

SUMMARY

FINANCIAL REPORT

For the Period
January – March 2004

(According to International Financial Reporting Standards)

Gorenje Group

Velenje, Slovenia, May 2004

A. BUSINESS REPORT

1. Basic information on Parent Company Gorenje, d.d., and on Gorenje Group

Full name: Gorenje, gospodinjiski aparati, d.d. as parent Company

Date of entry in the court register: 31 December 1997

Abbreviated name: Gorenje, d.d.

Registered office: Velenje, Partizanska 12

Activity: Manufacture, sale, maintenance and repair of electric and non-electric domestic appliances and electro-thermic appliances:

- refrigerators, freezers and cooling equipment,
- washing and drying machines,
- electric, gas cookers and ovens

Activity's code: 29.710 Manufacture of electric domestic appliances

Tax number: 72615320

Identification number: 5163676

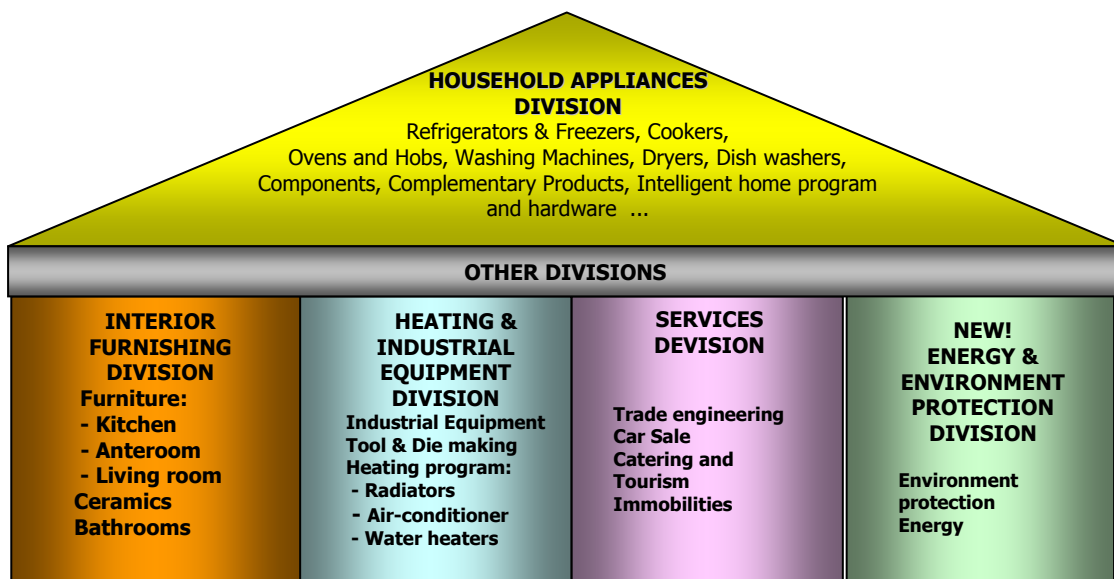
Share capital: SIT 12,200,000,000

Shares: 12,200,000 ordinary registered shares with the nominal value of SIT 1,000 per share; shares of the company Gorenje, d.d. are listed on the official market of the Ljubljana Stock Exchange under the trading code GRVG.

Organisational Structure of the Gorenje Group

The companies of the Gorenje Group are organised into five Divisions:

