



**Summary of the financial report for the Gorenje Group,
for the period January – March 2005,
according to IFRS**

Velenje, Slovenia, May 2005

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A. BUSINESS REPORT

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

Full name:	Gorenje, gospodinjski aparati, d.d.,
Date of entry in the court register:	31 December 1997
Abbreviated name	Gorenje, d.d.
Registered office:	SI-3503 Velenje, Partizanska 12, Slovenia
Company's activity	Manufacture, sale and maintenance and repair of electric and non-electric domestic and electro-thermic appliances.
Activity's code:	29.710 Manufacture of electric domestic appliances
Tax number:	72615320
Identification number:	5163676
Share capital:	12,200,000,000 SIT
Shares:	12,200,000 ordinary registered shares with nominal value of SIT 1,000 per share; shares of the company Gorenje, d.d. are listed under the trading code GRVG on the official market of the Ljubljana Stock Exchange (www.ljse.si).

Organisational Structure of the Gorenje Group:

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

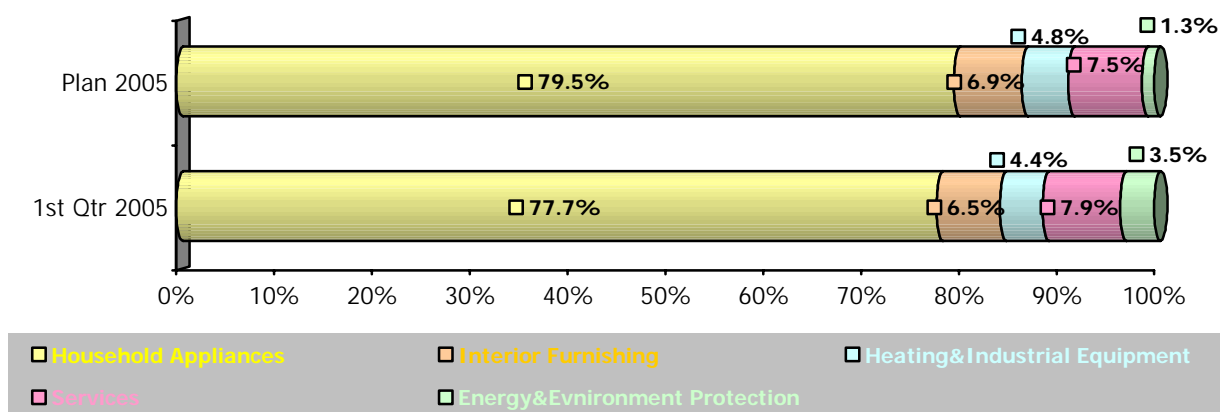
- Household Appliances Division, which comprises companies manufacturing and selling household appliances.
- Interior Furnishings Division, which comprises companies manufacturing and selling kitchen and bathroom furniture, bathroom equipment and ceramic tiles,
- Heating and Industrial Equipment Division, 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. 2005, **Consolidated net revenues from sales** amounted to **SIT 54,030 million**, showing an increase of **13%** over 1st Qtr. 2004 and 23% of the 2005 plan. From this 7% of the growth goes to the incorporation of the company Mora Moravia, a.s., into the Gorenje Group from the January 2005.

Sales structure by Division in SIT m	Plan 2005	%	1st Qtr.05	%	05/Pl.05
Household Appliances	198,836	79.5%	44,175	77.7%	22.2%
+ Interior Furnishings	17,386	6.9%	3,709	6.5%	21.3%
+ Heating and Industrial Equipment	11,890	4.8%	2,531	4.4%	21.3%
+ Services	18,835	7.5%	4,479	7.9%	23.8%
+ Energy and Environment Protection	3,253	1.3%	1,993	3.5%	61.3%
= Total sales of Divisions	250,200	100.0%	56,887	100.0%	22.7%
- Inter-Division Sales	14,992		2,857		19.1%
= Consolidated net sales revenues	235,208		54,030		23.0%

The **Household Appliances Division** realised SIT 44,175 m of sales, which represented 77.7% share in total and 22.2% of the annual plan.



