

**SUMMARY**

**FINANCIAL REPORT**

**For the Period**  
**January – June 2004**

**(According to the International Financial Reporting Standards)**

**Gorenje Group**

**Velenje, Slovenia, August 2004**

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## 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

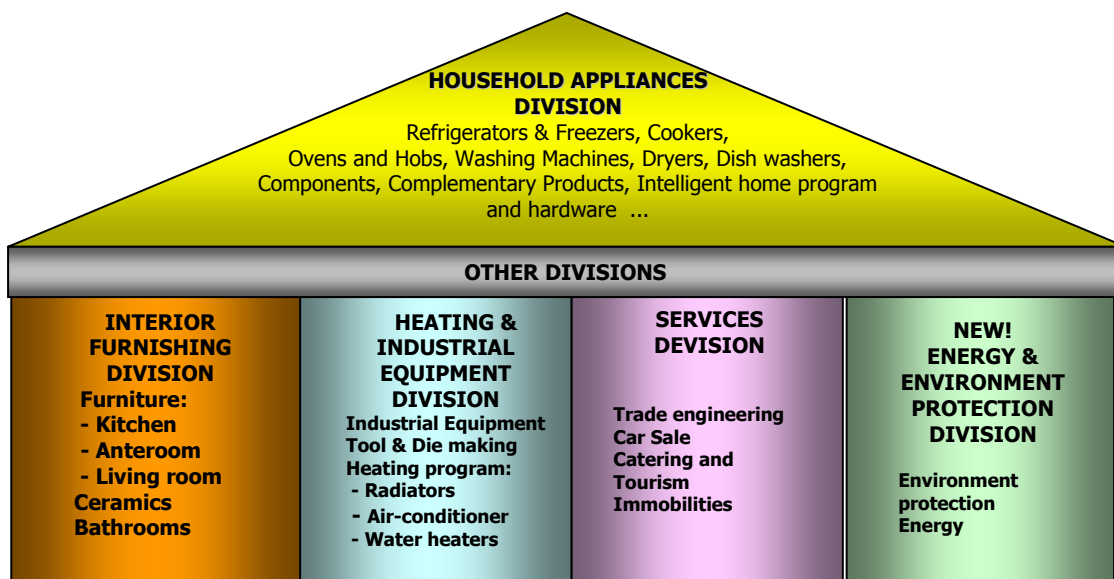
**Share capital:** SIT 12,200,000,000

**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:

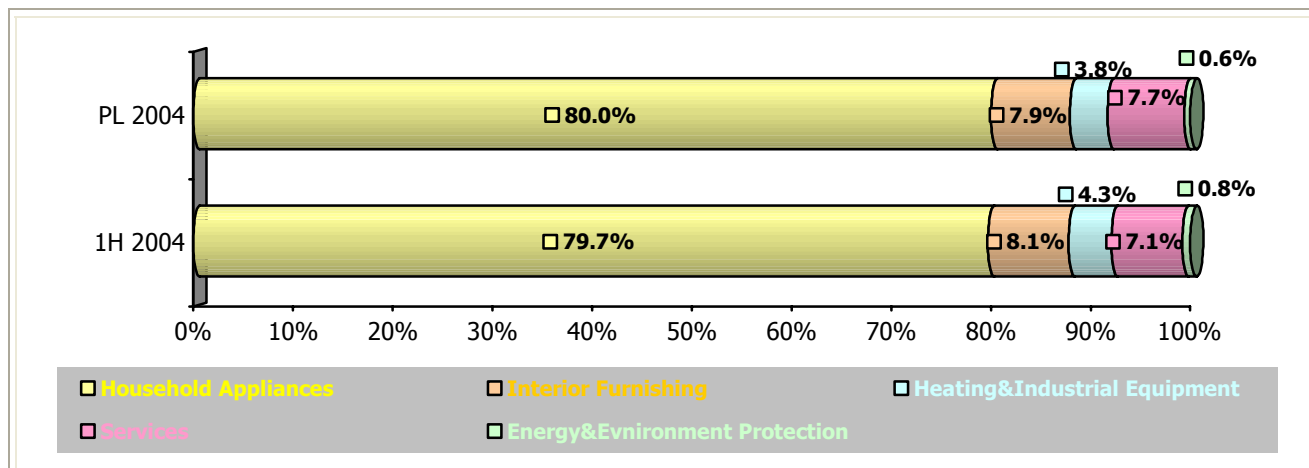
- **Household Appliances Division**, which comprises companies manufacturing and selling household appliances.
- **Interior Furnishings Division**, which comprises companies manufacturing and selling kitchen and bathroom furniture, bathroom equipment and ceramic tiles,
- **Heating and Industrial Equipment 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 1H 2004, consolidated net revenues from sales amounted to 99,012.5 million SIT, showing an increase of 8,241.3 m SIT or 9.1% over 1H 2003 and 49.3% of 2004 plan.

