



S u m m a r y

**Audited Annual Report of the Gorenje, d.d., and
Consolidated Annual Report of the Gorenje Group
for the Year 2004**

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Introduction

Public announcement of the **summarized Audited Annual Report of Gorenje d.d. for the year 2004, and Consolidated Annual Report of Gorenje Group for the year 2004** is in accordance with the Ljubljana Stock Exchange Rules and Regulations (Article 35) and the Securities Market Act.

The head office of the company Gorenje, d.d. is at Partizanska 12, SI-3503 Velenje. Major changes of data contained in stock market quotation bulletin are published in daily *De/lo*, in the system of electronic announcements of the Ljubljana Stock Exchange SEOnet, and on the company web site www.gorenje.com

Audited Annual Report of the company Gorenje, d.d. and the Gorenje Group for the year 2004 was also reviewed and approved by the Supervisory Board of the Company at the regular board meeting held on April 11, 2005.

The Annual Report is available for viewing at the Company head office every working day from 8.00 and 13.00 hours. In accordance with the standing legislation, the Audited Annual Report of the Company and the Group for the year 2004 will be presented to the National Agency for Public Legal Records and Related Services, along with the opinion of the certified auditor's opinion.

Audit and Certified Auditor's Opinion

Financial Statements of Gorenje d.d. and Gorenje Group for the year 2004 have been audited by the certified auditor KPMG, Slovenia, d.o.o., Ljubljana. The Date of the received Auditor Report is April 1, 2005. On April 1, 2005 the certified auditor issued the affirmative opinion of the Annual Report of Gorenje d.d. and Gorenje Group.

Consolidated Financial Statements

Financial statements have been prepared in accordance with the provisions of the Commercial Corporations Act and in line with the Slovenian Accounting Standards.

In 2004 the Gorenje Group consisted of: parent company Gorenje, d.d., 46 associated subsidiaries operating in Slovenia and abroad, and a company representing joint-venture of two partners.

Changes in the structure of the Gorenje Group during 2004 were as follows:

- In February 2004 the company Gorenje, d.d. acquired from the company Gorenje GTI, d.o.o., 100% share in the company Elgor, d.o.o. Registered capital of the company thus increased to SIT 300 million, and the company changed its name to Istrabenz – Gorenje, d.o.o.; 50% share of this company was later sold by Gorenje, d.d. to the company Istrabenz Energetski sistemi, d.o.o.
- In March 2004 the company Gorenje, d.d. acquired 33.34% share of the company Kemis, d.o.o. Other partner of this company is the company Energygor, d.o.o., so that the company Kemis, d.o.o. is indirectly in 100% ownership of Gorenje, d.d.
- In the year 2004 the company Gorenje, d.d. swapped own stock to acquire additional ownership share in associated companies Gorenje Tiki, d.o.o. and Gorenje Notranja oprema, d.d.
- In May 2004 the company Gorenje, d.d. incorporated the company Gorenje aparati za domačinstvo, d.o.o., Valjevo, which is 100% owned by the parent company.
- The company Gorenje Real Kft., Budapest was on July 1, 2004 merged with the company Gorenje Budapest Kft.
- On Nov. 8, 2004 the company Gorenje Notranja oprema, d.d. acquired from the Gorenje Austria Handels GmbH, Austria the entire ownership package of the company Gorenje Küchen GmbH, Austria, and from the company Gorenje spol. S r.o., Czech Republic

acquired the entire ownership package of the company Gorenje kuchyne spol. S r.o., Czech Republic. This maneuver completed the capital association of Home Interior Division, whose parent company is Gorenje Notranja oprema, d.d.

- On Dec. 8, 2004 the company Gorenje, d.d. incorporated the company Gorenje Imobilia, d.o.o., družba za promet in upravljanje z nepremičninami, Belgrade, Serbia and Montenegro (real estate trading and administration co.).
- Voluntary liquidation of the company Gorenje Pacific Pty. Ltd. Australia was completed on Dec. 10, 2004, Avstralija, and the company was deleted from the court registry.

In addition to the parent company Gorenje d.d. the consolidated financial statements of Gorenje Group comprised the following companies:

In Slovenia: Gorenje IPC, d.o.o., Velenje; Biterm, d.o.o., Bistrica ob Sotli; Gorenje Notranja oprema, d.d., Velenje; Gorenje Glin, d.o.o., Nazarje; Gorenje Orodjarna, d.o.o., Velenje; Gorenje Indop, d.o.o., Velenje; Gorenje Tiki d.o.o., Ljubljana; Gorenje GTI, d.o.o., Velenje; Gorenje Gostinstvo, d.o.o., Velenje; LINEA, d.o.o., Velenje; Energygor, d.o.o., Velenje; Opte Ptuj, d.o.o., Ptuj; Kemis, d.o.o., Radomlje; Istrabenz – Gorenje, d.o.o., Ljubljana (joint-venture).

Abroad: Gorenje Beteiligungsgesellschaft m.b.H., Austria; Gorenje Austria Handelsgesellschaft m.b.H., Austria; Gorenje Vertriebsgesellschaft m.b.H., Germany; Gorenje Körting Italia S.r.l., Italia; Gorenje France SA, France; Gorenje BELUX S.a.r.l., Belgium; Gorenje UK Ltd., Great Britain; Gorenje Skandinavien A/S, Denmark; Gorenje AB, Sweden; Gorenje USA Inc., USA; Gorenje Spol. s r.o., Czech Republic; Gorenje Real Spol. s r.o., Czech Republic; Gorenje Slovakia Spol. s r.o., Slovakia; Gorenje Budapest Kft., Hungary; Gorenje Polska sp. z o.o., Poland; Gorenje Bulgaria EOOD, Bulgaria; Gorenje Zagreb, d.o.o., Croatia; Gorenje Skopje, d.o.o., Macedonia; Gorenje Commerce, d.o.o., Bosnia and Herzegovina; Gorenje, d.o.o., Serbia and Montenegro; Gorenje Podgorica, d.o.o., Serbia and Montenegro; Gorenje OY, Finland; Gorenje AS, Norway; Gorenje Romania S.R.L., Romania; Gorenje aparati za domačinstvo, d.o.o., Serbia and Montenegro; Gorenje Küchen GmbH, Austria; Gorenje Kuchyne Spol. s r.o., Czech Republic; Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina; Hyundai auto d.o.o., Zagreb, Croatia; Hyundai Auto, d.o.o., Serbia and Montenegro; Gorenje Imobillia, d.o.o., Serbia and Montenegro; Kemis, d.o.o., Croatia; Kemis BiH, d.o.o., Bosnia and Herzegovina;

In 2004 the company Gorenje, d.d. had also the following representative offices abroad, which were used to conduct certain business affairs at particular foreign markets:

Foreign representative offices: Moscow, Russian Federation; Krasnojarsk, Russian Federation; Kiev, Ukraine; Athens, Greece; Barcelona, Spain

Business environment in the year 2004

Success of Gorenje Group business results in the year 2004 was heavily influenced by the following major economic elements and business considerations:

1. Extreme increase in the price of steel sheets, plastic substances, and other consumables and raw-materials;
2. Poor growth of economic activities on major sales markets, especially on markets of North, Central and Southwest Europe;
3. Entry of Slovenia in the European Union and reinstatement of customs duties for the sale of products to certain markets of West Balkan;
4. Strong euro compared to dollar, resulting in decrease of international competitive position of European economy;
5. Severe competition on all markets, as well as aggressive entry of Asian competition on European markets;
6. Escalated labor cost increase in Slovenia;

7. Entry of Slovenia in the ERM2 exchange mechanism, and premature fixation of tolar exchange rate to euro.

From the aspect of business success, the major challenge in the year 2004 represented the unexpected extreme price increase of strategic raw materials and consumables, especially steel sheets. Management of supply costs therefore represented the key element of successful conclusion of business in the year 2004.