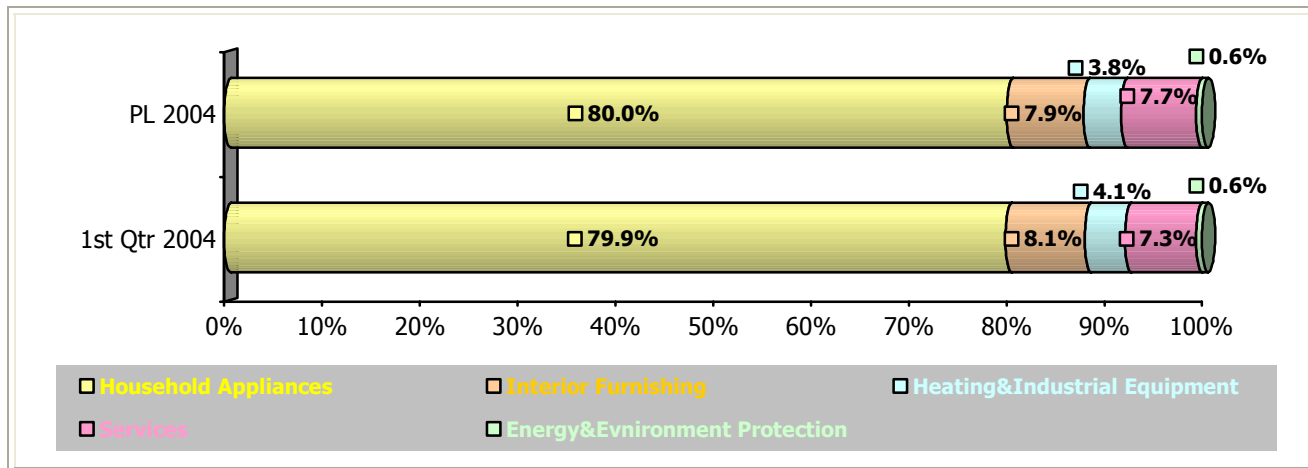
- **Household Appliances Division**, which comprises companies manufacturing and selling household appliances.
- **Interior Furnishings Division**, which comprises companies manufacturing and selling kitchen and bathroom furniture, bathroom equipment and ceramic tiles,
- **Heating and Industrial Equipment Division**, which comprises companies manufacturing and selling water heaters, tools and industrial equipment,
- **Services Division**, which comprises companies operating in trading, engineering, agency services, hotel and restaurant business, tourism and real estate business activities, and
- **Energy and Environment Protection Division**, which comprises companies operating in treatment of special waste, collection and processing of silt and making and selling bricks, ceiling girders and partitions.



2. Sales

In the 1st Qtr. 2004, consolidated net revenues from sales amounted to 47,621.1 million SIT, showing an increase of 3,177.6 m SIT or 7.1 % over 1st Qtr. 2003 and 23.7 % of 2004 plan.

The Household Appliances Division realised 38,024.3 m SIT consolidated net revenues from sales, which represented 79.9% share in total and is also on the planned level.



Other divisions realised 20.1% share in total consolidated net revenues from sales, of which Interior Furnishing Division 8.1%, Services Division 7.3%, Heating and Industrial Equipment 4.1% and Energy and Environmental Protection Division 0.6%.

3. Investments

In the 1st Qtr. 2004 Gorenje Group Invested 2.717,9 m SIT in tangible and intangible fixed assets. The major part were recorded in the main Company Gorenje, d.d. in amount to 1.963,4 m SIT.

In SIT m	1 st Qtr. 2004
Land	173.1
Buildings	236.0
Technical equipment	1,942.9
Other equipment	339.9
Other intangible investments	26.0
Total	2,717.9

4. Employees

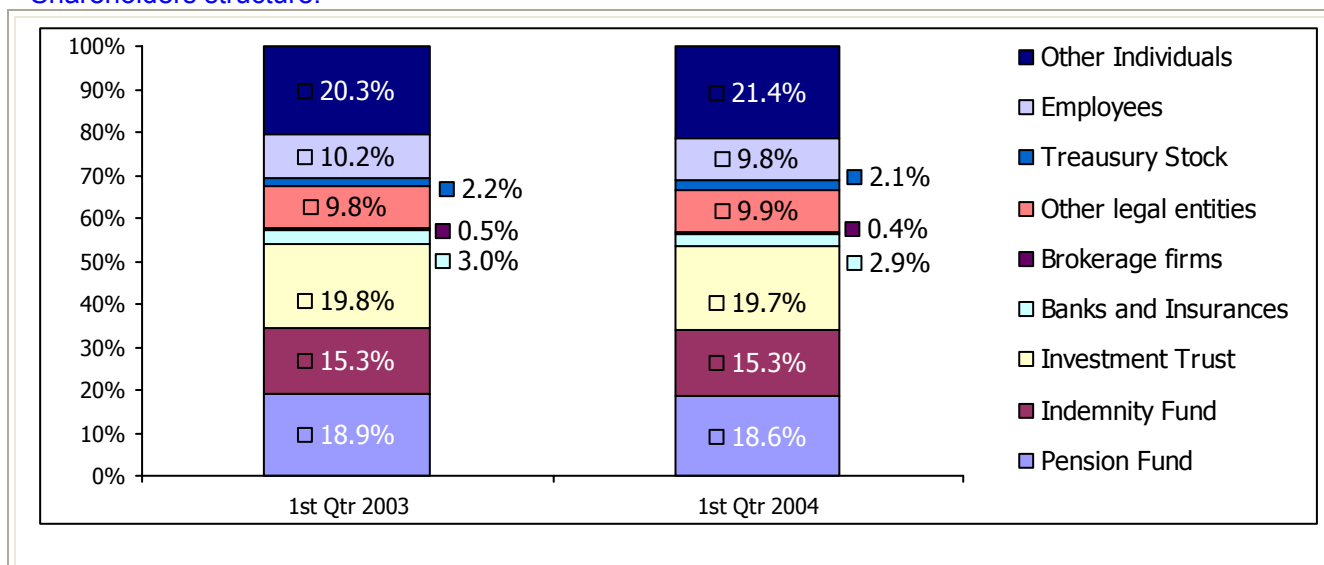
At the end of March 2004 the number of employees was 9,521, which was 94 employees more (1.0%), than the year before. The average number of employees for the 1st Qtr. 2004 was 9,503 and in the 1st Qtr. 2003 9,029 or 5.2% growth.