The Household Appliances Division realised 78,883.4 m SIT consolidated net revenues from sales, which represented 79.7% share in total and is also on the planned level.



Other divisions realised 20.3% share in total consolidated net revenues from sales, of which Interior Furnishing Division 8.1%, Services Division 7.1%, Heating and Industrial Equipment 4.3% and Energy and Environmental Protection Division 0.8%.

## 3. Investments

In the 1H 2004 Gorenje Group Invested 7,358.8 m SIT in tangible and intangible fixed assets. The major part were recorded in the main Company Gorenje, d.d. in amount to 5,542.0 m SIT.

In SIT m	1H 2004
Land	289.6
Buildings	716.1
Technical equipment	5,160.9
Other equipment	809.8
Other intangible investments	382.4
<b>Total</b>	<b>7,358.8</b>

## 4. Employees

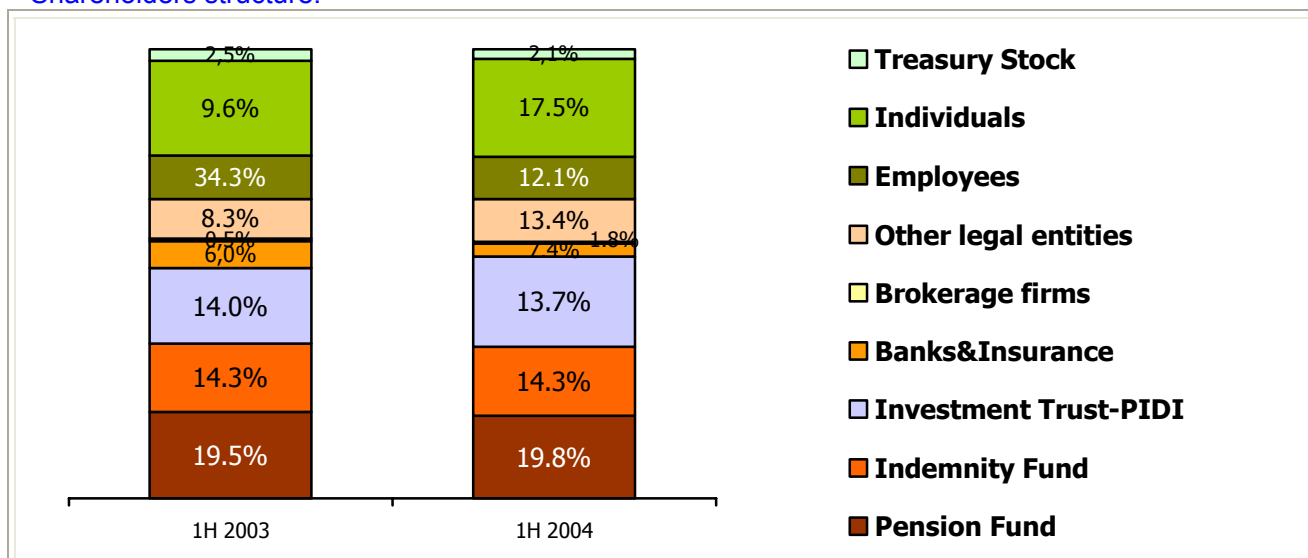
At the end of June 2004 the number of employees was 9,434, which was 7 employees more (0.1%), than at the year end 2003. The average number of employees for the 1H 2004 was 9,480 and in the 1H 2003 8,993 or 5.4% growth.

