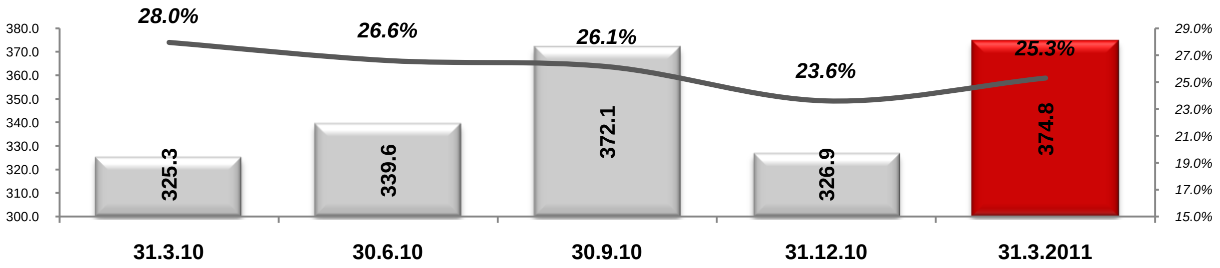


Graph 11: Dynamics of changes in free cash flow

- A look into the first quarter of this year reveals that we have generated a negative **free cash flow** in the amount of EUR 42,809 thousand, or in comparable terms, adjusting for Asko takeover, by EUR 41,923 thousand of negative free cash flow, which is similar as in the first quarter last year when negative free cash flow amounted to EUR 42,689 thousand. As customary for Gorenje Group operations, the most notable negative effect on free cash flow in the first quarter of the year was brought about by the change in net working capital, particularly a drop in trade payables. The effect of lower trade receivables was more favourable; however, it was offset for the most part by an increase in inventories.

- A major part of the negative deviation of free cash flow in the first quarter of this year pertains to the decrease in trade payables in the amount of EUR 52,409 thousand, or EUR 28,150 thousand more than in the equivalent period last year. Lower trade payables are related to the dynamics of purchasing which reflects the increased manufacturing output in the last quarter of 2010, and purchase of strategic raw materials. The biggest drop in trade payables was seen at the Home Appliance Division (EUR -43,670 thousand) and Ecology, Energy, and Services Division where the payables fell by EUR 8,252 thousand.

- Relative to the equivalent period last year, cash flow from changes in trade **receivables** was improved. In the first quarter of 2010, they decreased the free cash flow by EUR 8,169 thousand; this year, a decrease in the balance of receivables is increasing our cash flow by EUR 14,560 thousand.



Graph 12: Net current assets (in EUR million) and share in sales revenue (annually)

Other financial management activities

Apart from cash flow, financial management at the Gorenje Group was focused again on the measures to hedge the risks of the financial crisis.

- With regard to **financial risks**, sever macroeconomic situation led us to pay particular attention to efficient **credit risk** management which included stricter control of credit limits approved by credit insurance companies, and more committed collection of receivables.

- **Foreign exchange risks** to which Gorenje Group is exposed are hedged and minimized by natural cash flow balancing/hedging for each currency. Natural hedging is upgraded particularly in Eastern and South Eastern Europe by derivative financial instruments.

- **Risk of short-term liquidity** at the Group is managed by approved revolving credit lines by companies of Gorenje Group and cash deposited on our accounts at commercial banks. Undrawn part of short-term credit lines at the end of the first quarter amounted to EUR 90,704 thousand and cash in current accounts amounted to EUR 30,936 thousand. In addition to available short-term approved credit lines, the Group also has available a part of approved long-term loans in the amount of EUR 41,074 thousand at the end of the first quarter.

- **Total financial liabilities** as at March 31st 2011 amount to EUR 473,622 thousand, which is **EUR 10,325 thousand less than as at the end of the year before.** Compared to the equivalent period last year, we saw an increase in net financial liabilities by EUR 2,583 thousand.

- Compared to the end of last year, **net financial liabilities** (measured as financial liabilities minus cash and cash and cash equivalents) **rose by EUR 41,467 thousand**, mostly as a result of a **decrease in cash** and cash equivalents in our commercial bank accounts. Cash and cash equivalents deposited in commercial bank accounts dropped by EUR 51,792 thousand relative to the end of last year. Relative to the equivalent period last year, our net financial liabilities dropped by EUR 10,328.
- **Balance of borrowings** at Gorenje Group as at March 31st 2011 amounted to EUR 462,387 thousand, which is **EUR 928 thousand more than at the end of last year**. In the composition of total debt, long-term borrowings represent 51.0%; at the end of last year, they accounted for 55.0% of the Group's total borrowings. A drop in the share of long-term borrowings is a result of repayment of a part of long-term borrowings due for payment in the first quarter of 2011, and the decision not to draw on an approved loan by the International Finance Corporation.
- **Composition of financial liabilities by maturity took a slightly negative turn** in the first quarter of 2011 compared to the end of last year. Long-term financial liabilities thus represent 51.2% of total financial liabilities while their share at the end of last year was at 53.9%. The share of long-term borrowings dropped compared to the end of last year as a result of drawing of short-term revolving loans and the decision not to draw the already approved long-term loans; however, these will be drawn, consistently with the agreed dynamics, in the second quarter of 2011. In the second quarter of 2011, we are planning to draw the last tranche of the International Finance Corporation loan in the amount of EUR 41,074 thousand; in addition, were are conducting further activities in 2011 to improve the composition of financial liabilities by maturity.

Investment by divisions

EUR thousand	Q1 2011	Plan 2011	Q1 2010
HA Division	8,087	31,314	3,460
HI Division	322	1,500	261
EES Division	1,212	7,619	932
Total	**9,621**	**40,433**	**4,653**

- Majority of **investment**, amounting to **EUR 8,087 thousand** or **25.8% of the Division's Annual Plan**, was carried out **at the HA Division**; major part, amounting to EUR 3,023 thousand, was invested at the parent company for the projects of the refrigeration appliance program, heat pumps, and solar power plants. Other investments mostly pertain to the company Gorenje Tiki, d.o.o., Stara Pazova, and the companies of the Atag and Asko Groups; major part of investments there is represented by capitalized costs of new product development.
- At the **HI Division**, investments in the amount of **EUR 322** thousand represent **21.5% of the Annual plan**. Investment is entirely focused on technical, technological, and product restructuring of manufacturing and sales.
- At the **EES Division**, investments totalled at **EUR 1,212 thousand**, which represents **15.9% of the Annual Plan**. Predominant part of these investments was carried out at the company Publicus, d.o.o., for the project of setting up the infrastructure for sorting and bio-stabilization of waste, and at Gorenje Surovina, d.o.o., for the acquisition of machinery for production of alternative fuels made of remaining waste.

Summary of parent company performance

EUR thousand	Q1 2011	Plan 2011	Q1 2010
Sales revenue	**164,218**	**684,995**	**148,777**
EBITDA	**7,698**	**39,183**	**10,279**
EBITDA Margin (%)	*4.7%*	*5.7%*	*6.9%*
EBIT	**2,229**	**16,407**	**2,853**
EBIT Margin (%)	*1.4%*	*2.4%*	*1.9%*
PBT	**-255**	**12,082**	**823**
PAT	**201**	**11,579**	**79**
ROS *(net return on sales)*	*0.1%*	*1.7%*	*0.1%*
ROA *(net return on assets)*	*0.1%*	*1.4%*	*0.04%*
ROE *(net return on equity)*	*0.2%*	*3.5%*	*0.1%*
Employees / end of period	**4,463**	**4,460**	**4,762**
Employees / average	**4,453**	**4,509**	**4,783**

- **Sales revenue** at the parent company in the period January – March 2011 were higher compared to the equivalent period last year in **(1)** the segment of sales of products and services at the Home Appliance Division by EUR 9,688 thousand or 7.2%; and **(2)** in the segment of sales beyond the Home Appliance Division (activities of the Division Ecology, Energy, and Services at the parent company), by EUR 5,754 thousand or 43.3%; combined, sales were higher by EUR 15,442 thousand or 10.4 percent. The parent company generated the largest share of growth at the Ecology, Energy, and Services Division by sales of coal, the dynamics of which was quite different in 2011 than that attained in the first quarter of 2010.
- The level of **contribution margin (gross margin)** at the level of difference between sales revenue and costs of goods and material dropped by -5.1 percentage point or EUR -8,375 thousand. Increase in sales (scope of business activities) improved the profitability at this level by EUR 5,525 thousand. Total profitability at this level is thus lower by EUR -2,850 thousand, or -5.3%, which translates into a direct negative effect on net profitability at the parent company.
- The composition of improvement in profitability at the level of net profit from the contribution margin at the level of cost of goods and services is thus as follows:

EUR thousand	Development
Net profit January – March 2010	**79**
Contribution margin at the level of costs of goods and material	-2,934
Costs of services	-44
Labour costs	166
Depreciation and amortization	1,957
Other operating expenses	-411
Other operating income	644
Net financial result	-456
Corporate income tax and deferred income tax	1,200
Net profit January – March 2011	**201**

Table 5: Development of effects of improvement of parent company profitability at the level of net profit

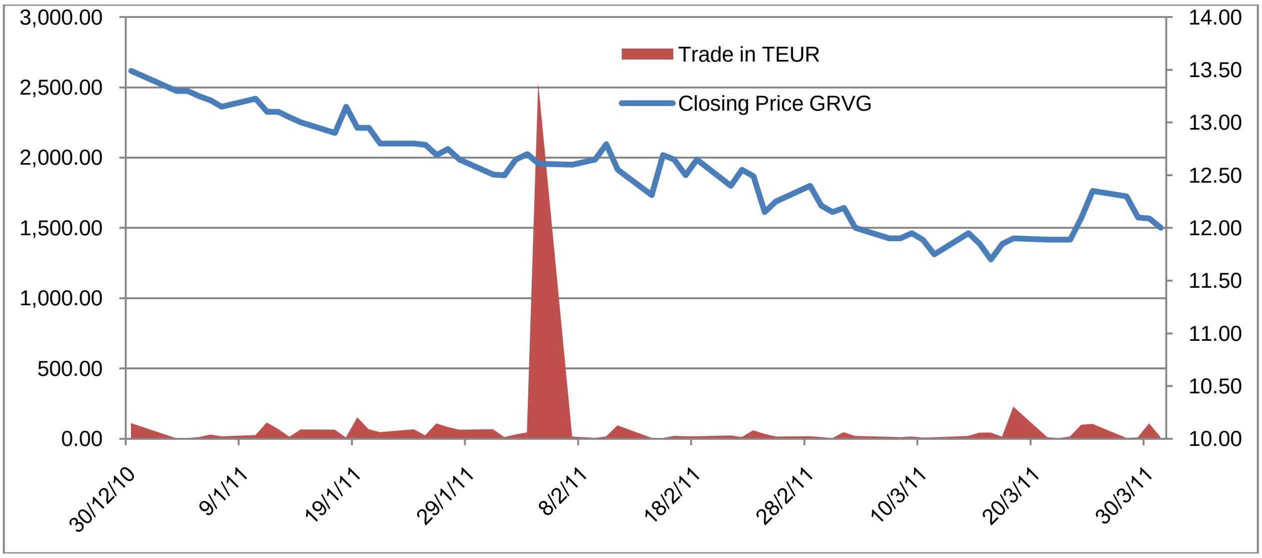
- Since the parent company has a decisive influence on all categories of profitability at the Home Appliance Division and the Gorenje Group, all major disclosures of reasons for dynamics of change in particular categories of profitability were already given in the performance analysis for the Home Appliance Division and the Group as a whole.

Ownership and GRVG share

- Articles of Association of the company Gorenje, d.d., do not include any provisions that would render invalid the proportionality of rights from shares such as minority interest rights or restriction of voting rights; nor does it include any resolutions on conditional capital increase.
- As at March 31st 2011, 20,208 shareholders were entered in the share register, which is 2.0 percent less than at the end of 2010 (20,627).

Ten largest shareholders	Number of shares	Share in %
KAPITALSKA DRUŽBA, D.D.	3,534,615	22.2207%
IFC	1,876,876	11.7991%
HOME PRODUCTS EUROPE B.V.	1,070,000	6.7267%
INGOR, d.o.o., & co. k.d.	794,473	4.9945%
KD GALILEO	564,984	3.5518%
EECF AG	411,727	2.5884%
RAIFFEISEN BANK INTERNATIONAL AG (RBI)	383,038	2.4080%
PROBANKA, d.d.	379,706	2.3871%
TRIGLAV VZAJEMNI SKLADI (MUTUAL FUNDS)	297,090	1.8677%
KD RASTKO	232,593	1.4622%
TEN LARGEST SHAREHOLDERS COMBINED:	**9,545,102**	**60.0061%**
OTHER SHAREHOLDERS	6,361,774	39.9939%
TOTAL	**15,906,876**	**100%**

- The number of **treasury shares** as at March 31st 2011 remains the same as at the last day of 2010, at 121,311 shares, which is 0.7626 percent of total share capital.
- The number of shares held by **Supervisory Board members (3,208)** did not change relative to December 31st 2010. The number of shares held by **Management Board members**, however, did change as a result of termination of office of Management Board member Mrs. Mirjana Dimc Perko as of January 1st 2011, from 13,230 (December 31st 2010) to 13,134 shares.
- **Closing price per share** as at March 31st 2011 amounted to EUR 12.00, which is 11.0% lower than on the last trading day in 2010 (EUR 13.49) In the same period, the prime market index SBITOP dropped by 2.1%.
- **Net earnings per share** calculated as the ratio between net income (annually) and the number of shares outstanding, i.e. total shares issued minus the average number of treasury shares held by the company (15,785,565 shares) amounts to EUR 0.05 (EUR 0.20 in 2010).
- **Book value per GRVG share** as at March 31st 2011 amounts to EUR 20.90 (EUR 21.04 as at December 31st 2010), It is calculated as the ratio between book value of ordinary share capital and the number of shares issued minus the number of treasury shares as at March 31st 2011 (15,785,565 shares).
- **The ratio between market and book value per GRVG share** amounts to 0.57 (0.64 as at December 31st 2010).
- According to the adopted Gorenje Group **dividend policy** for the period 2010-2013, up to one third of the Group's net income shall be allocated for dividend payment each year. Due to the onset of the economic crisis which has had a strong impact on our operations since the last quarter of 2008, no dividends were paid out in 2009 for the year 2008. Similarly, dividends were not paid in 2010, due to the loss incurred in 2009. For 2011, company Management Board and Supervisory Board proposed to the Shareholders Assembly to adopt the resolution not to pay out any dividends for the year 2010 due to the uncertainty regarding the pending increase in the prices of raw materials.



Graph 13: Closing price per GRVG share and daily turnover for the period January-March 2011

Events after the reporting period

- At their 10th session held on April 19th 2011, the Supervisory Board acknowledged the resignation of Mr. Franc Košec, Management Board member co-responsible for the Home Appliance Division and in charge of the machine building and tool-making operations. Mr. Košec terminated his term prematurely upon his own request for health-related reasons. Until the expiry of their term on July 18th 2013, Gorenje Management Board shall continue to consist of five members.

There were no other major events after the reporting date for the statement of financial position, i.e. March 31st 2011.

Major business events

- **Entering to the new markets:**

  Gorenje established cooperation with one of the leading real estate developers in Hong Kong, the Henderson Land Development Co. Apartments in "The Gloucester" high-rise building currently developed by the Hong Kong company and scheduled for completion by the end of next year will be equipped with Gorenje's designer line appliances.

- **Implementation of the Brand Name Strategy:**

  This spring, Gorenje is introducing a new brand to select European markets: the Gorenje+ High-end built-in kitchen appliances developed especially for this brand are aiming to boost Gorenje's presence in the distribution channel of specialized kitchen studios which allow a higher return on sales.

ACCOUNTING REPORT

Fundamental accounting policies and notes to financial statements

- Non-audited consolidated financial statements of the Gorenje Group for the period January-March 2011 were compiled in compliance with the Companies Act, International Financial Reporting Standards (IFRS) as announced by the International Accounting Standards Boards, interpreted by the International Financial Reporting Interpretations Committee (IFRIC), and adopted by the European Union.
- Non-audited financial statements of the company Gorenje, d.d., for the period January-March 2011 were compiled in compliance with the Companies Act and the International Financial Reporting Standards (IFRS). Transition to and implementation of IFRS was confirmed by the Gorenje, d.d., Shareholders Assembly at their 9th meeting held on June 29th 2006.
- Pursuant to the accounting policies, the company Gorenje, d.d., does not report by business segments as these are reported by in the consolidated report of the Gorenje Group.
- Comparable information is materially harmonized with the presentation of information during the year. Were necessary, comparable information was adjusted in such way that they matched the presentation of information for the current year.

In the period January-March 2011, Gorenje Group comprised the parent company Gorenje, d.d., and 75 subsidiaries operating in Slovenia and abroad, and 26 jointly controlled companies.

