

gorenje

Annual Report 2004



Annual Report of the Gorenje Group
for 2004 according to IFRS

- *Pioneering restlessness, and the desire to be innovative, complemented by the finest artistic creativity are our guiding principles in developing new and better products to modernize the technology of everyday living. Satisfied customers are the measure of our success.*

Customers, as well as manufacturers, share an awareness of the importance of human creative zeal. We are constantly reflecting on contemporary consumer culture. Ethical behaviour, therefore, is inherently integrated into our corporate values. In (re)thinking our philosophy and goals, we help create an identity in which human dignity is the corner stone of our social responsibility to the environment. Furthermore, we constantly pose ourselves a fundamental question: how can individuals, along with the global business community, create a culture of happiness?

It is our firm belief that the happier the people are, the more creative they become.

This document is not a translation of the legal version of the Annual Report of the company Gorenje, d.d., and the Gorenje Group for the year 2004, which was adopted by the Supervisory Board of the company Gorenje, d.d., on 11 April 2005.

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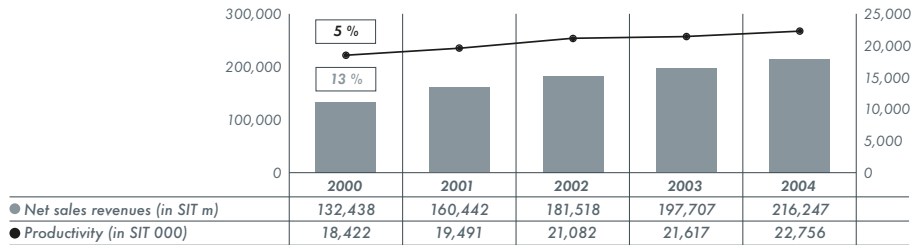
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Key Achievements of 2004

The financial year 2004 was marked by sustainable growth in the volume of business activities,...

Legend:
Productivity: net sales revenues / average number of employees

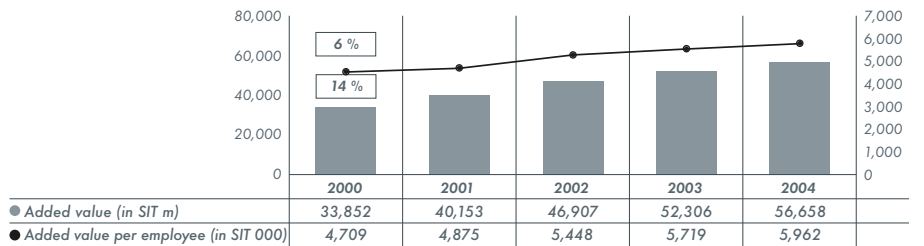
Consolidated net sales revenues of the Gorenje Group



... which, despite exceptional growth in the costs of raw materials and other materials, reflected in increased added value,...

Legend:
Added value: gross operating yield – costs of goods, materials and services – other operating expenses; Added value per employee: added value / average number of employees

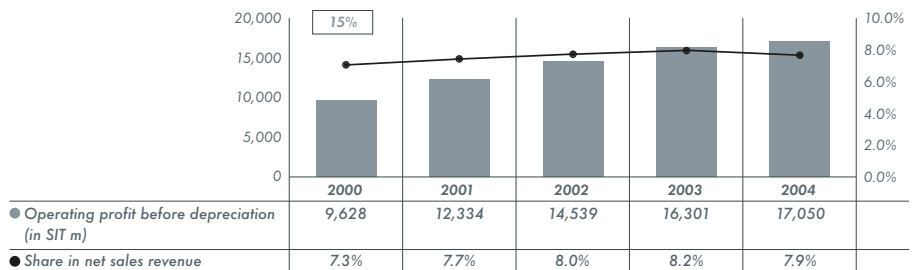
Added value of the Gorenje Group



...significantly improved ability to generate cash flows with its business activities...

Legend:
Operating profit before depreciation: operating profit + depreciation and amortization expense; Net sales revenue: consolidated net sales revenue

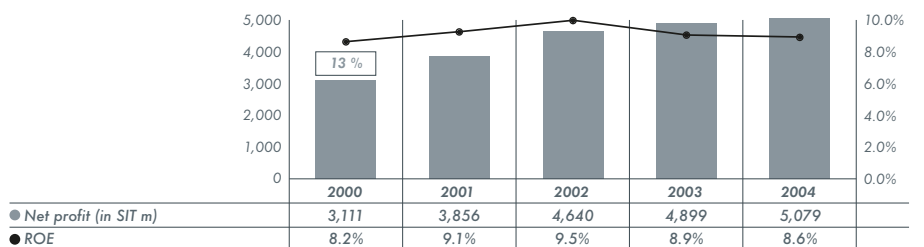
Operating profit before depreciation of the Gorenje Group



...and growth in the net profit.