## 5. Shareholder Structure and Share Price

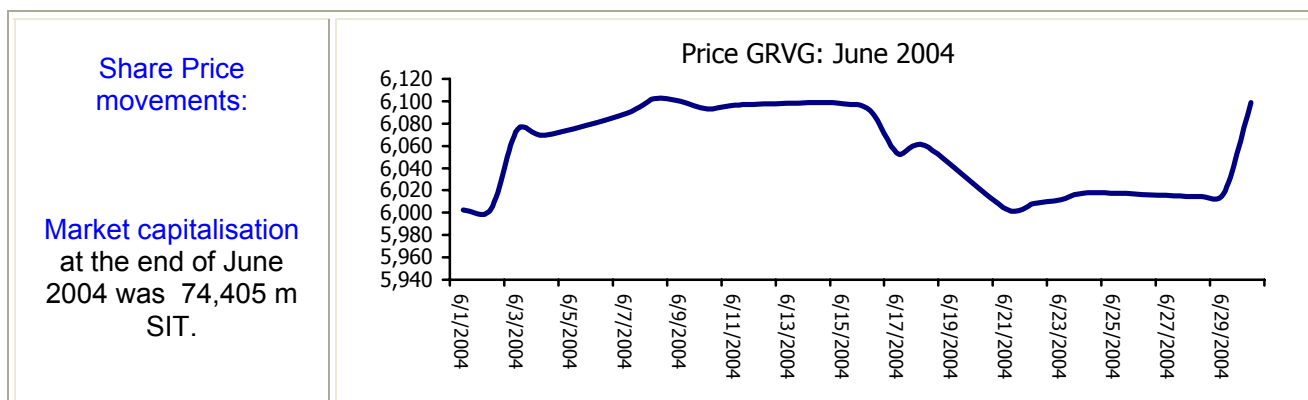
Information about issued shares and capital... The Company Gorenje, d.d. became a joint-stock company in 1997 after successful completion of ownership transformation. The Company's share capital, with nominal value of SIT 12,200,000,000, is divided into 12,200,000 ordinary registered shares with trading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

On 30 June 2004 the number of shareholders of Gorenje, d.d., was 19,111, which was an increase of 1,378 or 7.7% compared with the figure on 31 December 2003 (17,733).

## Shareholders structure:



As at 31 December 2003 Gorenje, d.d., held 264,540, **treasury stock** and on 30 June 2004 253,388 or 2.1%. **Foreign investors** participation increased from 1.65% (199,505 shares) at the end of December 2003 to 1.67% (203,254 shares), of which foreign legal entities held 170,180 shares or 1.39% (168,982 Dec. 1.39%) and foreign individuals 33,074 or 0.27%.



## 6. Business Outlook for the Year 2004

Unfavourable economic circumstances of all major markets the Gorenje Group is active on, will also continue in the second half of 2004. Low level of economic activities, low confidence of consumers and reduced international competitiveness due to weak Dollar compared to EUR is still characteristic feature of European markets. All the above enumerated factors are reducing the demand for consumer durables, among which also for domestic appliances and other products for home, while enhancing the competition and price impact on the European market.

Slovenian entry into the EU also resulted in reduced competition of our products on certain markets of South-Eastern Europe, since customs duties for domestic appliances and other products for home have increased due to terminated validity of free-trade agreements. As of 1 May 2004 customs for domestic appliances in Bosnia and Herzegovina have increased from 7% to 10%, in Macedonia by 17%, and in Croatia for the furniture and heating products up to 5%.

Preliminary entry of Slovenia into the mechanism of ERM II and fixation of exchange rate EUR/SIT along with relatively high level of domestic inflation in 2004 will incur Gorenje additional impact on costs, especially through the costs of services and material.