Changes in the composition of the Gorenje Group

The following changes occurred in the composition of the Gorenje Group up to and including the last day of March 2011:

- As of January 10th 2011, the company Gorenje Gospodinjski aparati, d.d., is the sole partner and 100% owner of the company Gorenje Tiki, d.o.o., Stara Pazova.
- The companies GORENJE HOME, D.O.O., Belgrade, and ORSES D.O.O., Belgrade, were founded on February 16th and 17th, respectively. The company Gorenje, d.d., is the 100% shareholder of both companies.

In addition to the parent company Gorenje, d.d., the following companies were included in the consolidated financial statements of the Gorenje Group:

Companies operating in Slovenia		Shareholding in %	Division
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	HA
2.	Gorenje GTI, d.o.o., Velenje	100.00	EES
3.	Gorenje Notranja oprema, d.o.o., Velenje	99.98	HI
4.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	EES
5.	ENERGYGOR, d.o.o., Velenje	100.00	EES
6.	KEMIS, d.o.o., Vrhnika	100.00	EES
7.	Gorenje Orodjarna, d.o.o., Velenje	100.00	HA
8.	ZEOS, d.o.o., Ljubljana	51.00	EES
9.	ISTRABENZ GORENJE, d.o.o., Nova Gorica	48.686	EES
10.	GEN-I, d.o.o., Krško	24.343	EES
11.	Istrabenz investicijski inženiring, d.o.o., Nova Gorica	48.686	EES
12.	Gorenje Surovina, d.o.o., Maribor	99.75	EES
13.	Indop, d.o.o., Šoštanj	100.00	HA
14.	ERICo, d.o.o., Velenje	51.00	EES
15.	Istrabenz Gorenje inženiring, d.o.o., Ljubljana	48.686	EES
16.	Gorenje Projekt, d.o.o., Ljubljana	50.00	EES
17.	Gorenje design studio, d.o.o., Velenje	52.00	HA
18.	Istrabenz Gorenje energetsko svetovanje, d.o.o., Nova Gorica	48.686	EES
19.	PUBLICUS, d.o.o., Ljubljana	51.00	EES
20.	IG AP, d.o.o., Kisovec	48.686	EES
21.	EKOGOR, d.o.o., Jesenice	26.00	EES
22.	Gorenje GAIO, d.o.o, Šoštanj	100.00	EES
23.	Vitales RTH, d.o.o., Trbovlje	24.343	EES

	Companies operating abroad	Shareholding in %	Division
1.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	HA
2.	Gorenje Austria Handelsgesellchaft m.b.H., Austria	100.00	HA
3.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	HA
4.	Gorenje Körting Italia S.r.l., Italy	100.00	HA
5.	Gorenje France S.A.S., France	100.00	HA
6.	Gorenje BELUX S.a.r.l., Belgium	100.00	HA
7.	Gorenje Espana, S.L., Spain	100.00	HA
8.	Gorenje UK Ltd., Great Britain	100.00	HA
9.	Gorenje Skandinavien A/S, Denmark	100.00	HA
10.	Gorenje AB, Sweden	100.00	HA
11.	Gorenje OY, Finland	100.00	HA
12.	Gorenje AS, Norway	100.00	HA
13.	Gorenje spol. s r.o., Czech Republic	100.00	HA
14.	Gorenje real spol. s r.o., Czech Republic	100.00	HA
15.	Gorenje Slovakia s.r.o., Slovakia	100.00	HA
16.	Gorenje Budapest Kft., Hungary	100.00	HA
17.	Gorenje Polska Sp. z o.o., Poland	100.00	HA
18.	Gorenje Bulgaria EOOD, Bulgaria	100.00	HA
19.	Gorenje Zagreb, d.o.o., Croatia	100.00	HA
20.	Gorenje Skopje, d.o.o., Macedonia	100.00	HA
21.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	HA
22.	Gorenje, d.o.o., Serbia	100.00	HA
23.	Gorenje Podgorica , d.o.o., Montenegro	99.972	HA
24.	Gorenje Romania S.R.L., Romania	100.00	HA
25.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	HA
26.	Mora Moravia s r.o., Czech Republic	100.00	HA
27.	Gorenje - kuchyně spol. s r.o., Czech Republic	99.98	HI
28.	Kemis-Termoclean, d.o.o., Croatia	100.00	EES
29.	Kemis - BH, d.o.o., Bosnia and Herzegovina	100.00	EES
30.	Gorenje Studio, d.o.o., Serbia	100.00	HA
31.	Gorenje Gulf FZE, United Arab Emirates	100.00	HA
32.	Gorenje Tiki, d.o.o., Serbia	100.00	HA
33.	GEN-I Zagreb, d.o.o., Croatia	24.343	EES
34.	Intrade energija, d.o.o., Bosnia and Herzegovina	24.83	EES
35.	Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	48.686	EES
36.	Gorenje Istanbul Ltd., Turkey	100.00	HA
37.	Sirovina d.o.o., Bačka Palanka, Serbia	99.75	EES
38.	Gorenje TOV, Ukraine	100.00	HA
39.	Vitales, d.o.o., Bihać, Bosnia and Herzegovina	48.686	EES
40.	GEN-I, d.o.o, Belgrade, Serbia	24.343	EES
41.	Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	24.343	EES
42.	ST Bana Nekretnine, d.o.o., Serbia	100.00	EES
43.	GEN-I Budapest, Kft., Hungary	24.343	EES
44.	Kemis Valjevo, d.o.o, Serbia	100.00	EES
45.	Kemis – SRS, d.o.o., Bosnia and Herzegovina	100.00	EES
46.	ATAG Europe BV, Netherlands	100.00	HA
47.	ATAG Nederland BV, Netherlands	100.00	HA

48.	ATAG België NV, Belgium	100.00	HA
49.	ATAG Financiele Diensten BV, Netherlands	100.00	HA
50.	ATAG Financial Solutions BV, Netherlands	100.00	HA
51.	Intell Properties BV, Netherlands	100.00	HA
52.	ATAG Special Product BV, Netherlands	100.00	HA
53.	Gorenje Nederland BV, Netherlands	100.00	HA
54.	Gorenje Kazakhstan, TOO, Kazakhstan	100.00	HA
55.	Gorenje kuhinje, d.o.o., Ukraine	69.986	HI
56.	Vitales Energie Biomasse S.r.l., Italy	32.78	EES
57.	Vitales Čakovec, d.o.o., Croatia	48.686	EES
58.	»Euro Lumi & Surovina« SH.P.K., Kosovo	39.93	EES
59.	GEN-I d.o.o., Sarajevo, Bosnia and Herzegovina	24.343	EES
60.	GEN-I DOOEL Skopje, Macedonia	24.343	EES
61.	GEN-I Athens SMLLC, Greece	24.343	EES
62.	GEN-I Tirana Sh.p.k., Albania	24.343	EES
63.	OOO Gorenje BT, Russia	100.00	HA
64.	Vitales inženjering, d.o.o., Prijedor, Bosnia and Herzegovina	24.343	EES
65.	GEN-I Bucharest, Romania	24.343	EES
66.	Gorenje GTI, d.o.o. Belgrade, Serbia	100.00	EES
67.	Asko Appliances AB, Sweden	100.00	HA
68.	Asko Hvitevarer AS, Norway	100.00	HA
69.	AM Hvidevarer A/S, Denmark	100.00	HA
70.	Asko Appliances Inc, United States of America	100.00	HA
71.	Asko Appliances Pty, Australia	100.00	HA
72.	Asko Appliances OOO, Russia	100.00	HA
73.	»Gorenje – Albania« SH.P.K., Albania	100.00	HA
74.	GEN-I Sofia SpLLC, Bulgaria	24.343	EES
75.	GEN-I Milano S.r.l., Italy	24.343	EES
76.	GEN-I Vienna GmbH, Austria	24.343	EES
77.	GORENJE HOME DOO Belgrade, Serbia	100.00	HA
78.	ORSES, d.o.o., Belgrade, Serbia	100.00	EES

HA – Home Appliance Division
HI – Home Interior Division
EES – Ecology, Energy, and Services Division

Representative offices of the company Gorenje, d.d., abroad:

- Moscow (Russian Federation)
- Krasnoyarsk (Russian Federation)
- Kiev (Ukraine)
- Athens (Greece)
- Shanghai (China)
- Almaty (Kazakhstan)
- Chişinău (Moldova)