The Gorenje Group has recognized negative trends on supply markets as early as the first quarter of the year 2004, and with a series of different measures importantly alleviated negative impact of price increases for strategic raw materials and components. These measures comprised the following:

- search for alternative, more favorable supply resources and optimization of the supply chain;
- selective increases of prices for our products on sale markets, enhancement of product sale structure and providing planned extent of sales activities; and
- cost rationalization at all levels of operations.

The above named adversary impacts have undoubtedly made the year 2004 one of the most demanding periods for Gorenje Group. In spite of such circumstances the Management Board of the company Gorenje, d.d., therefore rightfully assessed the business in the year 2004 as fair.

Principles applied in the preparation of accounting statements and important notes to the accounting statements

Accounting statements of Gorenje, d.d., and the Gorenje Group have been prepared in accordance with the provisions of the Commercial Corporations Act and with the Slovenian Accounting Standards. In the preparation of the accounting statements for the year 2004 the company Gorenje, d.d. changed the accounting principle of evaluating long term financial investments into the capital of subsidiaries, in accordance with the possibility defined in the SAS 3.26, while the other principles had remained the same.

Before this change in the accounting principle the Company disclosed the increase in long term investments into capital of subsidiaries as the financial revenue item, while after the change these are disclosed as specific revalued capital adjustments. The change in accounting principle has been changed with the purpose of equalizing the accounting principles and techniques with the relevant changes in the International Financial Reporting Standards (IFRS) and with modern, internationally recognized professional solutions in the field of financial reporting.

The change in financial reporting produced the impact only on the accounting statements of the parent company Gorenje, d.d., while it has no influence upon the consolidated accounting statements of Gorenje Group. For a more detailed explanation of the impacts produced by the described change in the accounting principles, the Income Statement of Gorenje, d.d. brings also the adjusted comparable income data for the year 2003, and in addition, detailed explanations are also included in the notes to the accounting statements.

Parent company Gorenje, d.d.

Net revenues from sales

amounted in the year 2004 to SIT 144,149.9 million, representing 11.8% increase compared to 2003, exceeding the 2004 plan for or 6.9%.

Profit from operations before depreciation and provisions,

calculated as profit from operations, increased for depreciation costs and net increase in long term provisions, amounted to SIT 10,314.9 million, which is 20.9% increase over 2003.

Net profit

amounted to SIT 2,706.5 million, representing 9.5% decrease compared to the adjusted comparable net profit from the year 2003.

In addition to net profit in the amount of SIT 2,706.5 million, the parent company is entitled to the relevant shares in 2004 net profits of related subsidiaries in the amount of SIT 2,124.1 million, disclosed as increase in specific revalued capital adjustment.

As additional explanation, the following chart displays comparable net profit for the years 2004 and 2003, with the changed accounting principle of treating investments into capital of subsidiaries, and amount of shares in net profits of subsidiaries for the years 2004 and 2003:

in million SIT	2004	2003	%
Net profit of Gorenje, d.d., without shares in net profits of subsidiaries	2,706.5	2,990.8	90.5
Shares in net profits of subsidiaries	2,124.1	1,791.0	118.5
Sum of net profit of Gorenje, d.d., and the shares in net profits of subsidiaries	4,830.6	4,781.8	101.0

Displayed amount of net profit for Gorenje, d.d and share in net profits of subsidiaries represents total net profit of the parent company Gorenje, d.d., as it would have been achieved if the accounting principles of evaluating investments into capital of subsidiaries had not been changed. In such case Gorenje, d.d. would disclose net profit in the amount of SIT 4,830.6 million, which is 1.0% growth compared to net profit from the year 2003, and 95.2% of planned net profit for the year 2004.

Balance sheet profit

for the year 2004 amounted to SIT 3,992.5 million. In the distribution of net profit the Company allocated 10% of net profit for statutory reserves in accordance with the provisions of the Company By-laws, and half of the remaining net profit for the year 2004 after statutory allocations the Company used for other reserves from profit, and at the same time released into the balance sheet profit other reserves from profit, allocated from net profit for the year 1998. Allocation of net profit has been also approved by the Supervisory Board of the Company in the course of approving the Annual Report.

Gorenje Group

Consolidated net revenues from sales

amounted in the year 2004 to SIT 213,589.4 million, representing 8.8% increase compared to the year 2003, exceeding planned net revenues from sales for the year 2004 for 6.3%.

Profit from operations before depreciation and provisions,

calculated as profit from operations, increased for depreciation costs and net increase in long term provisions, amounted to SIT 17,048.7 million, representing 13.4% increase over the year 2003 and 2.7% less than the projected profit from operations before depreciation and provisions.

Net profit

amounted to SIT 4,915.1 million, representing 3.5% increase over the year 2003, and 7.9% less than the projected figure for the year 2004.

Major business events after the conclusion of the business year

After the balance sheet date the following important business events took place:

- On Jan. 19, 2005 the company Gorenje, d.d., executed the option for the acquisition of 233,075 treasury shares (1.9105% portion of equity) in accordance with the Option Sales

and Acquisition Agreement, entered into with the National Compensation Agency d.d. on June 21, 2004.

- On Jan. 26, 2005 the company Gorenje, d.d. became 100% owner of the Czech company Mora Moravia, a.s. in accordance with the relevant acquisition agreement.
- The relevant recording in the Court register on Jan. 28, 2005 concluded the restructuring procedure of the joint stock company Gorenje Notranja oprema into the public limited company, in which parent company Gorenje, d.d., holds 99.8% ownership share.

Share ownership data

Gorenje, d.d.	has been a joint-stock company since Dec. 31, 1997 following the ownership restructuring process.
Share capital nominal value	12.200.000.000 SIT
Number of ordinary nominal shares	12.200.000
Stock exchange code	GRVG
Nominal value per share	1.000 SIT
Issued stock	all shares are of the same class and give the bearer proportional voting right - one share, one vote

The Company Statute of Gorenje, d.d., is void regarding the provisions which would invalidate the proportional rights from share ownership, like the rights of small shareholders, or limitation of voting rights. During the year 2004 the Company neither carried out any activities which would inflict changes in capital equity, changes in nominal value of shares, nor any other changes as to the rights from share ownership, and did not issue any new shares. The company does not have any accepted resolutions for the conditional capital increase and approved capital.

On Dec. 31, 2004 the number of Gorenje, d.d. shareholders amounted to 19,118 representing an increase in the number of shareholders for 1,385 or 7.8% compared to the situation on Dec. 31, 2003 (17,733).

Ownership structure as at Dec. 31, 2004

	Shareholder/number of shares	Dec. 31, 2004	%
1.	Kapitalska družba, d.d.	2,142,788	17.56
2.	Slovenska odškodninska družba d.d.	1,864,601	15.28
3.	KD Investments d.d. VS Galileo	473,427	3.88
4.	KD Investments d.d. VS Rastko	447,862	3.67
5.	ID Maksima, d.d.	366,002	3.00
6.	Triglav Steber I, ID, d.d.	362,729	2.97
7.	Gorenje, d.d.	251,042	2.06
8.	KD ID, d.d.	160,540	1.32
9.	VS PRIMUS	154,388	1.27
10.	Krona Senior ID, d.d.	149,516	1.23
	Major 10 shareholders total	6,372,895	52.24
	Other shareholders	5,827,105	47.76
	TOTAL	12,200,000	100.00

Stock owned by the Management Board and Supervisory Board as at Dec. 31, 2004

On Dec. 31, 2004 the company Supervisors owned 12,345 GRVG shares (0.1012%) as follows: Ivan Atejšek 7,058 (0.0579%), Peter Kobal 1,178 (0.0097%), Drago Krenker 2,098 (0.0172%), Tomaž Kuntarič 400 (0.0033%), Krešimir Martinjak 100 (0.0008%) Jurij Slemenik 1,511 (0.0124%).