Other divisions realised 22.3% share in total sales of divisions, of which **Interior Furnishing Division** 6.5%, **Heating and Industrial Equipment** 4.4%, **Services** 7.9%, and **Energy and Environmental Protection Division** 3.5%.

3. Investments

In the 1st Qtr. 2005 Gorenje Group Invested **SIT 1,652.8 m** in Property, plant and equipment and intangible non-current assets, showing 14.6% of the plan 2005. The major part were recorded in the household appliances division in amount to SIT 1,467.8 m.

In SIT m	1 st Qtr. 2004	1 st Qtr. 2005	Plan 2005
Land	173.1	1.4	43.9
Buildings	236.0	347.4	2,613.2
Technical equipment	1,942.9	961.3	7,073.2
Other equipment	339.9	220.0	1,308.0
Other intangible investments	26.0	122.7	286.8
Total	2,717.9	1,652.8	11,325.1

in SIT m	1 st Qtr. 2004	1 st Qtr. 2005	05/04	Plan 2005	05/PI 2005
Investments	2,718	1,653	-39.2%	11,325	14.6%
Investment Margin	5.7%	3.1%		4.8%	

Investments by divisions:

in SIT m	Plan 2005	1 st Qtr. 2005	05/PI 2005
Household appliances	8,771.3	1,467.8	16.7%
Internal furnishing	820.6	60.0	7.3%
Heating and industrial equipment	683.2	39.7	5.8%
Services	377.5	65.5	17.4%
Energy and environment protection	672.5	19.8	2.9%
Gorenje Group Investments	11,325.1	1,652.8	14.6%

4. Employees

At the end of March 2005 the number of employees was **10,954**, which was 1,026 employees more (**10.7%**), than the year-end 2004. The number increased, due to the incorporation of the company Mora Moravia, a.s., (1,053 employees). **The average number of employees was 10,590** (in the company Mora Moravia, a.s., 1,059) and in the 1st Qtr. 2004 9,503 or **11.4%** increase.

	1 st Qtr. 2004	1 st Qtr. 2005	05/04	Plan 2005	05/PI 05
Net revenues from sales in SIT m	47,960	54,030	12.7%	235,208	23%
Average number of employees	9,503	10,590	11.4%	10.581	100%
Productivity (Net revenues from sales/Number of employees) in SIT '000	5,047	5,102	1.1%	22,229	23%

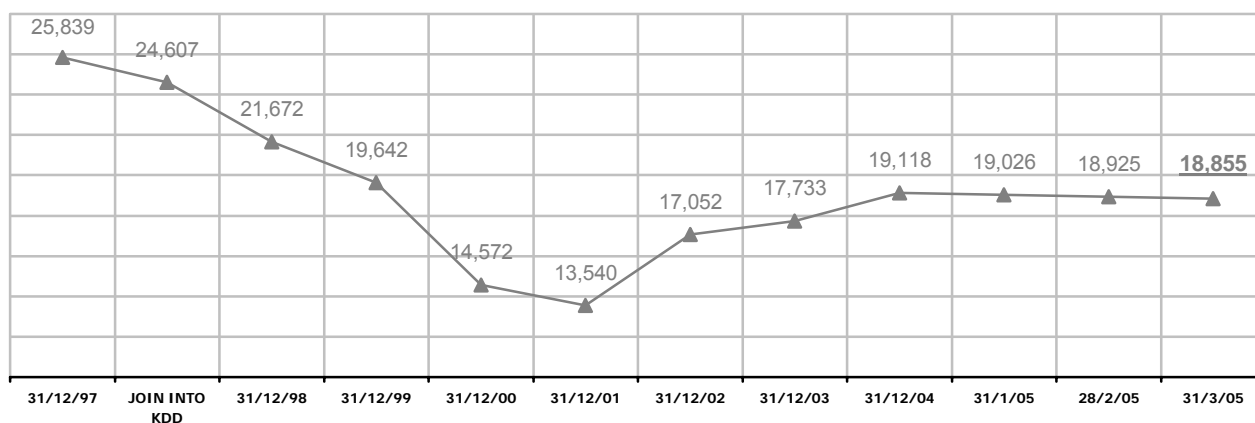
Average number of employees by divisions:

	1 st Qtr. 2004	1 st Qtr. 2005	05/ 04
Household appliances	7,166	8,245	15.4%
domestic companies	6,553	6,555	0.4%
foreign companies	613	1,690	173.0%
Internal furnishing	1,232	1,211	-1.3%
domestic companies	1,082	1,068	-1.0%
foreign companies	150	143	-3.4%
Heating and industrial equipment	676	678	-1.6%
domestic companies	676	678	-1.6%
foreign companies	0	0	/
Services	351	368	4.0%
domestic companies	303	310	2.6%
foreign companies	48	58	11.5%
Energy and environment protection	78	88	2.3%
domestic companies	62	71	2.9%
foreign companies	16	17	0.0%
Gorenje Group	9,503	10,590	11.4%
domestic companies	8,676	8,682	0.2%
foreign companies	827	1,908	128.2%

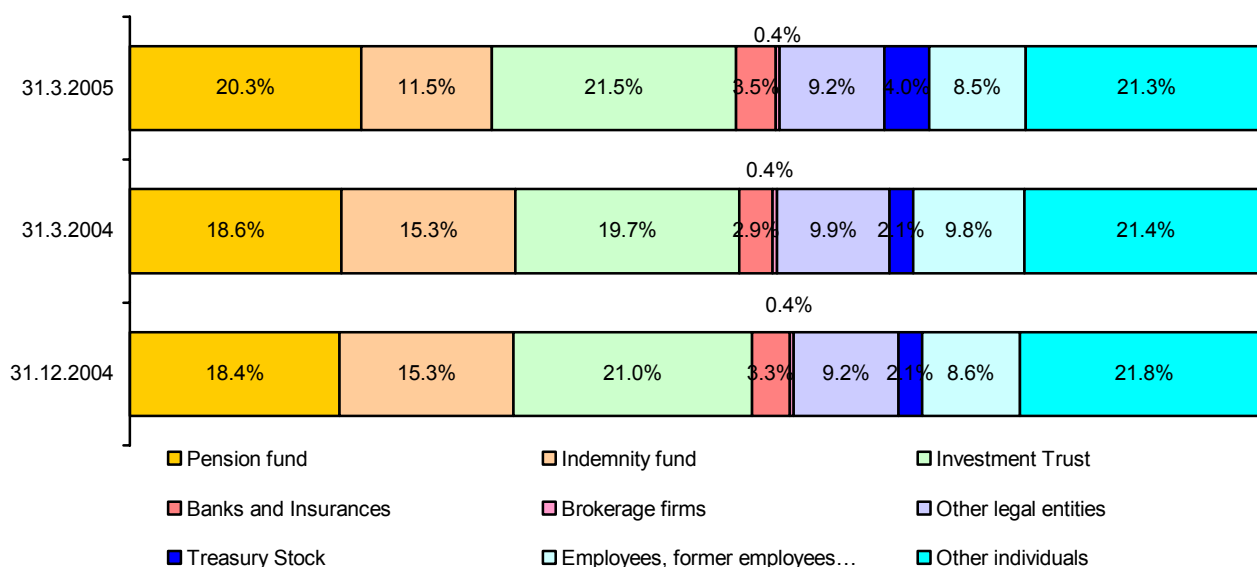
5. Shareholder Structure and Share Price

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 2005 **the number of shareholders** of Gorenje, d.d., was **18,855**, which was a decrease of 263 shareholders, compared with the figure on 31 December 2004 (19,118).