Legend:
ROE: Net profit (or loss) / Average equity

Net profit of the Gorenje Group

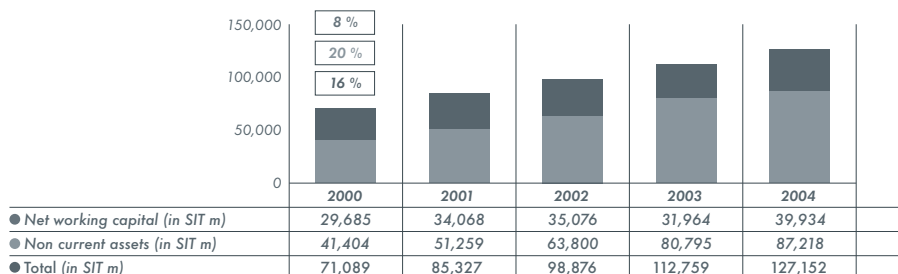


Structure of assets of the Gorenje Group

The Group's assets increased also in 2004, mainly on account of higher volume of operations and...

Legend:

Net working capital: (current assets + deferred costs and accrued revenues) – (current trade liabilities + non current liabilities + accrued costs and deferred revenues)

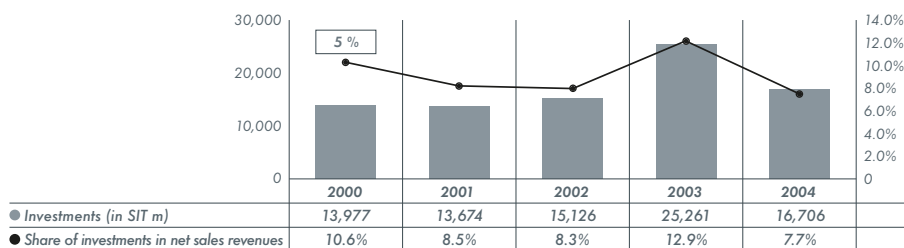


...slowdown of the intensive investment period,...

Legend:

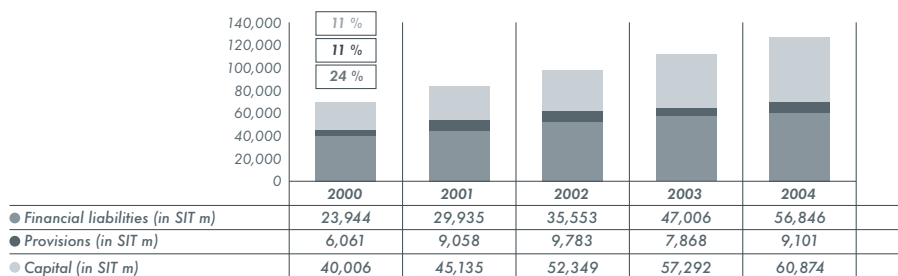
Investments: investments in property, plant and equipment and intangible assets; net sales revenues: consolidated net sales revenues

Investments of the Gorenje Group



...which is supported by the Group's conservative capital structure and its growing ability to generate internal financial sources.

Structure of liabilities of the Gorenje Group



Remarks:

- Percentages shown in the top left side of the graphs represent the average growth of individual categories in the period under review.
- All accounting categories of assets and liabilities refer to the last day of the periods under review.

Significant Events of 2004



January

- A new logistic centre, a plastics factory and a polystyrene packaging plant were opened.
- A new assembly line for tumble dryers started operating in the washing machines and tumble dryers programme.
- Gorenje, d.d., had a presentation of its household appliances at the exhibition of household appliances, bathroom equipment and kitchens, KBB 2004 in Birmingham, England and its glass door coolers for the American buyer at the fair in Las Vegas, USA.

February

- The Regional Chamber of Commerce of Savinjsko-Šaleška region presented the local innovators with awards and diplomas. Among them were teams from Gorenje, d.d., Gorenje Indop, d.o.o., and Gorenje Orodjarna, d.o.o.

March

- The web site www.gorenje.si/alux was awarded the "Golden MM" diploma.
- The construction of water reservoir was completed for the most up-to-date fire protection system in the logistic centre, in the plastics factory and in the polystyrene packaging plant.
- In Podgorica, Serbia and Montenegro, a new distribution centre was opened which contains a warehouse, show room, after-sale service unit and business premises.
- Retired employees of the Gorenje Group established their club.

April

- Franjo Bobinac, President of the Management Board of Gorenje, d.d., became President of the Managers' Association of Slovenia.
- 300 Slovenian managers and 40 corporate journalists voted Gorenje, d.d., the best company at the "Kapital's Financial Days 2004" organised by the magazine Kapital.

May

- At the press conference in Ljubljana a new visual image of the brand name Gorenje was presented and the new slogan "Gorenje mine.yours.home"
- The internal newsletter "Črno na belem" was awarded for the 1st place in the category "Newsletters" at the meeting of journalists from companies and institutes. The internet newsletter "E-glasilo" of Gorenje, d.d., which has been issued since the beginning of 2004, was specially commended.

June

- Regular production of the new generation of washing machines and tumble dryers began.
- At the "Green Week 2004" in Brussels, Belgium, Gorenje, d.d., was presented with an award for environmental management by the European Commission as part of European Awards for the Environment.
- The 20-millionth cooking appliance came round from the conveyor belt of the cooking appliances programme.