The Management Board owned in total 8,754 shares (0.0718%), of which: Drago Bahun 7,132 (0.0585%), Franc Bobinac 822 (0.0067%), Žiga Debeljak 400 (0.0033%) and Franc Košec 400 (0.0033%).

Number of shares owned by the Supervisory Board of the company Gorenje, d.d. has not changed since Dec. 31, 2004 to the date of the present release, but the number of shares owned by the Management Board members of the company Gorenje, d.d. changed as follows:

On March 2, 2005 the Management Board of the company Gorenje, d.d. acquired the following number of GRVG shares:

- President of the Board of Gorenje, d.d. Mr. Franc Bobinac, with the transaction in the amount of SIT 6,165,468.00 acquired 1,000 shares of Gorenje, d.d. coded GRVG on the Ljubljana Stock Exchange. After the transaction Mr. Bobinac owns the total of 1,822 shares of the Company, which represents 0.0149% of the share capital.
- Board member of Gorenje, d.d. Mr. Žiga Debeljak, with the transaction in the amount of SIT 4,967,569.00 acquired 800 shares of Gorenje, d.d. coded GRVG on the Ljubljana Stock Exchange. After the transaction Mr. Debeljak owns the total of 1,200 shares of the Company, which represents 0.0098% of the share capital.
- Board member of Gorenje, d.d. Mr. Drago Bahun, with the transaction in the amount of SIT 4,958,312.00 acquired 800 shares of Gorenje, d.d. coded GRVG on the Ljubljana Stock Exchange. After the transaction Mr. Bahun owns the total of 7,932 shares of the Company, which represents 0.0650% of the share capital.
- Board member of Gorenje, d.d. Mr. Franc Košec, with the transaction in the amount of SIT 4,960,000.00 acquired 800 shares of Gorenje, d.d. coded GRVG on the Ljubljana Stock Exchange. After the transaction Mr. Košec owns the total of 1,200 shares of the Company, which represents 0.0098% of the share capital.

Public announcement in regard to the change in the share of company securities owned by the President and members of the Management Board of Gorenje, d.d. has been published via the Ljubljana Stock Exchange electronic announcement system SEOnet on March 3, 2005, and after the announcement also on the official Company web site www.gorenje.com.

Treasury shares

Balance of treasury shares as at Jan. 1, 2004 amounted to 264,540 or 2.17% share of ownership of the company Gorenje, d.d. while on Dec. 31, 2004 it amounted to 251,042 or 2.06%. Decrease in the number of shares is a consequence of disposing of part of shares to exchange them for additional capital shares in the companies Gorenje Tiki, d.o.o., Gorenje Notranja oprema, d.d., and Kemis, d.o.o.

On June 21, 2004 the Slovenska odškodninska družba, d.d., (Slovenian Compensation Fund) and Gorenje, d.d. signed an Option Sale and Acquisition Agreement by which the Slovenian Compensation Fund has the right to sell and Gorenje d.d. the right to buy a total of 932,300 own shares or 7.64% share of the Company equity, in four equal packages from January 2005 till June 2006.

Book value of shares, net profit per share, and dividends

Whilst the company shares were entered in the regular Ljubljana Stock Exchange quotation on Nov. 10, 2000, their trading had been carried out at organized market as early as 1998. Company stock is quoted within the SBI 20 group. The average value of the share amounted on Dec. 31, 2004 to SIT 6,473.91 which is a 32% increase compared to the last trading day in the year 2003. The value of the share at the beginning of the year was constantly increasing, reaching its top historical value of SIT 6,935.29 on April 23, 2004. Share index of the Stock Exchange SBI 20 quotation increased for 24.7%.

Item	Value	The share maintained 4 th place at the Ljubljana Stock Exchange with SIT 11.2 billion. In total turnover of the Ljubljana Stock Exchange (196.5 billion SIT) trading with the GRVG share represented 5.7% share, and in share turnover (59.9 billion SIT) 18.7% share. Market capitalization amounted to SIT 79 billion at the end of 2004, and the average daily market capitalization amounted to SIT 76.7 billion.
Average price as at Dec. 31, 2003 (SIT)	4,917.81	
Average price as at Dec. 31, 2004 (SIT)	6,473.91	
Mean average price in 2004 (SIT)	6,285.16	
Highest average price in 2004 (SIT)	6,934.88	
Lowest average price in 2004 (SIT)	4,913.88	
Average daily volume (in lots)	7,060	
Max. daily volume (in lots)	75,277	
Min. daily volume (in lots)	313	
Total turnover in 2004 (in millions)	11,219.47	

Book value of the share on Dec. 31, 2004 amounted to SIT 5,141. Book value of share is calculated as the relationship between the entire capital of the company Gorenje, d.d. as at Dec. 31, 2004, reduced for the value of reserves for own shares, and the number of issued shares, reduced for own shares. **Net profit per share**, calculated as the relationship between net profit for the period and issued number of shares reduced for the number of own shares, in the year 2004 amounted to SIT 226.5.

Payment of dividends

The policy of allocating net profit in Gorenje is subject to investment requirements and the capital structure strategy, at the same time not disregarding the expectations and interests of shareholders. The strategic plan therefore includes the decision that Gorenje, d.d. will allocate up to one third of net profit for the dividend pay-out. In the year 2004 the Company paid to its shareholders gross dividends in the amount of SIT 100 per share, and for the year 2005 the Supervisory Board and the Management Board of Gorenje d.d., will propose to the Shareholder's Assembly the dividend pay-out in the same amount.

Personal income of Management Board members of Gorenje, d.d. for the business year 2004

Type of income	in 000 SIT			
	Franjo Bobinac	Franc Košec	Žiga Debeljak	Drago Bahun
- fixed salary	48,779	39,123	32,868	38,224
- achievement bonuses	14,387	11,038	5,869	12,920
- benefits	5,277	2,984	2,289	3,088
- other income	183	183	183	183
Total	68,626	53,328	41,209	54,415

Supervisory Board approved payment of achievement bonus for the Management Board for the year 2003 in the amount of five gross monthly salaries, to be distributed among the members of the Board prior July 18, 2003, and those approved on that date in proportion to their relevant time of office.

Mr. Andrej Vizjak, member of the Board for Marketing, resigned from his position on July 18, 2004. For the time of employment in 2004 the company Gorenje, d.d., paid him gross salary in the amount of SIT 16.5 million.

Summary of the Supervisory Board Report of Gorenje, d.d., regarding the verify of the Annual Report for the year 2004

On April 4, 2005 the Management Board of the company submitted to the Supervisory Board the audited Annual Report of the company Gorenje, d.d., and Gorenje Group for the year 2004 for approval. The Supervisory Board discussed the Annual Report on its meeting held on April 11, 2005.

Audit of the Annual Report of the company Gorenje, d.d. and Gorenje Group for the year 2004 was carried out by the audit company KPMG Slovenia, d.o.o. Audit was carried out also in all subsidiaries of the Gorenje Group. On April 1, 2005 the auditor issued positive opinion of the Annual Report of Gorenje d.d. and the consolidated Annual Report of Gorenje Group for the year 2004.