Non-audited consolidated financial statements of the Gorenje Group

Consolidated Statement of Financial Position of the Gorenje Group

EUR thousand	31 Mar 2011	%	31 Dec 2010	%	31 Mar 2010	%
ASSETS	**1,259,470**	**100.0%**	**1,317,754**	**100.0%**	**1,174,848**	**100.0%**
Non-current assets	**564,106**	**44.8%**	**563,435**	**42.8%**	**565,530**	**48.1%**
Intangible assets	160,429	12.8%	160,161	12.2%	160,523	13.6%
Property, plant, and equipment	375,710	29.8%	375,400	28.5%	375,797	32.0%
Investment property	4,613	0.4%	4,518	0.3%	7,848	0.7%
Non-current financial investments	5,416	0.4%	5,313	0.4%	6,495	0.5%
Deferred tax assets	17,938	1.4%	18,043	1.4%	14,867	1.3%
Current assets	**695,364**	**55.2%**	**754,319**	**57.2%**	**609,318**	**51.9%**
Assets classified as held for sales	354	0.0%	1,066	0.1%	1,099	0.1%
Inventories	267,638	21.2%	257,593	19.5%	237,422	20.2%
Current investments	40,390	3.2%	48,002	3.6%	53,999	4.6%
Trade receivables	291,724	23.2%	306,284	23.2%	259,909	22.1%
Other current assets	64,322	5.1%	58,646	4.5%	38. 864	3.3%
Cash and cash equivalents	30,936	2.5%	82,728	6.3%	18,025	1.6%
EQUITY AND LIABILITIES	**1,259,470**	**100.0%**	**1,317,754**	**100.0%**	**1,174,848**	**100.0%**
Equity	**394,987**	**31.4%**	**392,096**	**29.8%**	**365,546**	**31,1%**
Share capital	66,378	5.3%	66,378	5.0%	58,546	5.0%
Capital surplus (share premium)	175,575	13.9%	175,575	13.4%	158,487	13.5%
Legal and statutory reserves	21,990	1.7%	21,990	1.7%	21,697	1.8%
Retained earnings	109,213	8.7%	107,382	8.1%	98,202	8.4%
Own shares	-3,170	-0.3%	-3,170	-0.2%	-3,170	-0.3%
Translation reserve	12,266	1.0%	8,842	0.7%	15,432	1.3%
Fair value reserve	10,892	0.9%	13,294	1.0%	10,168	0.9%
Equity attributable to equity holders of the parent	**393,144**	**31.2%**	**390,291**	**29.7%**	**359,362**	**30.6%**
Minority interest	**1,843**	**0.2%**	**1,805**	**0.1%**	**6,184**	**0.5%**
Non-current liabilities	**336,240**	**26.7%**	**356,027**	**27.0%**	**326,118**	**27.8%**
Provisions	87,618	6,9%	88,167	6.7%	64,801	5.5%
Deferred income	975	0.1%	866	0.1%	1,195	0.1%
Deferred tax liabilities	4,941	0.4%	6,062	0.4%	5,269	0.5%
Non-current financial liabilities	242,706	19.3%	260,932	19.8%	254,853	21.7%
Current liabilities	**528,243**	**41.9%**	**569,631**	**43.2%**	**483,184**	**41.1%**
Current financial liabilities	230,916	18.3%	223,015	16.9%	216,186	18.4%
Trade payables	184,611	14.7%	237,020	18.0%	172,037	14.6%
Other current liabilities	112,716	8.9%	109,596	8.3%	94,961	8.1%

Consolidated Income Statement of the Gorenje Group

EUR thousand	Jan-Mar 2011	%	Plan 2011	%	Jan-Mar 2010	%	11/10	Plan real.
Revenue	370,218	93.7%	1,547,964	98.7%	290,951	93.0%	127.2	23.9
Changes in inventories	17,128	4.3%	2,317	0.2%	18,008	5.7%	95.1	739.2
Other operating income	7,847	2.0%	17,487	1.1%	3,987	1.3%	196.8	44.9
Gross profit	**395,193**	**100.0%**	**1,567,768**	**100.0%**	**312,946**	**100.0%**	**126.3**	**25.2**
Costs of goods, materials, and services	-302,107	-76.4%	-1,165,137	-74.3%	-232,980	-74.4%	129.7	25.9
Other operating expenses	-4,300	-1.1%	-18,853	-1.2%	-3,690	-1.2%	116.5	22.8
ADDED VALUE	**88,786**	**22.5%**	**383,778**	**24.5%**	**76,276**	**24.4%**	**116.4**	**23.1**
Employee benefits expense	-67,103	-17.0%	-276,364	-17.6%	-55,193	-17.6%	121.6	24.3
EBITDA	**21,683**	**5.5%**	**107,414**	**6.9%**	**21,083**	**6.8%**	**102.8**	**20.2**
Amortization and depreciation expense	-12,815	-3.3%	-52,840	-3.4%	-13,316	-4.3%	96.2	24.3
EBIT	**8,868**	**2.2%**	**54,574**	**3.5%**	**7,767**	**2.5%**	**114.2**	**16.2**
Finance income	5,299	1.3%	7,992	0.5%	4,263	1.3%	124.3	66.3
Finance expenses	-11,293	-2.8%	-35,748	-2.3%	-9,768	-3.1%	115.6	31.6
Profit or loss before income tax	**2,874**	**0.7%**	**26,818**	**1.7%**	**2,262**	**0.7%**	**127.1**	**10.7**
Income tax expense	-983	-0.2%	-5,714	-0.4%	-1,745	-0.5%	56.3	17.2
Profit or loss for the period	**1,891**	**0.5%**	**21,104**	**1.3%**	**517**	**0.2%**	**365.8**	**9.0**
Attributable to minority interest	**60**	**0.0%**	**347**	**0.0%**	**103**	**0.1%**	**58.3**	**17.3**
Attributable to equity holders of the parent	**1,831**	**0.5%**	**20,757**	**1.3%**	**414**	**0.1%**	**442.3**	**8.8**
Basic and diluted earnings per share (in EUR)	**0.46**		**1.31**		**0.12**		**389.7**	**35.3**

Statement of Comprehensive Income of the Gorenje Group

EUR thousand	Jan-Mar 2011	Jan-Mar 2010
Net profit or loss for the period	**1,891**	**517**
Other comprehensive income		
Net change in fair value of available-for-sales financial assets	-20	-82
Net change in fair value of available-for-sales financial assets transferred to profit or loss		
Change in the effective portion of gains and losses on hedging instruments in a cash flow hedge	-3,014	-3,201
Change in the effective portion of gains and losses on hedging instruments in a cash flow hedge transferred to profit or loss	32	
Income tax on other comprehensive income	600	629
Translation reserve	3,424	-1,973
Other comprehensive income for the period	**1,022**	**-4,627**
Total comprehensive income for the period	**2,913**	**-4,110**
Attributable to equity holders of the parent	2,853	-4,213
Attributable to minority interest	60	103

- **Notes to major items of the Statement of Comprehensive Income are given in notes to the Gorenje Group Financial Report**

Consolidated Statement of Cash Flows of the Gorenje Group

EUR thousand	Jan-Mar 2011	Jan-Mar 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**1,891**	**517**
Adjustments for:		
Depreciation of property, plant and equipment	11,099	11,578
Amortization of intangible assets	1,716	1,738
Investment income	-5,299	-4,263
Finance expenses	11,293	9,768
Gain on sales of property, plant and equipment	-172	-152
Income tax expense	983	1,745
Operating profit before changes in net operating current assets and provisions	**21,511**	**20,931**
Change in trade and other receivables	8,893	-12,775
Change in inventories	-10,045	-19,441
Change in provisions	-440	2,627
Change in trade and other liabilities	-49,435	-20,839
Cash generated from operations	**-51,027**	**-50,428**
Interest paid	-5,407	-5,060
Income taxes paid	-1,616	-1,745
Net cash from operating activities	**-36,539**	**-36,302**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	189	167
Proceeds from sales of available-for-sales investments	0	1,140
Interest received	759	683
Dividends received	3	8
Acquisition of property, plant and equipment	-7,800	-3,908
Acquisition of other investment	6,760	11,055
Acquisition of intangible assets	-1,821	-745
Net cash used in investing activities	**-1,910**	**8,400**
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings/Repayment of borrowings	-13,343	18,797
Net cash used in financing activities	**-13,343**	**18,797**
Net increase in cash and cash equivalents	-51,792	-9,105
Cash and cash equivalents at beginning of period	82,728	27,130
Cash and cash equivalents at end of period	30,936	18,025