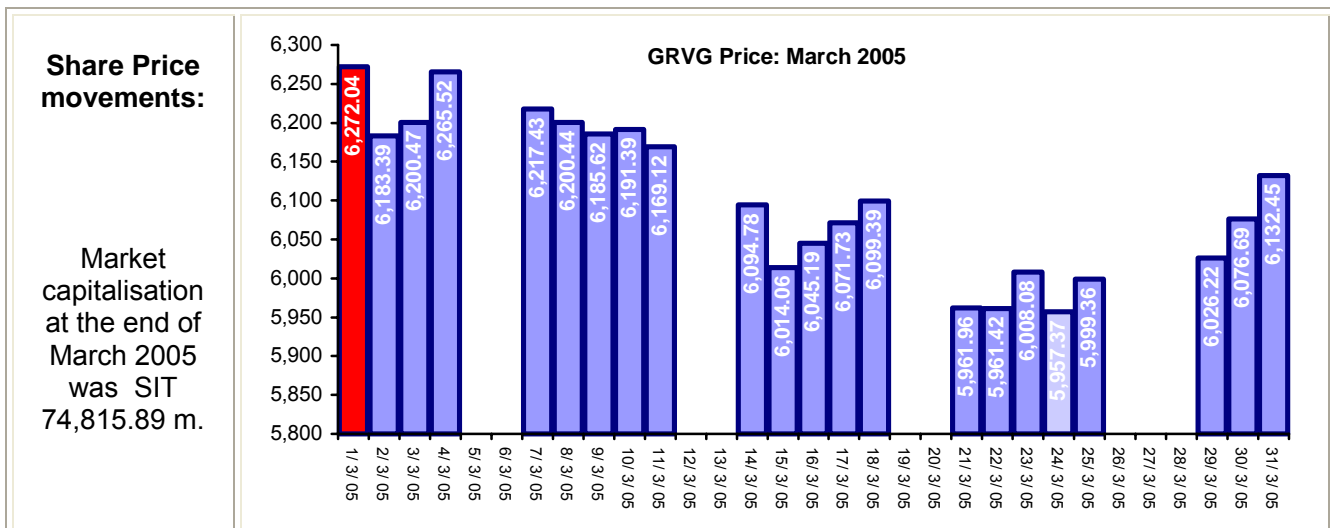
Shareholders structure:



Foreign investors participation increased from 1.63% (198,931 shares) at the end of December 2004 to 1.98% (241,335 shares), of which foreign legal entities held 219,757 shares or 1.80% (177,846 on Dec. 2004, 1.46%) and foreign individuals 21,578 or 0.18%.

Balance of own treasury shares as at March 31, 2005 amounted to 484,117 or 4.0% (on Dec. 31, 2004 it amounted to 251,042 or 2.1%). On Jan 19, 2005 the Company Gorenje, d.d., executed the option for the purchase of 233,075 own shares (1.9105% of total equity) in accordance with the Option Sale and Purchase Agreement signed on June 21, 2004 with the Slovenska odškodninska družba, d.d. (Indemnity Fund). The price which according to the agreement provisions equals average market price of the GRVG share for the period from July 1, 2004 to December 31, 2004 amounted to SIT 6,485.93 per share.

The share price GRVG of the company Gorenje, d.d., reached SIT 6,473.90 at the end of the year 2004 and at the end of the March 2005 SIT 6,132.50.



6. Business Outlook for the Year 2005

The beginning of 2005 on **European markets** has been distinguished by the continued low level of economic growth, low level of customer confidence, and reduced international competitiveness resulting from weak dolar compared to euro. All these elements have been reducing demand for permanent goods, including household appliances and other home products, at the same time raising competition edge and price burden on European market. The consequences of last year's entry of Slovenia into the ERM II system and subsequent fixation of EUR/SIT exchange rate, in addition to the still relatively high domestic inflation rate in 2004, has created additional cost strains for net exporters like the Gorenje Group.

The paramount challenge in the year 2005 is expected in the area of extremely **high prices of strategic raw materials and components**, especially the steel plate, other steel products, non-iron metals, and finally the petrochemical products. And whilst good news is that the growth of most raw material prices has been slowly settling, however at record high levels, the price of petrochemical products have still been growing as a consequence of the crude oil price increases.

The **EU WEEE Directive** regarding treatment of waste electrical and electronic equipment, comprising also large and small household appliances, enters into force in all EU countries in August 2005. Based 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. The Group will put every effort to transfer the recycling costs as much as possible to the buyers of the products. Final effects of the implementation of the Directive is still impossible to forecast, due to the existing ambiguity of executive documentation in numerous member countries.

The above negative impacts of adversary economic elements will have to be neutralized as much as possible during the year 2005 above all by the optimization and search for cheaper alternative supply sources, selective price increases of household appliances and enhancement of their sales structure, and rationalization of expenses in all segments of operations. The Board of Directors will continue to carry out all business operations which are expected to contribute to the final achievement of forecast business objectives for the year 2005.