In reviewing the annual report of for the year 2004 the Supervisory Board took the following assumptions into consideration:

- During 2004 the company succeeded in accomplishing important categories of the economic plan;
- The Supervisory Board approved the proposed allocation of net profit for the year 2004 and the allocation of distributable profit within the competencies of the Management Board and the Supervisory Board;
- Audit company gave positive opinion to the Annual Report for the year 2004; Supervisory Board had no comments to the auditor's report;
- Supervisory Board regularly monitored the management and operations of the Company and of Gorenje Group, and regularly discussed their business results, finances and assets.

Supervisory Board found that the Annual Report for the year 2004, prepared by the Management Board and verified by the Auditor, has been compiled clearly, concisely, and in accordance with the Commercial Corporations Act and currently valid accounting standards. The Supervisory Board had reviewed and confirmed also the Auditor Report. Due to this the Board acknowledge that the Annual Report truly and fairly reflects the company assets, liabilities, financial position and results, and discloses fair image of the operations and business position of the Company and of Gorenje Group.

In line with all the above, the Supervisory Board on its meeting held on April 11, 2005 approved the Annual Report of the company Gorenje, d.d. and the Consolidated Annual Report for the Gorenje Group for the year 2004 submitted by the Management Board.

Proposal for the allocation of net profit and setting up of distributable net profit

The Management Board of the company decided to allocate part of net profit for the business year 2004 in the amount of SIT 2,706,505,085.31 and reduced for set statutory reserves in the amount of SIT 270,650,508.54, now amounting to SIT 2,435,854,576.77 for other reserves from profit, in the amount of SIT 1,217,927,288.39. The Management Board also decided to release other reserves from profit in the amount of SIT 1,568,884,563.00 allocated from net profit for the year 1998 into the net profit for the year 2004. The Supervisory Board approved the proposed setting up of other reserves, and they are relevantly disclosed in the company accounting records.

Distributable profit of the company Gorenje, d.d. for the year 2004 amounts to SIT 3,992,529,938.65 SIT and derives from:

- net profit for the year 2004 in the amount of SIT 1,217,927,288.38,
- net profit for the year 2002 in the amount of SIT 37,265,576.27,
- net profit for the year 1998 in the amount of SIT 1,598,059,538.00, and
- net profit for the year 1997 in the amount of SIT 1,139,277,536.00.

The Management Board and the Supervisory Board propose to the Shareholder's Assembly to allocate distributable profit for the business year 2004 in the amount of SIT 3,992,529,938.65 for the following purposes:

- Part of distributable profit in the amount of SIT 1,220,000,000.00 originating from net profit for the year 1997 in the amount of SIT 1,139,277,536.00 and from net profit for the year 1998 in the amount of SIT 80,722,464.00 to be used for the payment of dividends to shareholders in the amount of SIT 100.00 SIT gross per share;
- Part of distributable profit in the amount of SIT 1,255,192,864.65 originating from net profit for the year 2002 and 2004 to be used for allocation of other reserves from profit;
- Remaining portion of net profit in the amount of SIT 1,517,337,074.00 originating from net profit for the year 1998 remains non-allocated.

In its decision the Supervisory Board was guided by the adopted policy of allocating profit which is subject to the development concept of Gorenje and the interest of shareholders for the long term increase of share value, so the Board approved the proposed allocation and setting up of distributable profit for the year 2004, and thereby proposes to the Shareholder's Assembly to discharge the Management Board of responsibility in regard to the business results in the year 2004.

Preparations for transition to the International Financial Reporting Standards

Gorenje Group has been preparing consolidated accounting statements in accordance with the International Financial Reporting Standards - which are then audited by certified auditors - for several years now, so that the Group has been ready for the transition to the reporting in accordance with the IFRS since Jan. 1, 2005.

Audited non-consolidated Accounting Statements of Gorenje, d.d. for the year 2004

Audited balance sheet of Gorenje, d.d. as at Dec. 31, 2004 and Dec. 31, 2003

In '000 SIT	2004	2003
ASSETS	134,037,261	120,658,135
A. Fixed assets	79,564,036	72,435,594
I. Intangible fixed assets	3,030,403	1,761,708
II. Property, plant and equipment	48,174,608	48,096,377
III. Non-current investments	28,359,025	22,577,509
B. Current assets	54,032,112	47,830,765
I. Inventories	15,682,877	12,410,051
II. Trade and other receivables	34,333,081	33,377,685
a) Non-current receivables from operations	509,535	293,596
b) Current receivables from operations	33,823,546	33,084,089
III. Current investments	4,006,554	2,031,167
IV. Cash and cash equivalents	9,600	11,862
C. Deferred revenues	441,113	391,776
Off-balance sheet items	11,011,399	15,437,609
EQUITY AND LIABILITIES	134,037,261	120,658,135
A. Capital	62,100,198	57,918,141
I. Called-in capital	12,200,000	12,200,000
II. Capital reserves	129,253	83,753
III. Reserves from profit	21,173,216	19,458,829
IV. Retained earnings	2,774,603	2,043,443
V. Net profit	1,217,927	2,151,832
VI. Equity revaluation adjustments	24,605,199	21,980,284
B. Provisions	3,996,665	4,153,745
C. Current liabilities	67,228,938	58,241,106
I. Non-current financial liabilities	17,320,443	10,984,319
II. Non-current operating liabilities	763	1,004
III. Short term financial liabilities	13,183,906	11,903,265
IV. Current operating liabilities	36,723,826	35,352,518
D. Accrued costs	711,460	345,143
Off-balance sheet items	11,011,399	15,437,609

Audited Income Statement of the company Gorenje, d.d. for the period from Jan. 1 2004 to Dec. 31, 2004 and for the period from Jan. 1 2003 to Dec. 31, 2003

in '000 SIT	2004	2003 adjusted	2003
1. Net revenues from sales	144,149,916	128,944,883	128,944,883
2. Change in inventories	1,142,416	1,050,130	1,050,130
3. Capitalized own products	645,242	1,979,502	1,979,502
4. Other operating income	1,359,706	666,990	666,990
5. Gross revenues from operations	147,297,280	132,641,505	132,641,505
6. Cost of goods, materials and services	-113,788,047	-100,805,389	-100,805,389
7. Labor costs	-22,102,375	-20,228,053	-20,228,053
8. Depreciation	-7,466,257	-6,779,545	-6,779,545
9. Revalued operating expenses	-415,285	-445,138	-445,138
10. Other operating expenses	-456,542	-350,591	-350,591
11. Provisions	-63,045	0	0
12. Profit from operations	3,005,729	4,032,789	4,032,789
13. Revenues from financing	2,364,281	1,847,946	3,639,010
14. Financial expenses	-3,337,784	-2,527,399	-2,527,399
15. Profit from ordinary operations	2,032,226	3,353,336	5,144,400
16. Extraordinary revenues	674,911	0	0
17. Extraordinary expenses	-632	-362,450	-362,450
18. Profit before tax	2,706,505	2,990,886	4,781,950
19. Tax on profit	0	-100	-100
20. Net profit for the financial year	2,706,505	2,990,786	4,781,850

Net profit for the year 2004 is disclosed in comparison to the year 2003 because in the preparation of financial statements for the year 2004 the Company changed the accounting principle of evaluating long term financial investments into the capital of subsidiaries, in accordance with the possibility defined in the SAS 3.26, while the other principles had remained the same. Before this change in the accounting principle the Company disclosed the increase in long term investments into capital of subsidiaries as the financial revenue item, while after the change these are disclosed as capital adjustments. The change in accounting principle has been changed with the purpose of equalizing the accounting principles and techniques with the relevant changes in the International Financial Reporting Standards (IFRS) and with modern, internationally recognized professional solutions in the field of financial reporting.