July

- Gorenje, d.d., acquired a 100 % stake in the Czech company Mora Moravia, a.s., manufacturer of cooking appliances.
- On 7 July 2004 the Annual General Meeting of Shareholders of the company Gorenje, d.d., was held; resolutions of the 7th session are published on the web site www.gorenje.com.
- Gorenje Notranja, oprema, d.d., celebrated its 20th anniversary of operation, 30th anniversary of its ceramics programme and 50th anniversary of its Marles kitchens.

August

- During the collective holiday period the move of small series production and printing office to Šoštanj was carried out.
- In Prague a new generation of washing machines and tumble dryers was presented for the first time to the European business partners.

September

- The Gorenje Group presented its sales programme at the 37th International Crafts and Trades Fair in Celje, Slovenia, and at the fair Futura 2004 in Salzburg, Austria.
- Janez Kopač, Minister of Environment, Spatial Planning, and Energy and Igor Likar, Director of the Slovene Standards and Metrology Institute, presented the parent company with the certificate of entry in the EMAS register and the certificate on the validation of environmental statement.

October

- Gorenje, d.d., was awarded for the best Annual Report for 2003 given every year by the financial newspaper Finance.

November

- In the refrigerators and freezers programme the production of a new generation of 600 mm wide appliances started.
- The new generation of washing machines and tumble dryers (Gorenje, d.d.) was nominated The Environmental Product of the Year, within the framework of environmental awards conferred by the magazine "Gospodarski vestnik", together with the Environmental Development Fund of the Republic of Slovenia and the Environmental Agency of the RS.

December

- Laboratories providing chemical analysis and environment protection (Gorenje, d.d.) were accredited according to the SIST EN ISO/IEC 17025 Standard.
- For the first time in the history of Gorenje, d.d., over 3 million large household appliances were manufactured.





Historical Highlights of the Gorenje Group

1950-1960

- *The beginnings of the Group in the village Gorenje at the crossing of Šaleška and Savinjska valleys with the establishment of the local metal-working enterprise.*
- *Initially the Company manufactured agricultural machinery.*
- *In 1958 the Company started manufacturing solid fuel cookers.*
- *The intention to move and construct own production facilities in Velenje was implemented.*

1961-1970

- *Extension of production to washing machines and refrigerators and freezers.*
- *The first export was carried out: in 1961 the first 200 cookers to the German market.*

1971-1980

- *Extension of the Group by takeovers of companies.*
- *Development of new business sectors with wide range of products for home: kitchen furniture, ceramics, home electronics, TV sets.*
- *Development of sales and after sales network of centres throughout Yugoslavia, the Group employed over 20,000 people.*
- *Setting up of own distribution network began in Germany, Austria, France, Denmark, Australia and Italy.*

1981-1990

- The Group's operating development focussed on core activity: manufacture and sale of household appliances.

1991-1996

- The Gorenje Group turned towards markets outside the former Yugoslavia due to the loss of domestic market after its breakup.
- The changed sales direction resulted in the restructuring of the whole Group, the change in political and

economic systems resulted in ownership transformation.

- Establishment of companies began in East Europe and in the countries of former Yugoslavia.

1997-2004

- The parent company Gorenje, d.d., became a joint-stock company.
- The Group's operation implemented new technological and environmental standards.
- With the expansion of activities the Group's presence on the markets

of the former Yugoslavia started strengthening.

- A period of extensive investments in increasing production capacities, modern environment-friendly technologies, new products and new markets.
- Takeover of the Czech manufacturer of cooking appliances Mora Moravia, a.s., began and was completed at the beginning of 2005.

Letter to Shareholders

Dear Shareholders,

2004 was the year of Slovenia's accession to the European Union, while at Gorenje we shall remember it by the extremely demanding business conditions. Global market conditions did not change considerably, compared with the year before.

We were faced with low economic activity levels and low levels of consumer confidence, extremely high prices of strategic materials and raw materials, especially steel sheet and plastics, reduced international competitiveness of the European economy on account of a strong euro against the dollar, and aggressive arrival of Asian competition on European markets. Renewed imposition of import duties for our products in some of the countries of West Balkans and early fixation of the tolar against the euro, upon Slovenia's entry in the exchange rate mechanism ERM2, further deteriorated the conditions.

The before mentioned events had an important effect on the economic environment and especially on the activities in production and sale of household appliances. 2004 was definitely one of the more demanding years of operation of the Gorenje Group. We succeeded in neutralising the majority of the before mentioned negative effects with a high volume of business activities, by optimising the supply chain and searching for favourably

priced alternative purchasing sources, selective raising of prices of household appliances, developing new products, improving their sales structure and reducing costs in all business areas.

By joining forces, the Gorenje's associates in 2004, for the first time in history, exceeded the production limit of 3 million pieces of large household appliances from own factories, and achieved a record volume of revenues and net profit. This was also the year when Gorenje made an important step towards internationalisation of its production, by taking over the Czech manufacturer of cooking appliances Mora Moravia, a.s.