Statement of Changes in Equity of the Gorenje Group

EUR thousand	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Own shares	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance at 1 Jan 2011	**66,378**	**175,575**	**21,990**	**107,382**	**-3,170**	**8,842**	**13,294**	**390,291**	**1,805**	**392,096**
Total comprehensive income for the period										
Net profit for the period				1,831				**1,831**	**60**	**1,891**
Total other comprehensive income						3,424	-2,402	**1,022**		**1,022**
Total comprehensive income for the period	**0**	**0**	**0**	**1,831**	**0**	**3,424**	**-2,402**	**2,853**	**60**	**2,913**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Capital increase										
Payment of dividends										
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Disposal of subsidiary										
Acquisition of non-controlling interest									**-22**	**-22**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-22**	**-22**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**-22**	**-22**
Closing balance at 31 Mar 2011	**66,378**	**175,575**	**21,990**	**109,213**	**-3,170**	**12,266**	**10,892**	**393,144**	**1,843**	**394,987**

EUR thousand	Share capital	Capital surplus (share premium)	Legal and statutory reserves	Retained earnings	Own shares	Translation reserve	Fair value reserve	Equity attributable to equity holders of the parent	Minority interest	Total
Opening balance at 1 Jan 2010	**58,546**	**158,487**	**21,697**	**97,788**	**-3,170**	**17,405**	**12,822**	**363,575**	**6,069**	**369,644**
Total comprehensive income for the period										
Net profit or loss for the period				414				**414**	**103**	**517**
Total other comprehensive income						-1,973	-2,654	**-4,627**	0	**-4,627**
Total comprehensive income for the period	**0**	**0**	**0**	**414**	**0**	**-1,973**	**-2,654**	**-4,213**	**103**	**-4,110**
Transactions with owners (when acting as owners) recognised directly in equity										
Contributions by owners and distributions to owners										
Payment of dividends										
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Changes in ownership interests in subsidiaries that do not result in a loss of control										
Acquisition of non-controlling interest									**12**	**12**
Total changes in ownership interests in subsidiaries	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**12**	**12**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**12**	**12**
Closing balance at 31 Mar 2010	**58,546**	**158,487**	**21,697**	**98,202**	**-3,170**	**15,432**	**10,168**	**359,362**	**6,184**	**365,546**

Notes to Gorenje Group financial statements

Income Statement

- **Revenue** in the period January-March 2011 are higher by EUR 79,267 thousand or by 27.2% relative to the equivalent period last year; in comparable terms (elimination of the Asko Group), revenues are higher by EUR 41,908 thousand or 14.4%. The increase is a result of high growth (42.9%) of revenue at the Ecology, Energy, and Services Division, and 22.2-percent growth at the Home Appliance Division (EUR 37,359 thousand or 18.7 percentage points due to the effect of the Asko Group) while revenue from the Home Interior Division lagged behind the revenues of last year's equivalent period by 7.7%.
- **Other income**, amounting to EUR 7,847 thousand and pertaining to revenues from grants and subsidies (EUR 2,707 thousand), revenues from reversal of provisions (EUR 2,291 thousand), revenues from rents and leases (EUR 313 thousand), revenues from indemnities and damages (EUR 152 thousand), revenues pertaining to the Waste Electric and Electronic Equipment Directive (EUR 240 thousand), proceeds from disposal of fixed assets (property, plant, and equipment, EUR 172 thousand), and other income (EUR 1,972 thousand).
- The dynamics of growth of **costs of goods, material, and services** was higher than the growth of gross profit from operations (total operating revenue) and revenue, which is mostly a result of restructuring of the sales assortment (higher share lower priced products in total sales) and increased in price of raw and processed material.
- Considering comparable figures without the effect of the Asko Group, costs of services were cut relative to the equivalent period last year by EUR 2,402 thousand or 5.6% as a result of optimization of operating activities, and also as a result lot lower sales of medical equipment. On the other hand, costs of material and merchandise (goods) sold rose somewhat faster than scope of operating activities.
- **Labour costs** were higher by EUR 11,910 thousand or 21.6% relative to the equivalent period last year, which is entirely the result of Asko Group takeover. In the composition of gross profit, their share dropped from 17.6% to 17.0%, or to 15.6% in comparable terms. Labour costs per employee are higher by 17.8% relative to equivalent period last year; in comparable terms, they are higher by 4.9%.
- Predominant part of **other expenses** pertains to costs related to the Waste Electric and Electronic Equipment Directive (EUR 1,907 thousand) and lump-sum charges, i.e. charges independent of income (EUR 908 thousand).
- **Added value per employee** rose by 12.8% to EUR 8,125. In comparable terms, the figure is higher by 5.8%.
- **Negative result from financing operations** is higher than in the equivalent period last year by EUR 489 thousand; considering comparable figures, it is lower by EUR 291 thousand. The figure was negatively affected by lower result from currency translation differences, and favourably affected by the values of other financial changes, particularly impairment loss on trade receivables.

EUR thousand	Jan-Mar 2011	Jan-Mar 2010	11/10
Dividend revenue	3	8	37.5
Interest revenues*	799	873	91.5
Revenue from revaluation (positive currency translation differences)**	199	1,233	16.1
Other finance income	4,298	2,149	200.0
Total finance income	**5,299**	**4,263**	**124.3**
Interest and similar expense	5,420	5,270	102.8
Expenses from revaluation (negative currency translation differences)**	1,913	554	345.3
Other finance expenses	3,960	3,944	100.4
Total finance expenses	**11,293**	**9,768**	**115.6**
Dividend result	3	8	37.5
Interest result	-4,621	-4,397	105.1
Revaluation result	-1,714	679	/
Result from other financing operations	338	-1,795	/
Total financial result	**-5,994**	**-5,505**	**108.9**

including revenue (expense) from interest rate hedging
****including revenue (expense) from foreign exchange hedging***

- **Corporate income tax** amounted to EUR 983 thousand, which is lower by EUR 762 thousand compared to the equivalent period last year, particularly due to more favourable taxation of development costs at the company Atag.

Statement of Comprehensive Income

- Statement of Comprehensive Income reports net effect of impairments and value increases to available-for-sales financial investments in the amount of EUR 20 thousand; negative effect of interest rate hedging in the amount of EUR 3,014 thousand (effect of interest rate swap deals); part of the interest rate hedging costs (interest rate swap deals) in the amount of EUR 32 thousand that has already been included in the net profit of the first three months, but is required to be reported separately in the statement of comprehensive income and thus has a positive value pursuant to provisions of IAS1; and deferred taxes in the amount of EUR 600 thousand pertaining to the previously stated transactions.

Statement of Financial Position

- **Balance sheet total** as at the end of March amounted to EUR 1,259,470 thousand. In the composition of assets, the share of non-current assets as at the end of March amounted to 44.8%, which is 2 percentage points higher than as at the end of 2010.
- **Total inventories** increased by EUR 10,045 thousand, or 3.9% compared to the end of December; the increase mostly pertains to inventories of products at the HA Division as a result of year-on-year dynamics of manufacturing and sales activities. Compared to the balance as at the end of comparable period last year, inventory is higher by EUR 30,216 thousand or 12.7%, which is a result of higher volume of operations in the first three months of this year, and the integration of the Asko Group into Gorenje Group.

EUR thousand	31 Mar 2011	31 Dec 2010	31 Mar 2010	31 Mar 2011/ 31 Mar 2010	31 Mar 2011/ 31 Dec 2010
Material	73,107	79,380	64,589	113.2	92.1
Work in progress	17,822	18,960	29,273	60.9	94.0
Products	131,036	112,770	112,930	116.0	116.2
Merchandise	42,442	44,845	27,638	153.6	94.6
Advance	3,231	1,638	2,992	108.0	197.3
Total	**267,638**	**257,593**	**237,422**	**112.7**	**103.9**

Turnover of products, relative to the entire year 2010, were extended by three days; relative to equivalent period last year, they are shorter by two days.

	Jan-Mar 2011	Jan-Dec 2010	Jan-Mar 2010
Turnover of products	30	27	32
Turnover of trade receivables	73	73	79
Turnover of trade payables	63	75	71

- Predominant part of decrease in the value of **current financial investments** pertains to the fall in short-term loans granted.
- **Trade receivables** are lower than as at the end of 2010 by EUR 14,560 thousand; relative to the equivalent period last year, they are higher by EUR 31,815 thousand, which is partly the result of integration of the Asko Group into Gorenje Group (EUR 21,547 thousand), and partly the result of higher scope of operating activities.