The change in financial reporting produced the impact only on the accounting statements of the parent company Gorenje, d.d., while it has no influence upon the consolidated accounting statements of Gorenje Group, Therefore the comparable data are disclosed only for Gorenje d.d.

Audited Cash Flow Statement of the company Gorenje, d.d. for the period from Jan. 1 2004 to Dec. 31, 2004 and for the period from Jan. 1 2003 to Dec. 31, 2003

in 000 SIT	2004	2003
A. CASH FLOW FROM OPERATIONS		
a) Inflow from operations	9,168,029	7,486,255
Profit before taxation	2,706,505	4,781,950
Depreciation	7,466,257	6,779,545
Receivables from operations balance	-955,396	-3,914,911
Accrued revenues and deferred costs balance	-49,337	-160,329
b) Outflow from operations	-1,535,442	7,884,135
Tax on profit	0	-100
Inventories balance	-3,272,826	-863,651
Liabilities from operations balance	1,371,067	9,343,766
Accrued costs and deferred revenues balance	366,317	-595,880
c) Net inflow/ outflow from operations	7,632,587	15,370,390
B. CASH FLOW FROM INVESTMENTS		
a) Inflow from investments	0	404,039
Proceeds from current investments	0	404,039
b) Outflow from investments	-13,945,170	-20,004,167
Purchase of intangible assets	-1,896,474	-1,453,842
Purchase of property, plant and equipment	-6,916,709	-16,013,815
Cash used in non-current investments	-2,947,572	-2,536,510
Cash used in current investments	-2,184,415	0
Net inflow/outflow from investments	-13,945,170	-19,600,128
C. CASH FLOW FROM FINANCING		
a) Inflow from financing	7,616,765	7,322,639
Proceeds from non-current borrowings	6,336,124	1,935,002
Proceeds from current borrowings	1,280,641	5,387,637
b) Outflow from financing	-1,306,444	-3,384,734
Decrease in capital	-1,149,363	-1,105,072
Offset decrease in non-current provisions	-157,081	-2,279,662
c) Net inflow/outflow from financing	6,310,321	3,937,905
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		
x) Net cash flow for the financial year	-2,262	-291,833
Opening balance of cash and cash equivalents	11,862	303,695

Audited Statement of Changes in Capital of Gorenje, d.d. for the period Dec. 31, 2003 to Dec. 31, 2004

in 000 SIT	Share capital	Non-called-in capital	Reserves	Statutory reserves	Reserves for treasury stock	Statutory reserves	Other reserves from profit	Retained profits	Net profit for current year	General capital revaluation	Particular capital revaluation	Total
Opening balance on Jan. 1, 2004	12,200,000		83,753	3,090,330	707,169	478,185	12,849,004	4,377,584	2,151,832	18,703,303	3,276,981	57,918,141
Movements to capital			45,500					25,137	2,706,505		2,902,744	5,679,886
Net profit for the current year									2,706,505			2,706,505
Capital revaluation adjustments											778,649	778,649
Particular capital revaluation adjustments for investments into subsidiaries											2,124,095	2,124,095
Profit from sale of treasury stock			45,500									45,500
Non-paid dividends for treasury stock								25,137				25,137
Movements in capital					-37,266	270,651	3,815,143	-408,118	-3,640,410			0
Allocation of distributable profit from 2003 for setting up other reserves from profit (Assembly resolution)							4,166,101	-4,166,101				
Allocation of net profit from 2004 for setting up statutory reserves						270,651			-270,651			0
Allocation of net profit from 2004 for setting up other reserves from profit (Management and Supervisory Board resolution)							1,217,927		-1,217,927			0
Release of other reserves from profit retained from 1998 into current net profit for 2004							-1,568,885	1,568,885				0
Release of reserves for treasury stock					-37,266			37,266				0
Retained net profit from 2003								2,151,832	-2,151,832			0
Movements from capital								-1,220,000			-277,829	-1,497,829
Payment of dividends								-1,220,000				-1,220,000
Reduction of particular capital revaluation											-277,829	-277,829
Closing balance on Dec. 31, 2004	12,200,000		129,253	3,090,330	669,903	748,836	16,664,147	2,774,603	1,217,927	18,703,303	5,901,896	62,100,198

Audited Statement of Changes in Capital of Gorenje, d.d. for the period Dec. 31, 2002 to Dec. 31, 2003

in 000 SIT	Share capital	Non-called-in capital	Reserves	Statutory reserves	Reserves for treasury stock	Statutory reserves	Other reserves from profit	Retained profits	Net profit for current year	General capital revaluation	Particular capital revaluation	Total
Opening balance on Jan. 1, 2003	12,200,000		0	3,090,330	823,941	0	12,247,761	2,357,602	1,541,445	18,703,303	3,346,108	54,310,490
Movements to capital			83,753					29,175	4,781,850		76,895	4,971,673
Net profit for the current year								4,781,850				4,781,850
Capital revaluation adjustments											76,895	76,895
Profit from sale of treasury stock			83,753									83,753
Non-paid dividends for treasury stock								29,175				29,175
Movements in capital					-116,772	478,185	1,715,189	2,094,861	-4,171,463			0
Allocation of distributable profit from 2002 for setting up other reserves from profit							1,897,497	-1,897,497				0
Allocation of net profit from 2003 for setting up statutory reserves						478,185			-478,185			0
Allocation of net profit from 2003 for setting up other reserves from profit (Management and Supervisory Board resolution)							2,151,833		-2,151,833			0
Release of other reserves from profit to retained net profit							-2,334,141	2,334,141				0
Release of reserves for treasury stock					-116,772			116,772				0
Retained net profit from 2002								1,541,445	-1,541,445			0
Movements from capital							-1,113,946	-104,054			-146,022	-1,364,022
Payment of dividends							-1,113,946	-104,054				-1,218,000
Reduction of particular capital revaluation											-146,022	-146,022
Closing balance on Dec. 31, 2003	12,200,000		83,753	3,090,330	707,169	478,185	12,849,004	4,377,584	2,151,832	18,703,303	3,276,981	57,918,141

Audited consolidated Accounting Statements of Gorenje Group for the year 2004

Audited Consolidated Balance Sheet of Gorenje Group as at Dec. 31, 2004 and Dec. 31, 2003

in 000 SIT	2004	2003
ASSETS	180,938,916	161,439,581
A. Fixed assets	88,305,081	82,139,131
I. Intangible fixed assets	3,326,679	2,823,366
II. Property, plant and equipment	78,302,418	73,739,635
III. Non-current investments	6,675,984	5,576,130
B. Current assets	91,883,267	78,620,906
I. Inventories	38,448,869	29,352,674
II. Trade and other receivables	47,305,168	44,420,706
a) Non-current receivables from operations	636,919	293,749
b) Current receivables from operations	46,668,249	44,126,957
III. Current investments	4,288,843	2,195,664
IV. Cash and cash equivalents	1,840,387	2,651,862
C. Deferred revenues	750,568	679,544
Off-balance sheet items	25,410,987	21,819,879
EQUITY AND LIABILITIES	180,938,916	161,439,581
A. Capital	63,093,416	58,901,763
I. Called-in capital	12,200,000	12,200,000
II. Capital reserves	129,253	83,753
III. Reserves from profit	21,173,216	17,124,688
IV. Retained earnings	1,285,197	2,997,434
V. Net profit	3,396,896	2,042,576
VI. Equity revaluation adjustments	24,713,788	23,970,581
VII. Minority capital	195,066	482,731
B. Provisions	9,170,805	8,941,274
C. Current liabilities	106,265,112	91,679,779
I. Non-current financial liabilities	25,589,547	18,919,501
II. Non-current operating liabilities	6,233	6,118
III. Short term financial liabilities	31,084,087	27,959,318
IV. Current operating liabilities	49,585,245	44,794,842
D. Accrued costs	2,409,583	1,916,765
Off-balance sheet items	25,410,987	21,819,879