At the Gorenje Group we are aware of responsibility for our activities, which have an impact on people and the local and the general, natural and social environments. The corporate social responsibility concept, which is incorporated in our business strategy, binds us to ethical conduct, economic development, improvement of quality of life of employees, their families, the local community and society in gener-



al. We are a corporation which considers concern for the environment as a competitive advantage. This reflects in the top environmental awards received in 2004: the European Environmental Recognition for Sustainable Development Management and the nomination The Environmental Product of the Year, received for the new generation of washing machines and tumble dryers. In addition, we were entered, as the first in Slovenia, in the European Register of Environmental Management Systems EMAS.

I am sure that the Gorenje Group will successfully continue to develop its business, with its highly motivated and loyal associates, and increase the level of its international competitiveness.

The Group will responsibly fulfil its obligations to all stakeholders and will, with its socially responsible activities, contribute to sustainable development.

I wish to take this opportunity to thank the members of Supervisory Board of Gorenje, d.d., for their support to our activities and development concepts,

and for the professional and diligent conduct, with which they contributed to the successful development of the company Gorenje, d.d., and the Gorenje Group.

Dear shareholders, my colleagues from the Management Board and I are convinced that the Gorenje Group has successfully concluded the financial year 2004, despite very demanding business conditions, and we shall strive to also achieve that in the future. My associates from the Group and I would like to sincerely thank you for showing us your trust, which we also hope to have in the future, as it will significantly contribute to our achieving the set strategic goals.

*Franjo Bobinac, M.Sc.
President of the Management Board
and CEO*

Report of the Supervisory Board on the Review of the Annual Report 2004

Dear Shareholders,

in 2004 the Supervisory Board supervised the operations of the company Gorenje, d.d., and the Gorenje Group in accordance with its powers and responsibilities conferred by law and the Company's Articles of Association.

In the first half of the year the Supervisory Board, which is composed of 10 members, performed its activities with two members less, as Anton Majzelj resigned already in June 2003, and on March 2004, Igor Omerza resigned due to legally stipulated incompatibility of duties on account of his undertaking a professional function in the bodies of the local community. On 23 April he submitted his notice of resignation to the Chairman of the Supervisory Board, which was notified at the General Meeting of Shareholders on 7 July 2004, when the GMS elected two new members of the Supervisory Board, Igor Kušar and Peter Tevž, for the period until expiry of the Supervisory Board's term of office, i.e. 18 July 2006.

1. Activities of the Supervisory Board

During the year the Supervisory Board paid special attention to the business and financial development of the Gorenje Group and the parent company, to significant business events and implementation of general strategic and business policies. In 2004 the Supervisory Board met at seven meetings, two of them by correspondence.

The Company's Management Board reported quarterly to the Supervisory Board on current business achievements and the assets of the Gorenje Group and the parent company, on current investment activities, acquiring financial sources and execution of resolutions adopted by the Supervisory Board. In line with established practice the Supervisory Board adopted the economic plan of the parent company and the Gorenje Group already in December 2003, before the beginning of the financial year. With this the framework of business activities and goals for 2004 were set and the Board monitored their realisation during the year. The Management Board regularly and promptly informed the Supervisory Board of changed conditions of operation which had not been foreseen in the economic plan, and of measures adopted for the neutralisation of their negative impact. The Management Board's reports to the Supervisory Board focussed also on the efforts to expand production abroad, in Serbia and Montenegro by acquiring locations for building factories, and by taking over the Czech manufacturer of cookers, Mora Moravia, a.s. In December 2004, the last Board's meeting was traditionally dedicated to adoption of the economic plan for 2005.

Despite significantly changed conditions of operation, particularly as a result of extremely rapid growth in prices of strategic raw materials and

other materials, Gorenje achieved important business goals also in 2004. Taking into consideration the market position and achieved business results, the Supervisory Board considers that the Gorenje Group and the parent company performed successfully. The trend of growth continued, the ability to adapt to changed circumstances was confirmed. Since in similar situations competitiveness becomes a key issue for further development, the Supervisory Board supported the Management Board in its efforts to expand production activities to more favourable environments, while making every effort for preserving jobs in Slovenia.

The Supervisory Board also agreed with the signing of option agreement between the Company and the Slovenian Indemnity Fund for the purchase of 7.64% of own shares and approved the schedule of buying during the period between January 2005 and July 2006.

In May 2004 the Supervisory Board adopted Criteria for Appraisal of the Gorenje Group's Performance, whose purpose is to determine the level of the Group's performance on the basis of objective economy measures. The criteria also serve as basis for deciding on performance-related bonuses of the Management Board.

The Supervisory Board considered the Corporate Governance Code for Public Joint-stock Companies and established that, with slight deviations, the Company complied with the Code. The Board established that the Company's Management Board fulfilled some of the obligations declared in the Statement on Compliance with the Corporate Governance Code dated 27 August 2004, and that the disclosures contained in the Annual Report for 2004 were in accordance with the Code's recommendations.

On 18 July 2004, Andrej Vizjak, Member of the Company's Management Board, submitted to the Chairman of the Supervisory Board his notice of resignation from the function of Member of the Management Board of Gorenje, d.d., on personal grounds. The Supervisory Board considered his resignation notice and approved it on 27 August 2004. The Board also agreed with the proposal of the Management Board that work be continued with only four members and that in the transitional period the President of the Management Board should be in charge of Sales and Marketing.