Regardless to the social agreement being still in value, the requests of Union Trades for salary increase started to appear at the beginning of 2004. On the basis of current situation in making agreements, we

estimate that salaries will gradually increase beyond the planned level till the end of 2004, thus rising the labour costs to the parent company by 300 m SIT in the second half of 2004.

The major concern in 2004 is observed in exceptional price impact on price increase of strategic materials and raw materials, especially of steel sheet-metal, other steel products and non-ferrous metals. Growth of prices reaching historical ceiling levels for a number of raw materials and other materials, results from the price increase of crude oil, outsized economic growth of China and revived economic growth in USA. For the first half of the year 2004 the Gorenje Group provided for deliveries of a main part of mentioned strategic materials and raw materials per competitive prices, while in the second half of the year the agreed delivery prices will increase material costs by approx. 1.3 bn SIT compared to the annual plan.

The company management will continue with the optimization and search for alternative and cheaper purchasing sources, with selective rise of prices for domestic appliances by improving their sales structure along with costs streamlining on all fields of activity, thus assuring in the greatest possible extent the fulfilment of planned business targets for the year 2004.

## **B. FINANCIAL REPORT**

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### **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 non-audited consolidated financial statements of the Gorenje Group include the financial statements of the parent company Gorenje, d.d. and the financial statements of subsidiaries operating in Slovenia and abroad:

**Subsidiaries operating in Slovenia:** Gorenje Orodjarna, d.o.o.; Gorenje Indop, d.o.o.; Gorenje IPC, d.o.o.; Gorenje GTI, d.o.o.; Gorenje Gostinstvo, d.o.o.; LINEA, d.o.o.; Gorenje Notranja oprema, d.d. in Energygor, d.o.o., vse s sedežem v Velenju, ter Gorenje Tiki, d.o.o., Ljubljana; Biterm, d.o.o., Bistrica ob Sotli; Gorenje Glin, d.o.o., Nazarje; Opte Ptuj, d.o.o., Ptuj, Kemis, d.o.o., Radomlje andlstrabenz – Gorenje, d.o.o., Ljubljana;

**Subsidiaries operating abroad:** Gorenje Beteiligungs GmbH, Austria; Gorenje Austria Handels GmbH, Austria; Gorenje Vertriebs GmbH, Germany; Gorenje Körting Italia S.r.l., Italy; Gorenje France S.A., France; Gorenje BELUX S.a.r.l., Belgium; Gorenje UK Ltd., Great Britain; Gorenje Skandinavien A/S, Denmark; Gorenje Sverige AB, Sweden; Gorenje Pacific Pty.Limited, Australia; Gorenje USA Inc., USA; Gorenje spol s r.o., Czech Republic; Gorenje Kuchyne spol s r.o., Czech Republic; Gorenje Slovakia spol s r.o., Slovakia; Gorenje Budapest Kft., Hungary; Gorenje Polska Sp.zo.o., Poland; Gorenje Bulgaria EOOD, Bulgaria; Gorenje Zagreb, d.o.o., Croatia; Gorenje Skopje, d.o.o., Macedonia; Hyundai auto Zagreb, d.o.o., Croatia; Gorenje Commerce, d.o.o., Bosnia and Herzegovina; Gorenje, d.o.o., Serbia and Montenegro; Gorenje Real spol. s r.o., Czech Republic; Gorenje Real Kft., Hungary; Gorenje Podgorica, d.o.o., Serbia and Montenegro; Gorenje Küchen GmbH, Austria; Gorenje OY, Finland; Hyundai auto, d.o.o., Serbia and Montenegro; Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina; Gorenje Romania S.R.L., Romania; Kemis, d.o.o., Croatia; Kemis BiH, d.o.o., Bosnia and Herzegovina; Gorenje AS, Norway; Gorenje aparati za domačinstvo, d.o.o., Serbia and Montenegro;