  Turnover of trade receivables were reduced from 79 to 73 days relative to the equivalent period last year; compared to the year 2010, the period remained unchanged.
- **Equity** was nominally increased by the amount of net profit for the period, and the amount of fair value reserves from deferred income tax liabilities and increase in currency translation reserve; on the other hand, it was decreased by the drop in the fair value reserve for revaluation of available-for-sales financial investments, and by the change in the value of cash flow hedge.
- **Provisions** were decreased by EUR 440 thousand relative to the end of 2010, mostly due to reversal of provisions for integration activities at the Asko Group in the amount of EUR 1,000 thousand.

- Non-current **financial liabilities** decreased by EUR 18,226 thousand or by 7.0% relative to the end of 2010, while the current financial liabilities increased by EUR 7,901 thousand or 3.5%. As at the end of March, financial liabilities represented 37.6% of total liabilities, which is 0.9 percentage point more than as at the end of 2010.
- Compared to the end of 2010, **trade payables** are lower by EUR 52,409 thousand, mostly due to adjustment of the purchasing volumes to the requirements of production, and higher scope of accrued, but not yet charged costs by suppliers, reported among other current payables.

  Turnover of trade payables were reduced by 12 days relative to the entire year 2010; compared to the equivalent period last year, the decrease is 8 days.
- **Other current liabilities**, including particularly current liabilities to employees and the government and other institutions, current liabilities for early or advance payments, and accrued costs or expenses, rose relative to the end of 2010, mostly due to an increase in the level of operating cost or expense accruals in interim financial reporting.

Cash flow statement

- Total **cash flow from operating activities** was negative. It was positively affected by depreciation and amortisation and net profit, while increase in net working assets bore a negative impact.
- **Cash flow from investing activities** was negative, predominantly due to acquisition of property, plant and equipment and intangible assets, despite the notably positive effect of the repayment of short-term loans given.
- **Cash flow from financing** was negative due to repayment of non-current financial liabilities.

Gorenje Group geographical and business segments

EUR thousand	Home Appliances		Home Interior		Ecology, Energy, and Services		Group	
	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010
Revenue from the sales to third parties	244,149	199,868	7,523	8,148	118,546	82,935	370,218	290,951
Inter-Division sales	1,885	1,518	1,967	2,702	3,656	2,993	7,508	7,213
Interest income	735	762	1	7	63	104	799	873
Interest expenses	5,018	4,824	27	25	375	421	5,420	5,270
Amortisation and depreciation expense	10,818	11,262	463	459	1,534	1,595	12,815	13,316
Profit or loss before income tax	635	756	-1,823	-1,540	4,062	3,046	2,874	2,262
Income tax							983	1,745
Net profit or loss for the period							1,891	517

EUR thousand	West		East		Rest of world		Group	
	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010	Jan-Mar 2011	Jan-Mar 2010
Revenue from the sales to third parties	137,233	107,213	209,649	171,981	23,336	11,757	370,218	290,951

Financial indicators

	Jan-Mar 2011	Plan 2011	Jan-Mar 2010
INDICATORS OF PROFITABILITY			
Net return on sales (ROS)	0.5%	1.4%	0.2%
Net return on assets (ROA)	0.6%	1.7%	0.2%
Net return on equity (ROE)	1.9%	5.3%	0.6%
ASSET INDICATORS			
Asset turnover ratio	1.15	1.23	0.99
Inventory turnover ratio	5.64	5.98	5.11
Current trade receivables turnover ratio	4.95	4.88	4.55
INVESTMENT INDICATORS			
Fixed assets (PPE) to total assets	0.43	0.41	0.46
Long-term assets to total assets	0.45	0.45	0.48
INDICATORS OF FINANCIAL COMPOSITION			
Long-term coverage of non-current assets	1.30	1.32	1.22
Equity to total liabilities	0.31	0.33	0.31
Long-term to total liabilities	0.58	0.59	0.59
Equity to fixed assets (carrying value)	0.74	0.79	0.68
Quick ratio (liquid assets to short-term liabilities)	0.14	0.14	0.15
(Liquid assets plus + current receivables) to current liabilities	0.81	0.84	0.77
Current ratio	1.32	1.34	1.26
Net financial liabilities to equity	1.02	0.90	1.09
OPERATING PERFORMANCE INDICATORS			
Operating revenue to operating expenses	1.02	1.04	1.03
Revenue per employee (EUR)	33,878	139,080	27,482
Added value per employee (EUR)	8,125	34,481	7,205

Non-audited financial statements of Gorenje, d.d.

Statement of Financial Position of Gorenje, d.d.

EUR thousand	31 Mar 2011	%	31 Dec 2010	%	31 Mar 2010	%
ASSETS	**807,548**	**100.0%**	**851,648**	**100.0%**	**766,412**	**100.0%**
Non-current assets	**423,020**	**52.4%**	**425,215**	**49.9%**	**430,886**	**56.2%**
Intangible assets	15,398	1.9%	15,428	1.8%	15,385	2.0%
Property, plant, and equipment	155,352	19.2%	157,864	18.5%	167,271	21.8%
Investment property	1,695	0.2%	1,695	0.2%	4,462	0.6%
Investment in subsidiaries	238,096	29.5%	238,096	28.0%	232,375	30.3%
Other non-current investments	1,055	0.1%	1,165	0.1%	1,607	0.2%
Deferred tax assets	11,424	1.5%	10,967	1.3%	9,786	1.3%
Current assets	**384,528**	**47.6%**	**426,433**	**50.1%**	**335,526**	**43.8%**
Inventories	94,185	11.7%	93,660	11.0%	87,772	11.5%
Current investments	84,218	10.4%	76,472	9.0%	73,042	9.5%
Trade receivables	183,343	22.7%	183,967	21.6%	161,801	21.1%
Other current assets	20,239	2.5%	22,656	2.7%	12,775	1.6%
Cash and cash equivalents	2,543	0.3%	49,678	5.8%	136	0.1%

EUR thousand	31 Mar 2011	%	31 Dec 2010	%	31 Mar 2010	%
EQUITY AND LIABILITIES	**807,548**	**100.0%**	**851,648**	**100.0%**	**766,412**	**100.0%**
Equity	**329,988**	**40.9%**	**332,189**	**39.0%**	**301,621**	**39.4%**
Share capital	66,378	8.2%	66,378	7.8%	58,546	7.6%
Share premium	157,712	19.5%	157,712	18.5%	140,624	18.3%
Legal and statutory reserves	21,990	2.7%	21,990	2.6%	21,697	2.8%
Retained earnings	83,163	10.4%	82,962	9.7%	88,054	11.6%
Own shares	-3,170	-0.4%	-3,170	-0.4%	-3,170	-0.4%
Fair value reserve	3,915	0.5%	6,317	0.8%	-4,130	-0.5%
Non-current liabilities	**196,053**	**24.3%**	**205,739**	**24.2%**	**185,534**	**24.2%**
Provisions	27,514	3.4%	27,397	3.2%	26,961	3.5%
Deferred tax liabilities	801	0.1%	1,402	0.2%	1,393	0.2%
Non-current financial liabilities	167,738	20.8%	176,940	20.8%	157,180	20.5%
Current liabilities	**281,507**	**34.8%**	**313,720**	**36.8%**	**279,257**	**36.4%**
Current financial liabilities	128,241	15.9%	137,176	16.0%	123,255	16.1%
Trade payables	127,087	15.7%	154,803	18.2%	126,056	16.4%
Other current liabilities	26,179	3.2%	21,741	2.6%	29,946	3.9%

Income Statement of Gorenje, d.d.

EUR thousand	Jan-Mar 2011	%	Plan 2011	%	Jan-Mar 2010	%	11/10	Plan real.
Revenue	164,218	95.1%	684,995	98.6%	148,777	94.9%	110.4	24.0
Changes in inventories	6,225	3.6%	0	0.0%	6,396	4.1%	97.3	/
Other operating income	2,249	1.3%	9,777	1.4%	1,607	1.0%	140.0	23.0
Gross profit	**172,692**	**100.0%**	**694,772**	**100.0%**	**156,780**	**100.0%**	**110.1**	**24.9**
Costs of goods, material, and services	-138,698	-80.3%	-546,881	-78.7%	-120,445	-76.8%	115.2	25.4
Other expenses	-1,047	-0.6%	-3,970	-0.6%	-641	-0.4%	163.3	26.4
ADDED VALUE	**32,947**	**19.1%**	**143,921**	**20.7%**	**35,694**	**22.8%**	**92.3**	**22.9**
Employee benefits expense	-25,249	-14.6%	-104,738	-15.1%	-25,415	-16.2%	99.3	24.1
EBITDA	**7,698**	**4.5%**	**39,183**	**5.6%**	**10,279**	**6.6%**	**74.9**	**19.6**
Depreciation and amortization expense	-5,469	-3.2%	-22,776	-3.3%	-7,426	-4.7%	73.6	24.0
EBIT	**2,229**	**1.3%**	**16,407**	**2.3%**	**2,853**	**1.9%**	**78.1**	**13.6**
Finance income	2,383	1.4%	16,635	2.4%	1,861	1.2%	128.0	14.3
Finance expenses	-4,867	-2.8%	-20,960	-3.0%	-3,891	-2.5%	125.1	23.2
Profit or loss before income tax	**-255**	**-0.1%**	**12,082**	**1.7%**	**823**	**0.6%**	**/**	**/**
Income tax expense	456	0.3%	-503	-0.1%	-744	-0.5%	**/**	**/**
Profit or loss for the period	**201**	**0.2%**	**11,579**	**1.6%**	**79**	**0.1%**	**254.4**	**1.7**
Basic and diluted earnings per share (in EUR)	**0.05**		**0.83**		**0.02**			

Statement of Comprehensive Income of Gorenje, d.d.