Audited Consolidated Income Statement of Gorenje Group for the period from Jan 1, 2004 to Dec. 31, 2004, and for the period from Jan. 1, 2003 to Dec. 31, 2003

in 000 SIT	2004	2003
1. Net revenues from sales	213,589,406	196,230,665
2. Change in inventories	5,661,358	2,235,397
3. Capitalized own products	869,114	2,205,670
4. Other operating income	2,733,503	3,019,744
5. Gross revenues from operations	222,853,381	203,691,476
6. Cost of goods, materials and services	-163,879,548	-148,739,991
7. Labor costs	-39,403,064	-35,673,655
8. Depreciation	-10,615,895	-9,406,731
9. Revalued operating expenses	-1,320,614	-1,386,749
10. Other operating expenses	-1,226,274	-861,179
11. Provisions	-204,716	-90,972
12. Profit from operations	6,203,270	7,532,199
13. Revenues from financing	3,798,532	2,381,828
14. Financial expenses	-5,237,504	-4,561,932
15. Profit from ordinary operations	4,764,298	5,352,095
16. Extraordinary revenues	778,361	414,380
17. Extraordinary expenses	-78,313	-566,151
18. Profit before tax	5,464,346	5,200,324
19. Tax on profit	-549,283	-452,910
20. Net profit for the financial year	4,915,063	4,747,414
21. Profit for minority shareholders	29,589	74,820
22. Profit for majority shareholders	4,885,474	4,672,594

Audited Consolidated Cash Flow Statement of Gorenje Group for the period from Jan 1, 2004 to Dec. 31, 2004, and for the period from Jan. 1, 2003 to Dec. 31, 2003

in 000 SIT	2004	2003
A. CASH FLOW FROM OPERATIONS		
a) Inflow from operations	13,124,755	8,895,329
Profit before taxation	5,464,346	5,200,324
Depreciation	10,615,895	9,406,731
Receivables from operations balance	-2,884,462	-5,427,617
Accrued revenues and deferred costs balance	-71,024	-284,109
b) Outflow from operations	-4,362,142	4,937,606
Tax on profit	-549,283	-452,910
Inventories balance	-9,096,195	-3,185,149
Liabilities from operations balance	4,790,518	8,978,402
Accrued costs and deferred revenues balance	492,818	-402,737
c) Net inflow/ outflow from operations	8,762,613	13,832,935
B. CASH FLOW FROM INVESTMENTS		
a) Inflow from investments	0	3,259,129
Proceeds from non-current investments		628,174
Proceeds from current investments		2,630,955
b) Outflow from investments	-18,729,967	-25,858,198
Purchase of intangible assets	-1,327,758	-1,554,471
Purchase of property, plant and equipment	-14,354,233	-24,303,727
Cash used in non-current investments	-745,767	
Cash used in current investments	-2,302,209	
c) Net inflow/ outflow from investments	-18,729,967	-22,599,069
C. CASH FLOW FROM FINANCING		
a) Inflow from financing	10,024,346	11,220,285
Proceeds from non-current provisions	229,531	
Proceeds from non-current borrowings	6,670,046	6,081,333
Proceeds from current borrowings	3,124,769	5,138,952
b) Outflow from financing	-868,467	-2,902,230
Decrease in capital	-868,467	-999,705
Offset decrease in non-current provisions		-1,902,525
c) Net inflow/outflow from financing	9,155,879	8,318,055
D. CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	1,840,387	2,651,862
x) Net cash flow for the financial year	-811,475	-448,079
Opening balance of cash and cash equivalents	2,651,862	3,099,941

Audited Statement of Changes in Capital of Gorenje Group for the period Dec. 31, 2003 to Dec. 31, 2004

in 000 SIT	Share capital	Reserves	Statutory reserves	Reserves for treasury stock	Statutory reserves	Other reserves from profit	Retained profits	Net profit for current year	Capital revaluation	Minority capital	Total
Opening balance on Jan. 1, 2004	12,200,000	83,753	3,090,330	707,169	478,185	12,849,004	2,997,434	2,042,576	23,970,581	482,731	58,901,763
Movements to capital		45,500					25,137	4,885,474	1,021,036	29,589	6,006,736
Net profit for the current year								4,885,474		29,589	4,915,063
Capital revaluation adjustments									1,021,036		1,021,036
Profit from sale of treasury stock		45,500									45,500
Non-paid dividends for treasury stock							25,137				25,137
Movements in capital				-37,266	270,651	3,815,143	-517,374	-3,531,154			0
Allocation of net profit from 2004 for setting up statutory reserves					270,651			-270,651			0
Allocation of net profit from 2004 for setting up other reserves from profit (Management and Supervisory Board resolution)						1,217,927		-1,217,927			0
Release of other reserves from profit retained from 1998 into current net profit for 2004						-1,568,885	1,568,885				0
Release of reserves for treasury stock				-37,266			37,266				0
Transfer of retained net profit to other reserves from profit according to Assembly resolution						4,166,101	-4,166,101				0
Retained net profit from 2003							2,042,576	-2,042,576			0
Movements from capital							-1,220,000		-277,829	-317,254	-1,815,083
Payment of dividends							-1,220,000				-1,220,000
Reduction of minority capital										-317,254	-317,254
Reduction in particular capital revaluation adjustment									-277,829		-277,829
Closing balance on Dec. 31, 2004	12,200,000	129,253	3,090,330	669,903	748,836	16,664,147	1,285,197	3,396,896	24,713,788	195,066	63,093,416

Audited Statement of Changes in Capital of Gorenje Group for the period Dec. 31, 2002 to Dec. 31, 2003

in 000 SIT	Share capital	Reserves	Statutory reserves	Reserves for treasury stock	Statutory reserves	Other reserves from profit	Retained profits	Net profit for current year	Capital revaluation	Minority capital	Total
Opening balance on Jan. 1, 2003	12,200,000	0	3,090,330	823,941	0	12,247,761	823,303	1,695,594	23,586,388	771,801	55,239,118
Movements to capital		83,753					29,175	4,672,594	530,215	74,820	5,390,557
Net profit for the current year								4,672,594		74,820	4,747,414
Capital revaluation adjustments									530,215		530,215
Profit from sale of treasury stock		83,753									83,753
Non-paid dividends for treasury stock							29,175				29,175
Movements in capital				-116,772	478,185	1,715,189	2,249,010	-4,325,612			0
Allocation of net profit from 2002 for setting up statutory reserves						1,897,497	-1,897,497				0
Allocation of net profit from 2003 for setting up statutory reserves					478,185			-478,185			0
Allocation of net profit from 2003 for setting up other reserves from profit (Management and Supervisory Board resolution)						2,151,833		-2,151,833			0
Release of other reserves from profit into retained net profit						-2,334,141	2,334,141				0
Release of reserves for treasury stock				-116,772			116,772				0
Release of non-allocated net profit from 2002							1,695,594	-1,695,594			0
Movements from capital						-1,113,946	-104,054		-146,022	-363,890	-1,727,912
Payment of dividends						-1,113,946	-104,054				-1,218,000
Reduction of minority capital										-363,890	-363,890
Reduction in particular capital revaluation adjustment									-146,022		-146,022
Closing balance on Dec. 31, 2003	12,200,000	83,753	3,090,330	707,169	478,185	12,849,004	2,997,434	2,042,576	23,970,581	482,731	58,901,763

Summary of the Gorenje Group Financial Statements in accordance with the IFRS

Financial Statements of Gorenje Group for the year 2004 in accordance with the International Financial Reporting Standards, whose abstract was published in the Annual Report, were audited by the auditing company KPMG Slovenia, d.o.o. who gave positive opinion to the Statements.