2. Annual Report

On 4 April 2005 the Company's Management Board submitted the Annual Report of the company Gorenje, d.d., and the Gorenje Group for 2004 for adoption by the Supervisory Board. The Supervisory Board considered the Annual Report at its meeting on 11 April 2005.

The Auditors' Report on the Financial Statements of the company Gorenje, d.d., and the Auditors' Report on the Consolidated Financial Statements of the Gorenje Group were attached to the Annual Report.

Auditing of the Annual Report of the company Gorenje, d.d., and the Gorenje Group for 2004 was conducted by the auditing company KPMG Slovenija, d.o.o. The audit was carried out also in all the companies of the Gorenje Group.

On 1 April 2005 the auditing company gave a positive opinion on the Annual Report of Gorenje, d.d., and the Consolidated Annual Report of the Gorenje Group.

In reviewing the submitted Annual Report for 2004 the Supervisory Board took into account that:

- in 2004 the Company realised the key categories of the economic plan;
- the Supervisory Board approved the proposed distribution of net profit for 2004 and setting up of accumulated profit in line with the responsibilities of the Management Board and the Supervisory Board;
- the auditing firm gave a positive opinion to the Annual Report for 2004; the Supervisory Board had no comments on the auditors' report;
- the Supervisory Board regularly monitored the running and operation of the parent company and the Gorenje Group and promptly monitored their operating results, financial position and their assets.

The Supervisory Board established that the Annual Report for 2004, which was prepared by the Management Board and examined by the auditors, has been drawn up clearly, transparently and in accordance with the Companies Act (CA) and valid accounting standards. In addition the Supervisory Board reviewed and approved the auditors' report. On this basis it considers that the Annual Report presents a true and fair picture of total assets, liabilities, financial position and operating results and gives a fair account of the business development and position of the Company and the Gorenje Group.

Consequently at its meeting held on 11 April 2005, the Supervisory Board adopted the Annual Report of the company Gorenje, d.d., and the Consolidated Annual Report of the Gorenje Group for 2004 in the form submitted by the Management Board.

3. Calculation and Proposal for Appropriation of Accumulated Profit

The Company's Management Board decided that part of net profit for 2004 amounting to SIT 2,706,505,085.31, which after obligatory forming of statutory reserves of SIT 270,650,508.54 amounts to SIT 2,435,854,576.77, shall be allocated to setting up other reserves from profit in the amount of SIT 1,217,927,288.39. The Management Board reversed to the accumulated profit for 2004 other reserves from profit in the amount of SIT 1,568,884,563.00, which were formed out of net profit for 1998. The Supervisory Board agreed to the proposed setting up of other reserves as is stated in the Company's financial statements.

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

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

The Management Board and the Supervisory Board propose to the General Meeting of Shareholders that the accumulated profit for 2004 in the amount of SIT 3,992,529,938.65 be allocated as follows:

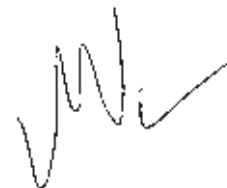
- part of accumulated profit in the amount of SIT 1,220,000,000.00, deriving from net profit for 1997 in the amount of SIT 1,139,277,536.00 and from net profit for 1998 in the amount of SIT 80,722,464.00, to be paid as dividend to shareholders resulting in a gross dividend of SIT 100.00 per share;

- part of accumulated profit in the amount of SIT 1,255,192,864.65, deriving from net profits for 2002 and 2004, to setting up other reserves from profit;

- the remaining accumulated profit in the amount of SIT 1,517,337,074.00, deriving from net profit for 1998, remains undistributed.

In its decision the Supervisory Board acted in line with the adopted policy of profit appropriation, which is subject to the development concept of Gorenje and shareholders' interest in increasing the value of shares over a long-term period. Therefore it agreed to the calculation and proposal for appropriation of accumulated profit for 2004. The Board also proposes to the General Meeting of Shareholders to discharge from duties for 2004 the members of the Management Board.

The Supervisory Board has prepared this report in accordance with Article 274.a of the Companies Act and addressed it to the General Meeting of Shareholders.