5. Shareholder Structure and Share Price

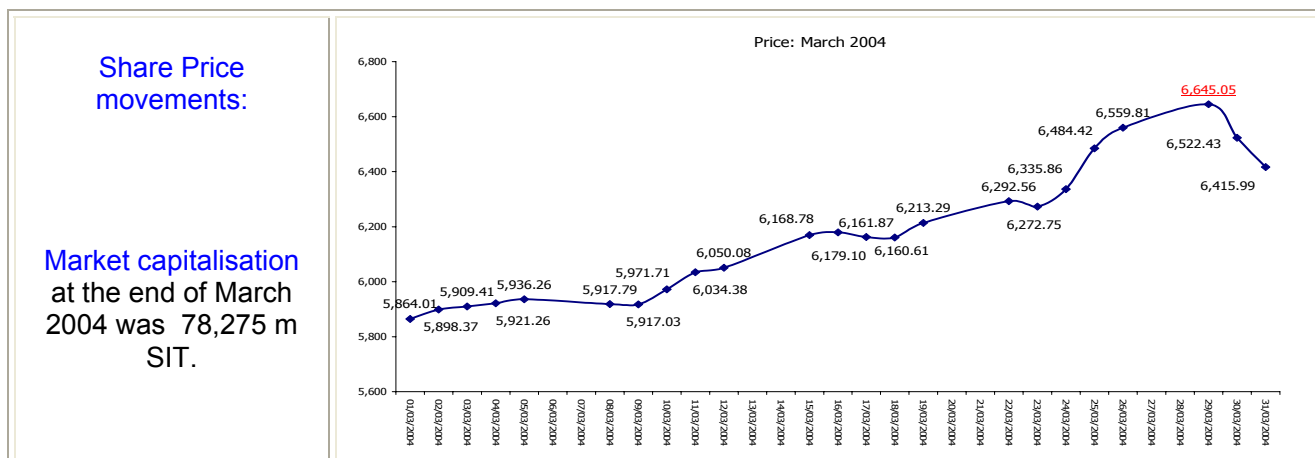
Information about issued shares and capital...The Company Gorenje, d.d. became a joint-stock company in 1997 after successful completion of ownership transformation. The Company's share capital, with nominal value of SIT 12,200,000,000, is divided into 12,200,000 ordinary registered shares with trading code GRVG and nominal value of SIT 1,000 per share.

On 31 March 2004 the number of shareholders of Gorenje, d.d., was 18,579, which was an increase of 846 or 4.8% compared with the figure on 31 December 2003 (17,733).

Shareholders structure:



As at 29 February 2004 Gorenje, d.d., held 264,485, treasury stock and on 31 March 2004 256,403. Within the March Gorenje, d.d., disposed of 8,082 treasury stock. Foreign investors participation increased from 1.65% (199,505 shares) at the end of December 2003 to 1.93% (234,935 shares), of which foreign legal entities held 203,373 shares or 1.67% (168,982 Dec. 1.39%) and foreign individuals 31,562 or 0.26%.