Prepared consolidated financial statements of Gorenje Group for the year 2004, prepared in accordance with the IFRC included changes enforced on Jan. 1, 2004. With the purpose of providing comparability of consolidated financial statements between different periods, statements for the year 2003 have been adjusted in such way that they are comparable with the financial statements for the year 2004. These adjustments affected only the structure of disclosure of particular accounting items.

Consolidated Income Statement in accordance with the IFRC

	in 000 SIT	2004	2003 adjusted
1.	Net revenues from sales	216,247,044	197,707,365
2.	Changes in inventories	5,662,692	2,295,496
3.	Other revenues from operations	4,672,737	3,672,107
4.	Cost of goods, materials, and services	-163,750,045	-147,645,343
5.	Labor costs	-39,608,326	-36,004,778
6.	Depreciation	-10,096,591	-9,271,624
7.	Other costs from operations	-6,174,394	-3,723,991
8.	Profit from operations	6,953,117	7,029,232
9.	Net costs of financing	-1,585,755	-2,235,949
10.	Profit before taxation	5,367,362	4,793,283
11.	Tax on profit	-288,720	105,588
12.	Profit after taxation	5,078,642	4,898,871
13.	Earnings of minority shareholders	24,813	68,528
14.	Earnings of majority shareholders	5,053,829	4,830,343

Consolidated Balance Sheet in accordance with the IFRC

in 000 SIT	2004	2003 adjusted
ASSETS	179,232,385	159,758,129
A. Fixed assets	87,218,468	80,794,856
I. Property, plant, and equipment	78,225,429	73,739,635
II. Intangible assets	3,326,700	2,420,694
III. Non-current investments	4,988,176	4,275,273
IV. Non-current receivables	608,836	293,749
V. Deferred tax	69,327	65,506
B. Current assets	92,013,917	78,963,273
I. Inventories	38,458,861	29,344,376
II. Receivables from operations	47,425,856	44,806,501
III. Current investments	4,287,385	2,110,678
IV. Cash and near cash equivalents	1,841,815	2,701,719
LIABILITIES AND EQUITY	179,232,385	159,758,129
A. Capital and minority shares	60,874,051	57,291,835
I. Share capital	12,200,000	12,200,000
II. Reserves	33,533,343	29,439,315
III. Capital revaluation adjustment	8,057,383	8,088,032
IV. Retained net profit	7,562,158	7,788,986
V. Treasury shares	-669,903	-707,169
VI. Minority capital	191,070	482,668
B. Non-current liabilities	35,027,373	27,386,985
I. Provisions	7,323,403	6,148,806
II. Provisions for accrued revenues	1,777,690	1,719,259
III. Deferred tax	330,580	593,301
IV. Interest bearing borrowings	25,589,500	18,919,501
V. Other non-current liabilities	6,200	6,118
C. Current liabilities	83,330,961	75,079,309
I. Liabilities from operations	42,047,437	39,494,444
II. Current borrowings	31,256,972	28,086,111
III. Other current liabilities	7,524,078	5,581,990
IV. Accrued costs	2,502,474	1,916,764
D. Off-balance sheet items	25,716,817	21,757,231

Consolidated Cash Flow Statement in accordance with the IFRC

in 000 SIT	2004	2003 adjusted
A. CASH FLOW FROM OPERATIONS		
Profit before taxation	5,367,362	4,793,283
Adjustments for:		
Depreciation	10,096,591	9,271,624
Investments	150,227	357,858
Exchange rate revenues	-2,118,867	-1,272,201
Exchange rate expense	2,264,740	1,807,965
Sale of property, plant, and equipment	-522,438	-757,837
Dividend revenues	-123,457	-133,063
Interest expense	2,906,645	2,399,682
Interest revenues	-1,484,224	-920,328
Increase in provisions	1,174,597	-2,209,809
Increase in provisions for deferred tax	58,431	553,733
Profit from operations before changes in net operating current assets	17,769,607	13,890,907
Increase in receivables	-3,656,679	-5,501,221
Receivable write-offs	722,237	944,557
Increase in inventories	-9,636,772	-3,554,537
Adjustment in value of inventories	522,287	305,716
Decrease in deferred tax	258,900	420,287
Increase in liabilities from operations	5,080,873	8,895,234
Cash generated from operations	-6,709,154	1,510,036
Interest and exchange rate expense	-1,759,808	-1,429,086
Income tax	-547,621	-314,699
Net cash from operations	8,753,024	13,657,158
B. CASH FLOW FROM INVESTMENTS		
Acquisition of property, land, and equipment	-15,352,537	-24,949,853
Purchase of intangible assets	-1,353,537	-1,314,727
Proceeds from sale of tangible and intangible assets	1,468,709	865,634
Acquisition of stock	-2,646,889	-1,279,712
Increase in share capital of subsidiary Gorenje Tiki, d.o.o.	-236,923	-132,685
Increase in share capital of subsidiary Kemis, d.o.o.	-41,775	-88,045
Acquisition of subsidiaries and minority capital owners	-12,900	-186,176
Proceeds from sale of stock	862,760	2,460,034
Dividends received	123,457	133,063
Increase in investments	-851,584	
Value adjustments	-9,309	-3,964
Increase in approved loans	-253,897	
Net cash from investments	-18,304,425	-24,496,431
C. CASH FLOW FROM FINANCING		
Proceeds from non-current borrowings	6,669,999	5,702,831
Proceeds from current borrowings	3,170,861	5,370,966
Dividends paid	-1,220,000	-1,188,825
Dividends received from treasury shares	25,137	

Proceeds from sale of treasury shares	45,500	200,525
Net cash from financing	8,691,497	10,085,497
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS		
Net cash flow for financial year	-859,904	-753,776
Opening balance of cash and cash equivalents as at Jan. 1	2,701,719	3,455,495
Closing balance of cash and cash equivalents as at Dec. 31	1,841,815	2,701,719

Statement of Changes in capital of minority owners in accordance with the IFRS

in 000 SIT	Share capital	Reserves from profit	Retained net profit	Net profit	Own shares	Capital revaluation adjustments	Minority capital	Total
Opening balance on Jan. 1, 2004	12,200,000	29,439,315	5,588,662	2,200,324	-707,169	8,088,030	482,668	57,291,835
Net profit for current year				5,053,829			24,813	5,078,642
Capital revaluation adjustments						512,375		512,375
Transfer of capital revaluation adjustments to net profit						-543,024		-543,024
Release of reserves for own shares		-37,266			37,266			0
Non-paid dividends for own shares			25,137					25,137
Allocation of net profit from 2004 for setting up statutory reserves from profit (Management and Supervisory Board resolution)		270,651		-270,651				0
Proceeds from sale of own shares		45,500						45,500
Transfer of retained net profit from preceding years to other reserves from profit by Assembly resolution		4,166,101	-4,166,101					0
Allocation of net profit from 2004 for setting up other reserves from profit (Management and Supervisory Board resolution)		1,217,927		-1,217,927				0
Release of other reserves from profit to retained net profit from 1998		-1,568,885	1,568,885					0
Transfer of non-allocated net profit from 2003			2,200,324	-2,200,324				0
Payment of dividends			-1,220,000					-1,220,000
Reduction of minority capital							-316,411	-316,411
Closing balance on Dec. 31, 2004	12,200,000	33,533,343	3,996,907	3,565,251	-669,903	8,057,383	191,070	60,874,051