Marko Voljč, M.Sc.
Chairman of the Supervisory Board

Financial Highlights of the Gorenje Group

<i>in SIT m or as stated</i>	2004	2003	2002	2001	2000
From the Income Statement					
Net sales revenues	216,247	197,707	181,518	160,442	132,438
Gross operating yield	226,583	203,675	186,615	164,779	138,799
Added value	56,658	52,306	46,907	40,153	33,852
Profit or loss from operations	6,953	7,029	6,343	5,885	4,544
% of gross operating yield	3.1%	3.5%	3.4%	3.6%	3.3%
Operating profit before depreciation	17,050	16,301	14,539	12,334	9,628
% of gross operating yield	7.5%	8.0%	7.8%	7.5%	6.9%
Net profit or loss	5,079	4,899	4,640	3,856	3,111
% of gross operating yield	2.2%	2.4%	2.5%	2.3%	2.2%
Return on sales (ROS)	2.4%	2.5%	2.6%	2.4%	2.4%
Return on assets (ROA)	4.6%	4.8%	5.9%	5.4%	5.3%
Return on equity (ROE)	8.6%	8.9%	9.5%	9.1%	8.2%
From the Balance Sheet (as at 31 December)					
Assets	179,232	159,758	137,025	116,716	98,984
Capital	60,874	57,292	52,349	45,135	40,006
% of total liabilities	34.0%	35.9%	38.2%	38.7%	40.4%
Investments in tangible and intangible fixed assets	16,706	25,261	15,126	13,674	13,977
Employees					
Average number of employees	9,503	9,146	8,610	8,236	7,189
No. of employees as at 31 December	9,568	9,427	8,772	8,186	7,386
Shares of the company Gorenje, d.d.					
Book value per share	5,141 SIT	4,793 SIT	4,497 SIT	3,939 SIT	3,508 SIT
Shares' average daily price as at 31 December	6,474 SIT	4,918 SIT	4,407 SIT	2,221 SIT	2,155 SIT
Gross dividend per share	100 SIT	95 SIT	80 SIT	70 SIT	
Capital gain	32.0%	12.0%	98.4%	3.1%	-9.1%
Dividend yield	1.5%	2.2%	1.8%	3.2%	
Total yield	33.5%	14.2%	100.2%	6.3%	-9.1%

1. General Information

1.1. Activities

Company name:

Gorenje, gospodinjski aparati, d.d.,

Date of entry in the court register:

31.12.1997

Short name of the company:

Gorenje, d.d.

Registered address:

Velenje, Partizanska 12

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:

S172615320

Registry number:

5163676

Issued 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).

1.2. Organisational Structure and Composition of the Gorenje Group

In 2004 the Gorenje Group was composed of the parent company Gorenje, d.d., and 46 subsidiary companies, operating in Slovenia and abroad, and a company, which is a joint-venture of two partners.

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

Household Appliances Division (HA)

Manufacturing and selling household appliances.

Interior Furnishings Division (IF)

Manufacturing and selling kitchen and bathroom furniture, sanitary equipment and ceramic tiles.

Heating and Industrial Equipment Division (HIE)

Manufacturing and selling water heaters, heating equipment, tools and industrial equipment.

Services Division (S)

Trading engineering, agency services, hotel and restaurant business, tourism and real estate business activities.

Energy and Environment Protection Division (EEP)

Protection of environment, waste treatment, trading in electric energy and other projects in the field of energy and environment protection.

In 2004 the following changes occurred in the Group's structure:

- in February 2004 the company Gorenje, d.d., purchased from the company Gorenje GTI, d.o.o., its 100% share in the company Elgor, d.o.o.. The Company's share capital thus increased to SIT 300 million and its name changed to Istrabenz - Gorenje, d.o.o.; Gorenje, d.d., later sold 50% of its share in the company to the company Istrabenz Energetski sistemi, d.o.o.
- In March 2004 the company Gorenje, d.d., acquired a 33.34% share in the company Kemis, d.o.o. The other partner of Kemis, d.o.o., is the company Energygor, d.o.o., so that the company Kemis, d.o.o. is indirectly 100% owned by Gorenje, d.d.
- In 2004 the company Gorenje, d.d., carried out a swap of its own shares to acquire additional participating interests in the companies Gorenje Tiki, d.o.o., and Gorenje Notranja oprema, d.d.
- In May 2004 the company Gorenje, d.d., founded the company Gorenje aparati za domačinstvo, d.o.o., Valjevo, of which it is a 100% owner.

- On 1 July 2004 the company Gorenje Real Kft., Budapest was acquired by the company Gorenje Budapest Kft.
- On 8 November 2004 the company Gorenje Notranja oprema, d.d., purchased from the company Gorenje Austria Handels GmbH, Austria the complete 100% business share in the company Gorenje Küchen GmbH, Austria, and from the company Gorenje spol. S r.o., Czech Republic the 100% business share in the company Gorenje kuchyne spol. S r.o., Czech Republic. In this way the capital structure of the Interior Furnishings Division, whose leading company is Gorenje Notranja oprema, d.d., was rounded up.
- On 8 December 2004 the company Gorenje, d.d., founded the company Gorenje Imobilia, d.o.o., Belgrade, a real estate company.
- On 10 December 2004 the voluntary liquidation of the company Gorenje Pacific Pty. Ltd., Australia was completed, the company was cancelled from the court register.

Subsidiary companies of the Gorenje Group in 2004, with ownership shares as at 31 December 2004 and codes of Divisions to which they belong, are shown in the following table:

Companies in Slovenia		Ownership share in %	Division
1.	Gorenje IPC, d.o.o., Velenje	100.00	HA
2.	Biterm, d.o.o., Bistrica ob Sotli	75.00	HA
3.	Gorenje Notranja oprema, d.d., Velenje	98.7756	IF
4.	Gorenje Glin, d.o.o., Nazarje	98.7756	IF
5.	Gorenje Orodjarna, d.o.o., Velenje	100.00	HIE
6.	Gorenje Indop, d.o.o., Velenje	100.00	HIE
7.	Gorenje Tiki, d.o.o., Ljubljana	99.795	HIE
8.	Gorenje GTI, d.o.o., Velenje	100.00	S
9.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	S
10.	LINEA, d.o.o., Velenje	100.00	S
11.	Energygor, d.o.o., Velenje	100.00	EEP
12.	Opte Ptuj, d.o.o., Ptuj	100.00	EEP
13.	Kemis, d.o.o., Radomlje	100.00	EEP
14.	Istrabenz - Gorenje, d.o.o., Ljubljana (joint venture)	50.00	EEP

In addition the company Gorenje, d.d., had the following representative offices abroad through which it carried out business activities on foreign markets.