6. Business Outlook for the Year 2004

Also in the year 2004 the characteristic for European markets is a low level of economic activities, low confidence of consumers and reduction of international competitiveness owing to a weak US Dollar towards the EUR. For the sake of Slovenian entry into the European Union as of 1 May 2004, and due to the abolition of tariff-free treaties, the operating conditions of the Gorenje Group on the markets of Bosnia and Herzegovina, Macedonia and Croatia changed for the worse; according to forecasts, a preliminary entry into the ERM2 system is expected, thus fixing the EUR/SIT exchange rate, which will incur additional cost-pressure to the Gorenje Group.

Apart from the above stated negative factors of business environment, which have been anticipated by the Gorenje Group upon the preparation of the Plan for the year 2004, and to eliminate their effects, the relevant sets of business measures were also planned; nevertheless, the two unplanned and inconvenient business factors occurred at the beginning of 2004: demands of trade unions for salary rise, higher than planned, and unplanned extraordinary price pressure on growth of prices for strategic materials and raw-materials, especially of stainless steel, other steel products and non-ferrous metals.

Should the mentioned costs pressures continue to the second half of 2004, the Management Board estimates that joint negative effect of unplanned negative factors, especially of the price growth for strategic raw materials and materials in the year 2004, might reach the scope up to the one third of the planned net company's results in the year 2004.

Also in the future the Management Board will carry out business activities trying to reduce the negative effects of the mentioned unplanned effects in 2004 and in the coming years, thus in the greatest possible extent reassuring the fulfilment of the planned business targets for the year 2004.

B. FINANCIAL REPORT

1. Accounting Policies

The accompanying consolidated financial statements have been prepared in accordance with IFRS promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee of the IASB ("IFRIC").

The Group keeps accounting records and prepares its statutory financial statements in compliance with the Slovenian Accounting Standards (SAS), which were predominantly harmonized with International Financial Reporting Standards in 2002. The accompanying financial statements have been prepared on the basis of accounting records kept by the parent company and the subsidiaries in compliance with the local standards, and the relevant adjustments required to give a true and fair view of the financial position of the Group and the results of its operation in compliance with International Financial Reporting Standards. The accounting records provide, accurately enough, all data required for adjustments and disclosures in the financial statements prepared under International Financial Reporting Standards.

2. Group Structure

In accordance with International Financial Reporting Standards, the consolidated financial statements of the Gorenje Group include the financial statements of the holding company Gorenje, d.d. and the financial statements of 47 subsidiaries operating in Slovenia and abroad:

Subsidiaries operating in Slovenia:	Share in capital in %
Gorenje Orodjarna, d.o.o., Velenje	100.00
Gorenje Indop, d.o.o., Velenje	100.00
Gorenje IPC, d.o.o., Velenje	100.00
Gorenje GTI, d.o.o., Velenje	100.00
Gorenje Gostinstvo, d.o.o., Velenje	100.00
LINEA, d.o.o., Velenje	98.69
Gorenje Tiki d.o.o., Ljubljana	82.56
Biterm, d.o.o., Bistrica ob Sotli	75.00
Gorenje Notranja oprema, d.d., Velenje	98.05
Energygor, d.o.o., Velenje	100.00
Gorenje Glin, d.o.o., Nazarje	98.05
Opte Ptuj, d.o.o., Ptuj	100.00
Kemis, d.o.o., Radomlje	66.66
Elgor, d.o.o., Velenje	100.00

Subsidiaries operating abroad	Share in capital in %
Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00
Gorenje Austria Handelsgesellschaft m.b.H., Austria	100.00
Gorenje Kuechen GmbH, Austria	100.00
Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00
Gorenje Körting Italia S.r.l., Italy	100.00
Gorenje France SA, France	100.00
Gorenje BELUX S.a.r.l., Belgium	100.00
Gorenje UK Ltd., Great Britain	100.00
Gorenje Skandinavien A/S, Denmark	100.00