B. FINANCIAL REPORT

1. Accounting Policies

In the preparation of non-audited financial statements of Gorenje Group in line with the International Financial Reporting Standards (IFRS) the Group applied the same accounting principles as in the year 2004, except for the treatment of provisions for service calls within the warranty period, which were for the year 2004 defined as deferred revenues. To obtain comparability of data the 2004 Income Statement figures have been adjusted (the adjustment is disclosed as increase in net revenues from sales in the amount of SIT 339 million, and cost of goods, materials and services in the same amount).

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 50 subsidiaries operating in Slovenia and abroad.

The changes of the Gorenje Group structure in the year 2005 were as follows:

- In the beginning of January 2005 the company Gorenje, d.d., acquired from the company Energygor, d.o.o. 100% share of the company Opte Ptuj, d.o.o., and 66.67% share of the company Kemis, d.o.o.
- 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 98.7756% ownership stake.
- On March 30, 2005 the company Gorenje, d.d., incorporated the limited company Gorenje Adria Nekretnine, d.o.o. (real estate trading), with the head office in Zagreb, of which Gorenje, d.d., is the major owner.
- The company IG Prodaja, d.o.o., was incorporated on Dec. 23, 2004, with 50% ownership of Gorenje, d.d., and 50% ownership of ISTRABENZ ENERGETSKI SISTEMI, energetske storitve, d.o.o.

The list of the Gorenje Group companies in the year 2005, with the share in capital on 31 March 2005:

	Subsidiaries operating in Slovenia:	Share in capital in %
1.	Gorenje IPC, d.o.o., Velenje	100.00
2.	Biterm, d.o.o., Bistrica ob Sotli	75.00
3.	Gorenje Notranja oprema, d.o.o., Velenje	98.7756
4.	Gorenje Glin, d.o.o., Nazarje	98.7756
5.	Gorenje Orodjarna, d.o.o., Velenje	100.00
6.	Gorenje Indop, d.o.o., Velenje	100.00
7.	Gorenje Tiki d.o.o., Ljubljana	99.795
8.	Gorenje GTI, d.o.o., Velenje	100.00
9.	Gorenje Gostinstvo, d.o.o., Velenje	100.00
10.	LINEA, d.o.o., Velenje	100.00
11.	Energygor, d.o.o., Velenje	100.00
12.	Opte Ptuj, d.o.o., Ptuj	100.00
13.	Kemis, d.o.o., Radomlje	100.00
14.	Istrabenz – Gorenje, d.o.o., Ljubljana (Joint Venture)	50.00
15.	IG Prodaja, d.o.o., Nova Gorica (Joint Venture)	50.00

	Subsidiaries operating abroad	Share in capital in %
16.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00
17.	Gorenje Austria Handelsgesellschaft m.b.H., Austria	100.00
18.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00
19.	Gorenje Körting Italia S.r.l., Italy	100.00
20.	Gorenje France S.A.S., France	100.00
21.	Gorenje BELUX S.a.r.l., Belgium	100.00
22.	Gorenje UK Ltd., Great Britain	100.00
23.	Gorenje Skandinavien A/S, Denmark	100.00
24.	Gorenje AB, Sweden	100.00
25.	Gorenje USA Inc., USA	100.00
26.	Gorenje Spol. s r.o., Czech Republic	100.00
27.	Gorenje Real Spol. s r.o., Czech Republic	100.00
28.	Gorenje Slovakia Spol. s r.o., Slovakia	100.00
29.	Gorenje Budapest Kft., Hungary	100.00
30.	Gorenje Polska sp. z o.o., Poland	100.00
31.	Gorenje Bulgaria EOOD, Bulgaria	100.00
32.	Gorenje Zagreb, d.o.o., Croatia	100.00
33.	Gorenje Skopje, d.o.o., Macedonia	100.00
34.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00
35.	Gorenje, d.o.o., Serbia and Montenegro	100.00
36.	Gorenje Podgorica, d.o.o., Serbia and Montenegro	99.972
37.	Gorenje OY, Finland	100.00
38.	Gorenje AS, Norway	100.00
39.	Gorenje Romania S.R.L., Romania	100.00
40.	Gorenje aparati za domačinstvo, d.o.o., Serbia and Montenegro	100.00
41.	Mora Moravia a.s., Czech Republic	100.00
42.	Mora Slovakia s r.o., Slovakia	100.00
43.	Mora Hungaria Kft., Hungary	100.00
44.	Gorenje Küchen GmbH, Austria	98.7756
45.	Gorenje Kuchyne Spol. s r.o., Czech Republic	98.7756
46.	Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina	98.7756
47.	Hyundai auto d.o.o., Zagreb, Croatia	100.00
48.	Hyundai Auto, d.o.o., Serbia and Montenegro	100.00
49.	Gorenje Imobilia, d.o.o., Serbia and Montenegro	100.00
50.	Gorenje Adria Nekretnine, d.o.o., Croatia	100.00
51.	Kemis, d.o.o., H Croatia	100.00
52.	Kemis BiH, d.o.o., Bosnia and Herzegovina	90.00