Representative offices abroad:

1. Moscow, Russian Federation,
2. Krasnoyarsk, Russian Federation,
3. Kiev, Ukraine,
4. Athens, Greece,
5. Barcelona, Spain.

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

1.3. The Company's Bodies

Management Board of the Company Gorenje, d.d.	Supervisory Board of the Parent Company Gorenje, d.d.	
	<i>Representatives of shareholders</i>	<i>Employee-elected Representatives</i>
Franjo Bobinac <i>President of the Management Board and CEO</i>	Marko Voljč <i>Chairman</i>	Ivan Atelšek <i>Deputy Chairman</i>
Franc Košec <i>Member of the Management Board, responsible for development and quality</i>	Tomaž Kuntarič <i>Deputy Chairman</i>	Peter Kobal <i>Member</i>
Žiga Debeljak <i>Member of the Management Board, responsible for finance and economics</i>	Bogdan Pušnik <i>Member</i>	Drago Krenker <i>Member</i>
Drago Bahun <i>Member of the Management Board, responsible for organisation and human resources and worker director</i>	Igor Kušar <i>Member</i>	Krešimir Martinjak <i>Member</i>
	Peter Tevž <i>Member</i>	Jurij Slemenik <i>Member</i>

The Management Board was appointed on 18 July 2003 for a five-year term of office.

The Supervisory Board was appointed for a four-year term of office. The mandate ends on 17 July 2006.





Franjo Bobinac

President of the Management Board and CEO

Žiga Debeljak

Member of the Management Board, responsible for finance and economics

Drago Bahun

Member of the Management Board, responsible for organisation and human resources and worker director

Franc Košec

Member of the Management Board, responsible for development and quality

1.4. Corporate Governance and Statement on Compliance with the Corporate Governance Code

In implementing the corporate governance system Gorenje, d.d., follows the principles of the Corporate Governance Code for Public Joint-stock Companies to achieve the satisfaction of all key stakeholders, who interrelate and importantly affect the existence and development of the Company.

Corporate governance derives from valid statutory regulation, the Company's articles of association and rights and responsibilities of the Company's executive and supervisory bodies. In accordance with Slovenian legislation the Company has a two-tier governance system. Relations between individual bodies are established on the basis of mutual distribution of rights and obligations. The corporate governance system has contributed to the Company's growth and development. The Company will develop its governance system in accordance with legal requirements and on the basis of best practice provisions and on acquired experience.

1.4.1. Corporate Governance

General Meeting of Shareholders

The General Meeting of Shareholders (GMS) decides on all statutory issues, in particular the important issues of appropriation of accumulated profit and statutory issues. GMS resolves at its annual sessions. The Company's Management Board ensures that the meeting is correctly convened. Shareholders participate in the meeting directly or by proxy, who have collected powers of attorney for deciding at the GMS in accordance with law, which enables delivery of opinions of small shareholders, who normally do not attend the meetings. On the one hand, this is an encouragement for all shareholders to exercise their voting right and on the other it ensures that shareholders are better informed about the convening of the GMS and the objects to be transacted at the meeting. In 2004 the Company published, in addition to the notice convening the GMS and proposals of resolutions, the complete explanation of adopted resolutions, thus giving more information about the grounds for the proposed resolutions.

To give more details about the statutory regulation of the Company, distribution of rights and responsibilities between the Company's bodies and procedural issues, important for the GMS sessions, the Company pub-

lished on its web site www.gorenje.com the Articles of Association of Gorenje, d.d., Rules of Procedure for the GMS of Gorenje, d.d., and Rules of Procedure for the Company's Supervisory Board.

Supervisory Board

The Supervisory Board supervises the work of the Management Board in line with the powers and responsibilities conferred by law and the Company's Articles of Association. During the year the Board dedicates most of its attention to the business and financial development of the Group and the parent company, to important business events and to achieving strategic and general business goals, among which adoption of the annual plan and monitoring its execution.

The Supervisory Board normally convenes seven times a year. Procedural issues related to the Board's work are regulated by the Rules of Procedure for Supervisory Board's Activities. These Rules enable the establishment of the Board's committees, which may include external associates. No permanent committees have been formed yet. The Supervisory Board will take advantage of this possibility in support of its own work when assessing future individual issues.