Gorenje Sverige AB, Sweden	100.00
Gorenje Pacific Pty. Ltd., Australia	100.00
Gorenje USA Inc., USA	100.00
Gorenje Spol. s r.o., Czech Republic	100.00
Gorenje Real Spol. s r.o. Czech Republic	100.00
Gorenje Kuchyne Spol. s r.o., Czech Republic	100.00
Gorenje Slovakia Spol. s r.o., Slovak Republic	100.00
Gorenje Budapest Kft., Hungary	100.00
Gorenje Polska sp. z o.o., Poland	100.00
Gorenje Bulgaria EOOD, Bulgaria	100.00
Gorenje Zagreb, d.o.o., Croatia	100.00
Hyundai auto d.o.o., Zagreb, Croatia	100.00
Gorenje Skopje, d.o.o., Macedonia	100.00
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00
Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina	98.05
Gorenje, d.o.o., Serbia and Montenegro	100.00
Hyundai Auto, d.o.o., Serbia and Montenegro	100.00
Gorenje Podgorica, d.o.o., Serbia and Montenegro	98.00
Gorenje OY, Finland	100.00
Gorenje Real Kft., Hungary	100.00
Gorenje Romania S.R.L., Romania	100.00
Kemis, d.o.o., Croatia	66.66
Kemis BiH, d.o.o., Bosnia and Herzegovina	62.73

Duhanpromet, d.o.o., Sarajevo, in which Gorenje Group holds a 100 % share as at 31 December 2003, was not included in consolidation because it was acquired for resale. The financial year of the companies in the Gorenje Group is equal to the calendar year.

3. Non-Audited Consolidated Financial Statements According to IFRS

Non-Audited Consolidated Income Statement of Gorenje Group

	in TSIT	1 st Qtr 2004
1.	Net sales revenue	47,621,100
2	Changes in inventories of finished goods and work in progress	3,480,000
3	Other operating income	502,200
4.	Raw material and consumables used	- 37,515,600
5	Staff costs	-9,431,300
6.	Depreciation and amortisation expense	-2,394,642
7.	Other operating expenses	-585,900
8.	Net finance cost	-495,100
9.	Income from associates	
10.	Provisions	-13,500
11.	Profit before tax	1,167,258
12.	Income tax expense	-194,105
13.	Profit after tax	973,153
14.	Minority interest	25,950
15.	Majority interest	947,203
16.	Net profit for the period	973,153

Non-Audited Consolidated Balance sheet of Gorenje Group

	in TSIT	31.3.2004	%
	ASSETS	165,904,464	100.0%
	Tangible fixed assets	74,068,400	44.6%
	Intangible long-term assets	2,242,343	1.4%
	Long-term financial investments	4,267,821	2.6%
	Long-term receivables	296,400	0.2%
	Deferred tax	60,200	0.0%
A.	Fixed assets	80,935,164	48.8%
	Inventories	33,934,800	20.5%
	Trade receivables	42,475,700	25.6%
	Short-term financial investments	2,308,800	1.4%
	Cash and cash equivalents	2,514,400	1.5%
	Other receivables and assets	3,735,600	2.3%
B.	Current assets	84,969,300	51.2%
	EQUITY AND LIABILITIES	165,904,464	100.0%
	Shares	12,200,000	7.4%
	Reserves	29,439,315	17.7%
	Equity revaluation adjustments	8,308,534	5.0%
	Retained earnings	8,736,189	5.3%
	Treasury Stock	-707,169	-0.4%
	Minority interest	461,218	0.3%
A.	Capital	58,438,087	35.2%
	Provisions	7,978,277	4.8%
	Deferred tax	580,300	0.3%
	Long-term loans	21,705,500	13.1%
	Other long-term liabilities	6,400	0.0%
B.	Long-term operating and financial liabilities	30,270,477	18.2%
	Deferred revenues	481,000	0.3%
	Trade liabilities	38,776,380	23.4%
	Short-term loans	31,174,400	18.8%
	Other short-term liabilities	3,554,120	2.1%
	Accrued cost	3,210,000	1.9%
D.	Short-term operating and financial liabilities	77,195,900	46.5%