### 3. Non-Audited Consolidated Financial Statements According to IFRS

#### Non-Audited Consolidated Income Statement of Gorenje Group According to IFRS

	in SIT 000	Jan - June 2004
1.	<b>Net sales revenue</b>	<b>99,012,517</b>
2.	Changes in inventories of finished goods and work in progress	6,884,060
3.	Other operating income	1,410,373
4.	Raw material and consumables used	-79,089,694
5.	Staff costs	-19,199,478
6.	Depreciation and amortisation expense	-4,820,813
7.	Other operating expenses	-1,273,154
8.	<b>Operating profit</b>	<b>2,923,811</b>
9.	Net finance cost	-740,809
10.	<b>Profit before tax</b>	<b>2,183,002</b>
11.	Income tax expense	-236,783
12.	<b>Profit after tax</b>	<b>1,946,219</b>
13.	<b>Minority interest</b>	<b>43,254</b>
14.	<b>Net profit for the period</b>	<b>1,902,965</b>

## Non-Audited Consolidated Balance sheet of Gorenje Group According to IFRS

	in SIT 000	30.6.2004	%
	<b>ASSETS</b>	<b>176,858,989</b>	<b>100.0%</b>
	Tangible fixed assets	75,872,326	42.9%
	Intangible long-term assets	2,185,011	1.2 %
	Long-term financial investments	3,795,126	2.1 %
	Long-term receivables	602,254	0.3 %
	Deferred tax	48,650	0.0%
<b>A.</b>	<b>Fixed assets</b>	<b>82,503,367</b>	<b>46.6%</b>
	Inventories	38,141,509	21.6%
	Trade and other receivables and assets	51,229,108	29.0%
	Short-term financial investments	2,684,526	1.5%
	Cash and cash equivalents	2,300,479	1.3%
<b>B.</b>	<b>Current assets</b>	<b>94,355,622</b>	<b>53.4%</b>
	<b>EQUITY AND LIABILITIES</b>	<b>176,858,989</b>	<b>100.0%</b>
	Shares	12,200,000	6.9%
	Reserves	29,439,315	16.6%
	Equity revaluation adjustments	7,973,894	4.5%
	Retained earnings	9,691,951	5.5%
	Treasury Stock	-707,169	-0.4%
<b>A.</b>	<b>Capital</b>	<b>58,597,991</b>	<b>33.1%</b>
<b>B.</b>	<b>Minority interest</b>	<b>480,579</b>	<b>0.3%</b>
	Provisions	7,978,924	4.5%
	Deferred tax	545,557	0.3%
	Long-term loans	22,662,415	12.8%
	Other long-term liabilities	6,456	0.0%
<b>C.</b>	<b>Long-term operating and financial liabilities</b>	<b>31,193,352</b>	<b>17.6%</b>
	Trade liabilities	41,896,528	23.7%
	Short-term loans	33,982,260	19.2%
	Other short-term liabilities	6,510,939	3.7%
	Accrued cost and deferred revenue	4,197,340	2.4%
<b>D.</b>	<b>Short-term operating and financial liabilities</b>	<b>86,587,067</b>	<b>49.0%</b>

## Non-Audited Consolidated Cash flow Statement of Gorenje Group According to IFRS

In SIT 000	Jan.- June 2004
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Profit before taxation	2,183,002
Adjustments for:	
Depreciation and amortisation	4,820,813
Deferred revenues and accrued costs	2,280,576
Interest and foreign exchange expense net	740,809
Change in provisions	110,859
Proceeds from sale of fixed assets	-261,765
Increase in deferred taxes	-30,888
Operating profit before change in net operating current assets	9,843,406
Increase in receivables	-6,731,113
Increase in inventories	-8,797,133
Increase in operating liabilities	3,331,368
Cash generated from operations	-12,196,878
Interest paid and foreign exchange losses	-740,809
Income taxes paid	-236,783
<b>Net cash from operating activities</b>	<b>-3,331,064</b>
<b>B. CASH FLOWS FROM INVESTMENT ACTIVITIES</b>	
Proceeds from sale of investments	190,007
Purchase of tangible and intangible assets	-6,968,275
Proceeds from sale of fixed assets	261,765
<b>Net cash from investment activities</b>	<b>-6,516,503</b>
<b>C. CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from long-term loans	3,742,914
Proceeds from short-term loans	5,748,756
Decrease in the minority interest	-45,343
<b>Net cash from financing activities</b>	<b>9,446,327</b>
<b>D. BALANCE OF CASH AT END OF PERIOD</b>	
<b>Increase/decrease in cash and cash equivalents</b>	<b>-401,240</b>
<b>Cash and cash equivalents at 1.1.</b>	<b>2,701,719</b>
<b>Cash and cash equivalents at 30.6.</b>	<b>2,300,479</b>