3. Non-Audited Consolidated Financial Statements According to IFRS

Non-Audited Consolidated Income Statement of Gorenje Group

Exchange Rate: 1EUR =	237.39 SIT	239.75 SIT			239.79 SIT
In SIT m	1st Qtr. 2004	1st Qtr. 2005	05/04	2005/PI2005	Plan 2005
Net sales revenue	47,960	54,030	12.7%	23%	235,208.4
Changes in inventories	3,480	5,556	59.7%		
Other operating income	502	584	16.3%		
Raw material and consumables used	-37,868	-44,630	17.9%		
Staff costs	-9,431	-10,276	9.0%		
Depreciation and amortisation expense	-2,395	-3,063	27.9%		
Other operating expenses	-586	-1,050	79.2%		
Operating profit	1,662	1,151	-30.7%		
Net finance cost	-495	175			
Profit before tax	1,167	1,326	13.6%		
Income tax expense/benefit	-194	-299	54.1%		
Profit after tax	973	1,027	5.5%	21%	4,793.2
Minority interest	26	2	-92.3%		
Net profit for the period	947	1,025	8.2%	21%	4,779.2

Non-Audited Consolidated Balance sheet of Gorenje Group

Exchange Rate: 1EUR =	237.96 SIT	239.73 SIT	
In SIT m	31.03.04	31.03.05	05/04
ASSETS	165,904	190,664	14.9%
Property, plant and equipment	74,069	78,916	6.5%
Intangible assets	2,242	3,921	74.9%
Non-current investments	4,268	4,166	-2.4%
Non-current receivables	296	604	104.1%
Deferred tax	60	58	-3.3%
Non-current assets	80,935	87,665	8.3%
Inventories	33,934	45,177	33.1%
Trade and other receivables	46,212	51,884	12.3%
Current investments	2,309	3,483	50.8%
Cash and cash equivalents	2,514	2,455	-2.3%
Current assets	84,969	102,999	21.2%
EQUITY AND LIABILITIES	165,904	190,664	14.9%
Shares	12,200	12,200	0.0%
Reserves	29,439	35,749	21.4%
Revaluation reserves	8,309	5,923	-28.7%
Retained earnings	8,736	8,588	-1.7%
Own shares	-707	-2,182	208.6%
Equity	57,977	60,278	4.0%
Minority interest	461	193	-58.1%
Provisions	7,978	9,380	17.6%
Deferred tax	580	254	-56.2%
Interest bearing borrowings	21,706	27,100	24.9%
Other non-current liabilities	6	6	0.0%
Non-current liabilities	30,270	36,740	21.4%
Trade liabilities	38,776	38,637	-0.4%
Short-term borrowings	31,174	42,474	36.2%
Other non-current liabilities	3,554	6,545	84.2%
Accrued cost and deferred revenue	3,692	5,797	57.0%
Current liabilities	77,196	93,453	21.1%