Non-Audited Consolidated Cash flow Statement of Gorenje Group

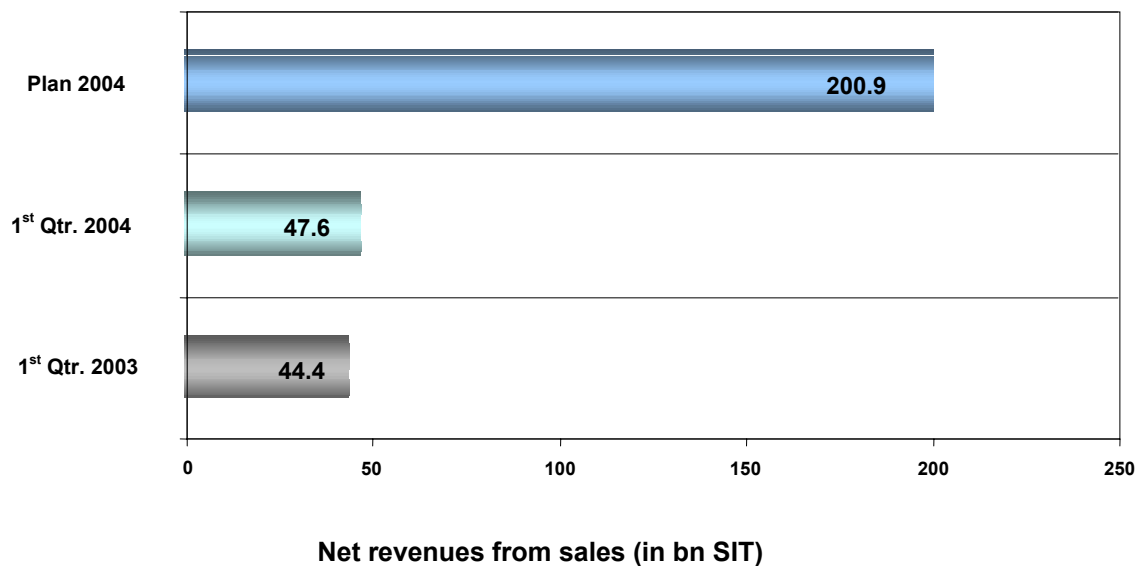
	In TSIT	1 st Qtr. 2004
A.	CASH FLOWS FROM OPERATING ACTIVITIES	
	Profit before taxation	1,167,258
	Adjustments for:	
	Depreciation	2,394,642
	Deferred revenues and accrued costs	1,774,231
	Interest expenses	495,100
	Increase in provisions	110,212
	Increase in deferred taxes	-7,695
	Operating profit before change in net operating current assets	5,933,748
	Increase in receivables	-1,407,450
	Increase in inventories	-4,590,424
	Increase in operating liabilities	-2,745,652
	Cash generated from operations	-8,743,526
	Interest paid and foreign exchange losses	-495,100
	Income taxes paid	-194,105
	Net cash from operating activities	-3,498,983
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES	
	Proceeds from sale of shares	189,139
	Purchase of tangible fixed assets	-2,729,706
	Net cash from investment activities	-2,540,567
C.	CASH FLOWS FROM FINANCING ACTIVITIES	
	Proceeds from long-term loans	2,785,999
	Proceeds from short-term loans	3,088,289
	Dividends pay-out	
	Proceeds from treasury stock sale	27,800
	Net cash from financing activities	5,902,088
D.	BALANCE OF CASH AT END OF PERIOD	
	Increase/decrease in cash and cash equivalents	-137,462
	Cash and cash equivalents at 1.1.	2,651,862
	Cash and cash equivalents at 31.12	2,514,400

Non-Audited Consolidated Statement of changes in Equity of Gorenje Group

in TSIT	Share Capital	Revenue Reserves	Net profit or loss from previous periods	Net profit or loss for the period	Own Shares	Equity revaluation and translation adjustments	Minority Interest	Total
Balance at 1 Jan 2004	12,200,000	29,439,315	5,588,662	2,200,324	-707,169	8,088,032	482,668	57,291,835
Net profit or loss for the period				947,203			25,950	973,153
Equity revaluation and translation adjustments						220,502		220,502
Net profit or loss for the Year 2003			2,200,324	-2,200,324				0
Decrease in minority interest							-47,400	-47,400
Balance at 31 March 2004	12,200,000	29,439,315	7,788,986	947,203	-707,169	8,308,534	461,218	58,438,087

4. Comments to the Financial Statements

In the 1st Qtr. 2004, **consolidated net revenues from sales** amounted to 47,621.1 million SIT, showing an increase of 3,177.6 m SIT or 7.1 % over 1st Qtr. 2003 and 23.7 % of 2004 plan.



Net profit for the 1st Qtr. 2004 in amount to 973,153 million SIT reached 18.2% of the projected figure for 2004. Net profit for the period also included the minority interest in the amount of 25.95 million SIT.

Balance sheet total amounted to 165,904.5 million SIT as at 31 March 2004 and showed an increase of 3.8% over the year end 2003.

Gorenje, d.d.,
Management Board