EUR thousand	Jan-Mar 2011	Jan-Mar 2010
Net profit or loss for the period	**201**	**79**
Other comprehensive income		
Net change in fair value of available-for-sales financial assets	-20	-82
Net change in fair value of available-for-sales financial assets transferred to profit or loss	-3,014	-3,201
Change in effective portion of gains and losses on hedging instruments in a cash flow hedge, transferred to profit or loss	32	0
Income tax on other comprehensive income	600	629
Other comprehensive income for the period	**-2,402**	**-2,654**
Total comprehensive income for the period	**-2,201**	**-2,575**

- **Notes to major items of the Statement of Comprehensive Income are given in notes to the Financial Report of the parent company on page 40 of this Report.**

Statement of Cash Flows of Gorenje, d.d.

EUR thousand	Jan-Mar 2011	Jan-Mar 2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	**201**	**79**
Adjustments for:		
Depreciation of property, plant and equipment	4,837	6,597
Amortization of intangible assets	632	829
Investment income	-2,383	-1,861
Finance expenses	4,867	3,891
Gain on sales of property, plant and equipment	-57	-14
Income tax expense	-456	744
Operating profit before changes in net operating current assets and provisions	**7,641**	**10,265**
Change in trade and other receivables	2,820	254
Change in inventories	-525	-12,557
Change in provisions	117	848
Change in trade and other liabilities	-24,911	-7,047
Cash generated from operations	**-22,499**	**-18,502**
Interest paid	-2,723	-2,248
Net cash flow from operating activities	**-17,581**	**-10,485**
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales of property, plant and equipment	60	508
Proceeds from sales of investments property	0	1,140
Dividends received	3	4
Interest received	821	766
Acquisition of subsidiary, net of cash acquired	-1	0
Acquisition of property, plant and equipment	-2,421	-1,657
Acquisition of other investment	-21,094	13,816
Acquisition of intangible assets	-602	-218
Net cash used in investing activities	**-23,234**	**14,359**
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings/repayment of borrowings	-6,320	-3,824
Net cash used in financing activities	**-6,320**	**-3,824**
Net increase in cash and cash equivalents	-47,135	50
Cash and cash equivalents at beginning of period	49,678	86
Cash and cash equivalents at end of period	2,543	136

Statement of Changes in Equity of Gorenje, d.d.

EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
Opening balance as at 1 Jan 2011	**66,378**	**157,712**	**21,990**	**82,962**	**-3,170**	**6,317**	**332,189**
Total comprehensive income for the period							**0**
Net profit or loss for the period				201			201
Total other comprehensive income						-2,402	-2,402
Total comprehensive income for the period	**0**	**0**	**0**	**201**	**0**	**-2,402**	**-2,201**
Transactions with owners (when acting as owners) recognised directly in equity							**0**
Contributions by owners and distributions to owners							**0**
Capital increase							0
Payment of dividends							0
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Closing balance as at 31 Mar 2011	**66,378**	**157,712**	**21,990**	**83,163**	**-3,170**	**3,915**	**329,988**

EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained earnings	Own shares	Fair value reserve	Total
Opening balance as at 1 Jan 2010	**58,546**	**140,624**	**21,697**	**87,975**	**-3,170**	**-1,476**	**304,196**
Total comprehensive income for the period							**0**
Net profit or loss for the period				79			79
Total other comprehensive income						-2,654	-2,654
Total comprehensive income for the period	**0**	**0**	**0**	**79**	**0**	**-2,654**	**-2,575**
Transactions with owners (when acting as owners) recognised directly in equity							**0**
Contributions by owners and distributions to owners							**0**
Payment of dividends							0
Total contributions by owners and distributions to owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Total transactions with owners	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Closing balance as at 31 Mar 2010	**58,546**	**140,624**	**21,697**	**88,054**	**-3,170**	**-4,130**	**301,621**

Notes to financial statements of the company Gorenje, d.d.

Income Statement

Revenue

- In the composition of total sales, **sales of home products produced in-house represents 61.8%, which amounts to EUR 101,530 thousand**. Compared to the same period last year, the figure is **higher by 2.4%**.

  Other sales amount to EUR 62,688 thousand, which is **26.4% more** than in the first three months of last year. The figure was positively affected by the increase of revenues from sales of OEM home appliances (sales of home appliances manufactured outside our facilities) by 19.3%, and increase in other Revenue of the Home Appliance Division by 22.7% (sales of the Service program, marketing of materials, work in progress, and services) relative to the equivalent period last year.

  Revenue beyond Home Appliance Division, which includes the Point program, ecology, energy, and environment program and the Solar project, rose by 43.3% relative to the equivalent period last year, mostly due to sales of coal.

  Other income rose by 40.0% relative to the equivalent period last year, which is the result of damages charged to subsidiaries for waived or factored deals.

Costs and expenses

- **Increase in the costs of goods, material, and services** by 15.2% relative to the equivalent period last year is a result of higher scope of operating activities which, due to structural changes in sales (both at the level of products and markets) and positive effects of supply chain optimization, bear a positive impact on the lower share of costs of goods, material, and services in the composition of gross profit. Increase in cost of goods sold by 37.8% relative to the first quarter of 2010 pertains to the sales of coal. **Increase in the costs of raw and processed material** by 7.3% compared to the equivalent period last year is related to the increase in the price of crude oil and mounting prices of base raw materials such as steel sheet and plastics. **Cost of services** are approximately the same as in the corresponding period last year.

EUR thousand	Jan-Mar 2011	Jan-Mar 2010	11/10
Costs of goods, material, and services	138,698	120,445	115.2
- cost of goods sold	48,577	35,260	137.8
- costs of materials	72,453	67,543	107.3
- costs of services	17,668	17,642	100.1
Employee benefits expense	25,249	25,415	99.3
Depreciation and amortization expense	5,469	7,426	73.6
Other operating expenses	1,047	641	163.3
Total operating expenses	**170,463**	**153,927**	**110.7**

- Employee benefits expense are lower than in the corresponding period last year by 0.7%. Their share in the composition of gross profit dropped by 1.6 percentage point.
- **Depreciation and amortisation expense** is, relative to the equivalent period last year, lower by 26.4%, which is mostly related to lower investment into fixed assets (property, plant, and equipment), and to extended useful life of some assets employed in manufacturing. Useful life of this property, plant, and equipment was extended based on the findings from regular audits of property, plant, and equipment (fixed asset) valuation.
- **Other expenses** are higher by 63.3 % relative to than in the equivalent period last year, mostly due to higher environment protection expenses and higher charges for the use of building land.
- **Added value per employee** amounts to EUR 7,399, which is 0.9% less than in the corresponding period last year.
- **Financial results** decrease the operating profit by EUR 2.484 thousand, mostly due to higher interest rate expenses.

EUR thousand	Jan-Mar 2011	Jan-Mar 2010	11/10
Interest revenue*	1,056	1,112	95.0
Revaluation adjustment revenues**	200	645	31.0
Other finance income	1,127	104	/
Total finance income	**2,383**	**1,861**	**128.0**
Interest and similar expense*	-3,336	-2,917	114.4
Revaluation adjustment expenses**	-238	-554	43.0
Other finance expenses	-1,293	-420	307.9
Total finance expenses	**-4,867**	**-3,891**	**125.1**
Interest result	-2,280	-1,805	126.3
Revaluation result**	-38	91	/
Result from other financing operations	-166	-316	52.5
Total financial result	**-2,484**	**-2,030**	**122.4**

***** including revenue/expense from interest rate hedging*
*** including revenue/expense from foreign exchange hedging*

- **Corporate income tax** includes deferred taxes in the amount of EUR 456 thousand which is mostly related to expenses that have not yet been recognized as deductible and are reported as deferred tax assets.