in 000 SIT	Share capital	Reserves from profit	Retained net profit	Net profit	Own shares	Capital revaluation adjustments	Minority capital	Total
Opening balance on Jan. 1, 2003	12,200,000	28,674,503	2,919,722	2,190,403	-823,941	6,417,326	771,334	52,349,348
Net profit for current year				4,830,342			68,528	4,898,870
Capital revaluation adjustments						1,670,704		1,670,704
Proceeds from sale of own shares		83,753						83,753
Non-paid dividends for own shares			29,175					29,175
Allocation of distributable profit from 2002 for setting up other reserves from profit		1,897,497	-1,897,497					0
Allocation of net profit from 2003 for setting up statutory reserves from profit (Management and Supervisory Board resolution)		478,185		-478,185				0
Sale of own shares					116,772			116,772
Allocation of net profit from 2003 for setting up other reserves from profit (Management and Supervisory Board resolution)		2,151,833		-2,151,833				0
Release of other reserves from profit to retained net profit		-2,334,141	2,334,141					0
Transfer of non-allocated net profit from 2002			2,190,403	-2,190,403				0
Payment of dividends		-1,113,946	-104,054					-1,218,000
Reduction of minority capital							-357,194	-357,194
Deleted revaluations from preceding years		-398,369	116,772					-281,597
Closing balance on Dec. 31, 2004	12,200,000	29,439,315	5,588,662	2,200,324	-707,169	8,088,030	482,668	57,291,835

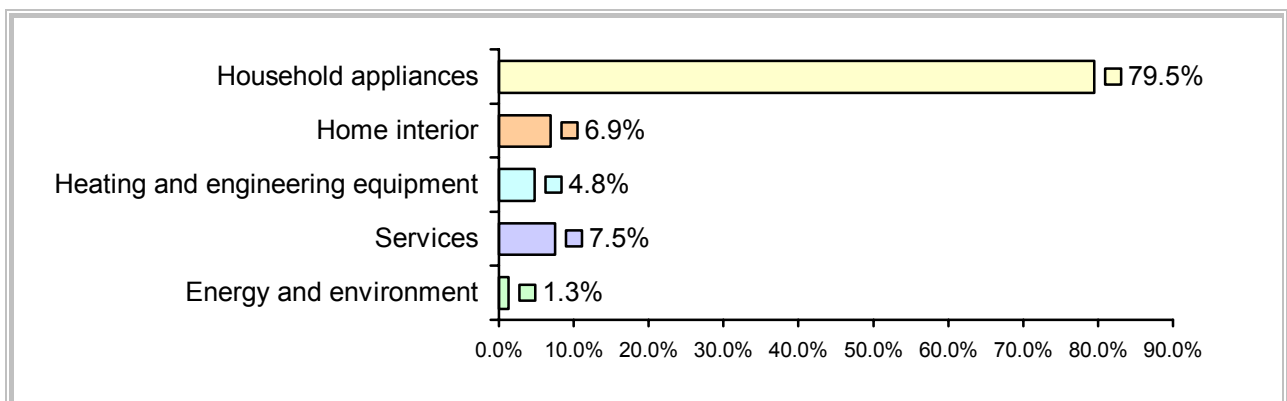
Business environment and plans for the year 2005

On May 1, 2004 Slovenia became full member state of the European Union, and Gorenje Group faced numerous challenges associated with the general economic conditions in Europe and the world, and changes in economic circumstances. Preparation of Business Plan for the year 2005 was extremely difficult because of major changes in the economic environment emerged during 2004, and expected to extend also to the year 2005. Their extent is extremely hard to predict since there is a very high level of uncertainty in any relevant forecast.

The business plan of the Gorenje Group and of the parent company Gorenje, d.d. for 2005 was discussed and approved by the Supervisory Board at its regular meeting on December 16, 2004.

Projected consolidated net revenues from sales of the Gorenje Group amount to SIT 235.2 billion, which is a 10.1% growth compared to 2004. Net profit for 2005 is projected to reach SIT 4.5 billion, and represents 8.1% decrease over 2004. Major reason for the decrease in anticipated net profit is increase in income tax resulting from changes in national tax legislation.

Planned structure of revenues from sales by divisions in 2005 is displayed in the following diagram:



Projected net revenues from sales for Gorenje, d.d. amount to SIT 153.6 billion, which is 6.4% growth compared to 2004. Anticipated net profit amounts to SIT 4.5 billion, representing 6.6% decrease over the year 2004, with the same reason for decrease as above: increase in income tax resulting from changes in national tax legislation in Slovenia.

Business circumstances in the year 2005 are not expected to change considerably for the better. The most threatening element still comes from unpredictable prices of strategic raw materials, especially plastics and steel sheets, as well as components fabricated from these materials. Business plan anticipates certain growth in supply prices as it was possible to estimate in accordance with forecast trends on supply markets, but reliability of such forecasts is rather low in spite of the circumstances. We all hope that supply markets would stabilize during the first quarter of 2005, albeit any other scenario is feasible, especially in association with economic activities of China and some other Asian countries, and in the movements in the price of crude oil.

Another important element affecting the realization of projected business results for the year 2005 is the enforcement of EU WEEE Directive (Waste Electrical and Electronic Equipment) regarding the recycling rules of EE equipment which enters into force in all EU countries in August 2005. Base on this Directive, the manufacturers of electronic and electrical equipment will be responsible also for the treatment of these appliances

after the expiry of their useful life, both for those sold prior the implementation of the Directive, as for those sold after it. Since certain provisions of the Directive are still rather vague in some key points, and most countries still have not adopted their executive legislation, the costs of the Group arising from the obligatory recycling of appliances was impossible to assess in the process of preparing the Business Plan for the year 2005. In any case the Group will put every effort to transfer the recycling costs as much as possible to the buyers of the products, although this would probably be impossible to attain completely. To what extent and under what conditions this would be feasible at particular markets is still impossible to forecast, due to the already mentioned ambiguity of executive documentation for the implementation of the Directive.

The following groups of activities are considered the most important for the purpose of realizing the planned business objectives of the Gorenje Group in the year 2005, in view of the described elements of business risks:

- Realization of quality growth of sales in the circumstances of relatively low economic activities and high competition on key markets, especially by the introduction of new products and with relevant marketing approaches;
- Continued development of the new generation of cooling and freezing appliances, and implementation of the first stage of new products of that generation to key markets;
- Control of supply prices for raw materials, consumables and components by searching alternative supply sources and rationalization of existing ones;
- Efficient implementation of the Directive for recycling waste electrical and electronic equipment from August 2005 onwards;
- Investments restricted only to the development of new products and services, new technologies, development of markets, erecting production capacities outside Slovenia, and selective diversification of business activities;
- Increasing the level of using technical and technological capacities, increased productivity of work and business efficiency with adequate organization of business processes and cost rationalization;
- Continued internal consolidation of all divisions within the Group, and increase of efficiency in their operations;
- Management of business and financial risks, and operational risks.

Planned business objectives of Gorenje Group for the year 2005 are in accordance with the adopted strategic policy. With their realization the Group will promote long term accomplishment of strategic objectives, increase the level of its competitive edge and in a socially responsible manner discharge its obligations towards all the key parties involved.

In the preparation of Business Plan for the year 2006 the Gorenje Group will also draw up new strategic plan for the next medium term period 2006-2010.

Gorenje, d.d., Management Board