Non-Audited Consolidated Cash flow Statement of Gorenje Group

in SIT m		1 st Qtr. 2004	1 st Qtr. 2005
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
	Profit before taxation	1,167	1,326
	Adjustments for:		
	Depreciation	2,395	3,063
	Net financial costs	495	-175
	Increase in long-term provisions	110	78
	Increase in receivables	-1,407	-1,404
	Increase in inventories	-4,590	-5,474
	Increase in deferred taxes	-8	66
	Increase in trade liabilities	-971	-4,792
	Cash generated from operations	-2,809	-7,312
	Interest paid and foreign exchange losses	-495	175
	Income taxes paid	-194	-365
	Net cash from operating activities	-3,498	-7,502
B.	CASH FLOWS FROM INVESTMENT ACTIVITIES		
	Purchase of tangible and non-tangible fixed assets	-2,730	-1,644
	Proceeds from purchase of own shares		-1,625
	Proceeds from sale of shares and other securities	189	1,691
	Net cash from investment activities	-2,541	-1,578
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
	Proceeds from long-term loans	2,787	-1,908
	Proceeds from short-term loans	3,088	11,216
	Proceeds from treasury stock sale	27	
	Net cash from financing activities	5,902	9,308
D.	BALANCE OF CASH AT END OF PERIOD		
	Increase/decrease in cash and cash equivalents	-137	228
	Cash and cash equivalents at 1.1.	2,651	2,227
	Cash and cash equivalents at 31.12	2,514	2,455

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

In SIT m	Share Capital	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 2005	12,200	33,533	3,997	3,566	-670	8,058	190	60,874
Net profit or loss for the period				1,025			2	1,027
Purchase of own shares					-1,512			-1,512
Transfer of the revaluation adjustments into other reserves		2,135				-2,135		0
Equity revaluation and translation adjustments		81						81
Increase in minority interest							1	1
Balance at 31 March 2005	12,200	35,749	3,997	4,591	-2,182	5,923	193	60,471

In SIT m	Share Capital	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	29,439	5,589	2,200	-707	8,088	483	57,292
Net profit or loss for the period				947			26	973
Transfer of the net profit residual from the year 2002			2,200	-2,200				0
Equity revaluation and translation adjustments						221		221
Decrease in minority interest							-48	-48
Balance at 31 March 2004	12,200	29,439	7,789	947	-707	8,309	461	58,438

Summary of the financial report for the Gorenje Group, for the period January – March 2005, according to IFRS

4. Financial Highlights and Achievements

in EUR '000	1 st Qtr. 2004	1 st Qtr. 2005	05/04	2005/PI2005	Plan 2005
Consolidated operations					
Net revenues from sales	202,033	225,363	11.5%	23%	980,875
Average number of employees	9,503	10,590	11.4%	100%	10,581
Productivity (Net revenues from sales/Number of employees)	21,260	21,281	0.1%	23%	92,702
Staff costs	39,728	42,862	7.9%		
Depreciation and amortisation expense	10,089	12,776	26.6%		
Added Value	56,819	60,439	6.4%		
Added Value/Average number of employees	5,979	5,707	-4.5%		
EBIT (Operating profit)	7,001	4,801	-31.4%		
EBITDA	17,090	17,577	2.8%		
EBITDA Margin	8.5%	7.8%			
Net profit	4,099	4,284	4.5%	21%	19,989
Net profit Margin	2.0%	1.9%			2.0%
Consolidated financial position					
Net working capital	163,645	216,971	32.6%		
Net working capital structure	32.5%	37.2%			
Non-current asset	340,120	365,685	7.5%		
Non-current asset structure	67.5%	62.8%			
Total (Net working capital + Non-current asset)	503,765	582,656	15.7%		
Financial liabilities	222,222	290,220	30.6%		
Financial liabilities structure	44.1%	49.8%			
Provisions	35,964	40,187	11.7%		
Provisions structure	7.1%	6.9%			
Capital	245,579	252,248	2.7%		
Capital structure	48.7%	43.3%			
Investments	11,450	6,895	-39.8%	15%	47,228
Investment Margin	5.7%	3.1%			4.8%

In the 1st Qtr. 2005, **consolidated net revenues from sales** amounted to EUR 225.4 m, showing an increase of 12 % over 1st Qtr. 2004 and 23% of 2005 plan. **Net profit** for the 1st Qtr. 2005 in amount to EUR 4.1 m reached 21% of the projected figure for 2005. **Balance sheet total** amounted to EUR 795.3 m as at 31 March 2005 and showed an increase of 6.4% over the year end 2004.

Gorenje, d.d.,
Management Board