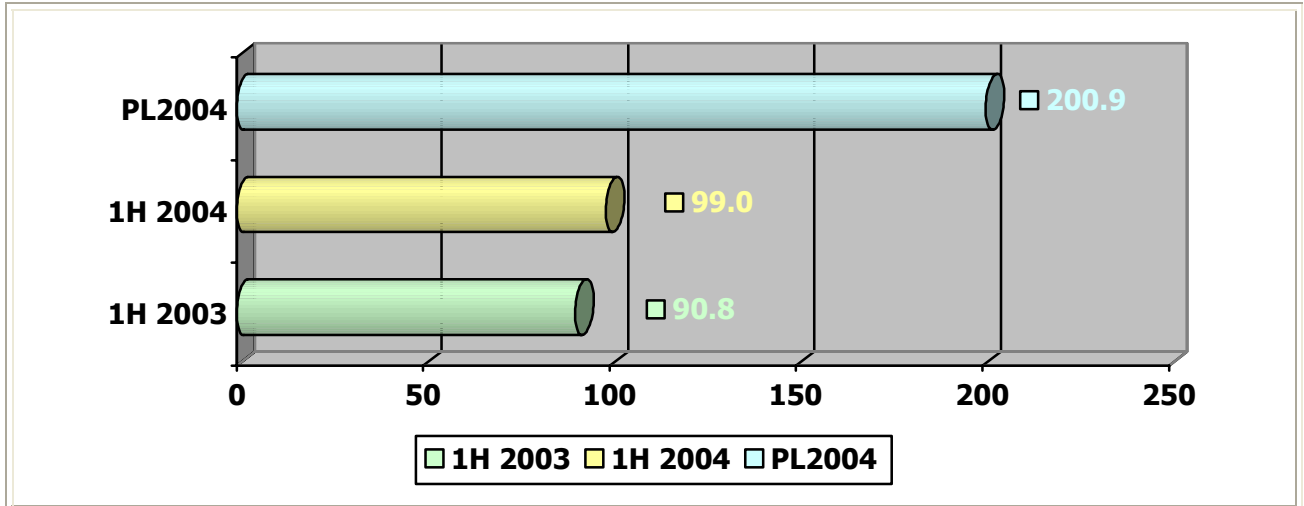


## Non-Audited Consolidated Statement of changes in Equity of Gorenje Group According to IFRS

in SIT 000	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
<b>Balance at 1 Jan 2004</b>	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				1,902,965			43,254	1,946,219
Equity revaluation and translation adjustments						-114,138		-114,138
Net profit or loss for the Year 2003			2,200,324	-2,200,324				0
Decrease in minority interest							-45,343	-45,343
<b>Balance at 30 June 2004</b>	12,200,000	29,439,315	7,788,986	1,902,965	-707,169	7,973,894	480,579	59,078,570

#### 4. Comments to the Financial Statements

In the period January to June 2004 **Net revenues from sales** amounted to 99,012.5 million SIT, showing an increase of 8,241.3 million SIT or 9.1% over the sales from the same period in 2003 and 49,3 % of 2004 plan.



**Net profit** for the 1H 2004 in amount to 1,946.2 million SIT reached 36.4% of the projected figure for 2004. Net profit for the period also included the minority interest in the amount of 1,903.0 million SIT.

**Balance sheet total** amounted to 176,859.0 million SIT as at 30 June 2004 and showed an increase of 10.7% over the year end 2003.

Gorenje, d.d.,  
Management Board