Statement of Comprehensive Income

- Disclosures of the content of items in the Statement of Comprehensive Income of the parent company are already included in the notes to the Statement of Comprehensive Income of the Gorenje Group.

Statement of Financial Position

- **Balance sheet total** as at March 31st 2011 amounts to EUR 807,548 thousand, which is 5.2% less than as at the end of 2010 due to a decrease in cash and cash equivalents.
- Relative to the end of 2010, the Statement of Financial Position saw considerable changes in terms of composition of **assets** where a shift towards non-current assets can be observed. Non-current assets represent 52.4% of total assets; at the end of 2010, the share was at 49.9%.
- **The value of investment property and investment into subsidiaries** remained unchanged relative to the end of 2010.
- Relative to the year before, **inventory of material** is lower by 11.6% due to adjustment of purchasing activities to the requirements of production; average days in inventory for material are shorter by 3 days compared to 2010 (relative to the first quarter of 2010, average days in inventory for material are shorter by 1 day). **Inventory of products** is higher by 34.3% relative to the end of last year, which is a result of year-on-year dynamics of production and sales activities. Average days in inventory for finished products is 23 days, which is the same as in 2010 (relative to the first quarter of 2010, average days in inventory are shorted by 2 days). **Inventory of merchandise** in the amount of EUR14,589 thousand is lower by 5.5% relative to the end of 2010 due to the lower inventory of coal.
- **Current investments** are higher by 10.1% compared to the end of 2010, mostly due to loans approved to subsidiaries.
- Balance of **current trade receivables** is lower by 0.3% compared to the figure on the last day of 2010. Average days in inventory is higher by 4 days relative to the average of 2010. Relative to the first quarter 2010, average days of inventory remain unchanged, at 105 days.
- **Turnover of trade receivables** were decreased in the first quarter of 2011 compared to the average of 2010 by 11 days (relative to the first three months of 2010, average days payables outstanding are shorter by 15 days).
- **Other current assets** are lower by 10.7% compared to the end of 2010, mostly due to lower receivables for input VAT.

- **In the composition of liabilities**, non-current liabilities exceed the coverage of non-current assets by 24.0%. Equity (share capital and long-term provisions) represent 44.3% of total liabilities, which corresponds to a conservative equity composition.
- Changes in the company **equity**, relative to the end of 2010, include the following:
  - increase due to positive net profit in the amount of EUR 201 thousand;
  - lower fair value reserves for revaluation adjustments to available-for-sales financial investments to market value, in the amount of EUR 20 thousand;
  - lower fair value reserve for the changes in cash flow hedge in the amount of EUR 2,982 thousand; and
  - higher fair value reserve for deferred tax expenses in the amount of EUR 600 thousand.
- **Provisions** are 0.4% above the level as at the end of 2010.
- **Non-current financial liabilities** are lower than last year as the amounts of repayment of due borrowings exceeded new borrowings**.**
- **Current financial liabilities** are lower relative to the year before due to repayment of derivative financial instruments.
- **Trade payables** are, relative to the end of 2010, lower, which is a result of year-on-year purchasing dynamics and adjustment of purchasing and sourcing to the requirements of production and sales.
- **Other current liabilities** include current liabilities to employees and the government and other institutions, current liabilities for early or advance payments for services, and accrued costs or expenses,. Relative to the end of last year, they saw an increase which reflects the higher level of accrual of operating costs or expenses in interim financial reporting.

Cash flow statement

- **Cash flow from operating activities** is negative due to lower trade payables; on the other hand, it was positively affected by the depreciation and amortisation, and lower trade and other receivables.
- **Cash flow from investing activities** is negative, mostly because of the loans granted to subsidiaries and settlement of derivative financial instruments.
- **Cash flow from financing** is negative because of repayment of due borrowings.
- **Negative cash flows** are entirely covered, or offset, by cash available at the end of 2010.

Financial indicators

	Jan-Mar 2011	Plan 2011	Jan-Mar 2010
INDICATORS OF PROFITABILITY			
Net return on sales (ROS)	0.12%	1.69%	0.05%
Net return on assets (ROA)	0.10%	1.43%	0.04%
Net return on equity (ROE)	0.24%	3.46%	0.10%
ASSET INDICATORS			
Asset turnover ratio	0.79	0.85	0.77
Inventory turnover ratio	6.99	6.99	7.30
Current trade receivables turnover ratio	3.58	3.54	3.64
INVESTMENT INDICATORS			
Fixed assets (PPE) to total assets	0.21	0.22	0.24
Long-term assets to total assets	0.52	0.54	0.56
INDICATORS OF FINANCIAL COMPOSITION			
Long-term coverage of non-current assets	1.24	1.23	1.13
Equity to total liabilities	0.41	0.43	0.39
Long-term to total liabilities	0.65	0.66	0.64
Equity to fixed assets (carrying value)	1.91	1.92	1.61
Quick ratio (liquid assets to short-term liabilities)	0.31	0.29	0.26
(Liquid assets plus + current receivables) to current liabilities	1.03	1.00	0.89
Current ratio	1.37	1.37	1.20
Net financial liabilities to equity	0.63	0.51	0.69
OPERATING PERFORMANCE INDICATORS			
Operating revenue to operating expenses	1.01	1.02	1.02
Revenue per employee (EUR)	36,878	153,586	31,105
Added value per employee (EUR)	7,399	32,568	7,463

Information regarding the Report and its public announcement

Pursuant to the Financial Instruments Market Act and Rules and Regulations of the Ljubljana Stock Exchange, the company Gorenje, d.d., Partizanska 12, SI-3503 Velenje, hereby announces the **Non-audited Non-consolidated Business Report of the Company Gorenje, d.d., for the Period January-March 2011** and the **Non-audited Consolidated Business Report of the Gorenje Group for the Period January-March 2011**. Major changes to the information included in the prospectus for stock exchange listing are announced regularly in the Delo daily paper, Ljubljana Stock Exchange electronic information dissemination system SEOnet, and company website at www.gorenje.com. Non-audited report of the company Gorenje, d.d., and the Gorenje Group was adopted by the company Supervisory Board at their 12th session held on May 30th 2011. The report shall be available at the Gorenje, d.d., company headquarters at Partizanska 12, SI-3503 Velenje. It was also announced in the Ljubljana Stock Exchange electronic info system on May 30th 2011, and published on the issuer's website at www.gorenje.com.

Forward-looking Statements

This announcement of the Non-audited Business Report for the Period January-March 2011 includes forward-looking information and forecasts – i.e. statements regarding the future, rather than the past, and regarding events within the framework and in relation to the currently effective legislation on publicly traded companies and securities and pursuant to the Rules and Regulations of the Ljubljana Stock Exchange. These statements can be identified by the words such as "expected", "anticipated", "forecast", "intended", "planned or budgeted", "probable or likely", "strive/invest effort to", "estimated", "will", "projected", or similar expressions. These statements include, among others, financial goals and targets of the parent company Gorenje, d.d., and the Gorenje Group for the upcoming periods, planned or budgeted operations, and financial plans. These statements are based on current expectations and forecasts and are subject to risk and uncertainty which may affect the actual results which may in turn differ from the information stated herein for various reasons. Various factors, many of which are beyond reasonable control by Gorenje, affect the operations, performance, business strategy, and results of Gorenje. As a result of these factors, actual results, performance, or achievements of Gorenje may differ materially from the expected results, performance, or achievements as stated in these forward-looking statements. These factors include, without prejudice to any not mentioned herein, the following: Consumer demand and market conditions in geographical segments or regions and in the industries in which Gorenje Group is conducting its operating activities; effects of changes in exchange rates; competitive downward pressure on downstream prices; major loss of business with a major account/customer; the possibility of overdue or late payment on the part of the customers; decrease in prices as a result of persistently harsh market conditions, in an extent much higher than currently expected by the Gorenje Management Board; success of development of new products and implementation in the market; development of manufacturer's liability for the product; progress of attainment of operative and strategic goals regarding efficiency; successful identification of opportunities for growth and mergers and acquisitions, and integration of such opportunities into the existing operations; further volatility and aggravation of circumstances in capital markets; progress in attainment of goals regarding structural reorganization and reorganization in purchasing. If one more more risks or uncertainties are in fact materialized or if the said assumptions are proven wrong, actual results may deviate materially from those stated as expected, hoped for, forecast, projected, planned, probable, estimated, or anticipated in this announcement. Gorenje does not intend to assume and will not allow for any liability to update or revise these forecasts in light of development differing from the expected events.