The Supervisory Board reports to the shareholders annually by reporting on

Key stakeholders

Shareholders and investors	Consumers and Customers	State	Suppliers	Social and natural environment	Employees
Generating long-term shareholders value	Understanding the needs of consumers and the customers and creating long-term satisfaction, trust and partnership relations	Fulfilling obligations to the state and for using infrastructure it provides to companies	Further building of long-term partnership relations by following the principle of ongoing monitoring of their competitive advantages	Improving the quality of life in local and general environments; Investing in technologies which will reduce the environmental impact of our activities	Commitment to planned development of employees, good working conditions, stimulation of creativity

the review of the annual report. In doing this the Board also evaluates its own work. In appointing members of the Management Board the Supervisory Board followed the principle of continuity and new fresh ideas and in proposing the composition of the Management Board gave its President a key role. In this way a composition of the Management Board and distribution of business areas among its members was formed which ensures that the Company's strategic goals will be achieved. In dealing with the human resources issues all members of the Supervisory Board co-operated, especially the Chairman and Deputy Chairmen. Continuity of the Board's work was possible as the mandates of all its members, representatives of shareholders and employee-elected representatives, were approved for a second term. The Company discloses the Supervisory Board's remuneration in accordance with Slovenian Accounting Standards. Members of the Supervisory Board and of the Management Board notify the Company of their membership in the supervisory bodies of other companies.

The Supervisory Board is autonomous and independent in its work and acts to the benefit of the Company and respects the rules related to protection of inside information. Conflicts of interest of individual Board Members arising from their membership in the bodies of other companies or performance of duties, which were incompatible with membership in the Supervisory Board, were resolved by the members' resignation from those functions.

The Company's Management Board

In accordance with its statutory role, the Company's Management Board adopts decisions independently and without limitations. The President and the Members of the Management

Board represent the Company in legal transactions with third parties independently and without limitations. Business areas are distributed between the Members by resolution of the Company's Supervisory Board and organisation regulations. In appointing members of the Management Board the Supervisory Board takes into consideration their expertise, work experience, the skills of managing and co-ordinating various business sectors, which is important due to the size of the Group and complexity of its activity.

With reference to their function Members of the Management Board have concluded contracts, which specify their salary and other emoluments. In 2004 the Company's Supervisory Board adopted the Criteria for Appraisal of the Group's Performance, which serve as the basis for deciding on the performance-related bonuses and are considered by the Supervisory Board. The Supervisory Board appraises the work of the Management Board as a whole. The contracts do not include share options. The Company discloses details of the Management Board's remuneration in accordance with pertinent regulations. Members of the Management Board perform also the duties of members in supervisory boards of Gorenje's subsidiaries without receiving remuneration.

Co-operation between the Management Board and the Supervisory Board

The Management Board reports to the Supervisory Board quarterly on all matters significant to the business of the Group and the parent company. In addition the Management Board informs the Supervisory Board members of individual issues regarding their own activities when these affect the Company's position or the interest of the general public in the Compa-

ny's business. Both bodies adhere to the principles which are important for mutual understanding and separation of their responsibilities.

Auditing and Internal Control System

The annual reports of all the companies of the Gorenje Group are audited. The audit has been carried out for eleven years, although the obligation to have an audit conducted only arose in 1997. The choice of independent auditors depends on the quality of audit services, knowledge of the Group's activities and capability to provide audit services internationally. Audit of financial statements and annual reports of the parent company, the Gorenje Group and the majority of subsidiary companies has been carried out by the auditing company KPMG Slovenija, d.o.o. for the eleventh year. To ensure additional independence the auditing company changes the auditors responsible for the audit of annual reports; the last change was carried out for the 2003 audit. In 2004 the company Gorenje, d.d., co-operated with the company KPMG Slovenija, d.o.o. also in other activities, such as advisory services, and the independence of auditing and advisory services was ensured by appropriate internal organisation and operating standards adhered to by the company KPMG Slovenija, d.o.o.

In 2004 the Company set up an internal audit department at the Group's level in order to be able to implement and check appropriate internal control systems and observe regulations, standards and norms related to the Company's operation and adherence to the policies of the Company's executive bodies.

Disclosure of Information

The Company adheres to the principle of publicity and the requirement of disclosure of information, stipulated by applicable laws and the Stock Exchange Rules. In this way it ensures that the general public and the investors are equally well informed. The Company publishes all information also in the English language, on the Ljubljana Stock Exchange electronic information system and on its web site. In 2004, upon adopting its business plan for 2005, the Company published the schedule of important public announcements.

The Company appointed persons who communicate with the investors and has a clearly defined flow and supervision of inside information. Within the project of preparing its governance code, individual issues related to protection of inside information were defined in even more detail.

On its web site www.gorenje.com the Company gives a comprehensive introduction to the Group and the parent company. The emphasis is on its organisation, financial information, including annual and interim reports, values, key development factors, news, in addition it is an important tool for communicating with all the stakeholders. The web site is also an important factor of marketing and promoting the sale of the Group's products and services.

1.4.2. Statement of the Management Board of Gorenje, d.d., on the Compliance with the Corporate Governance Code for Public Joint-stock Companies

Gorenje, d.d., is a public joint-stock company. Its shares are listed on the Ljubljana Stock Exchange. The Managers' Association of Slovenia, the Association of Supervisory Boards' Members and the Ljubljana Stock Exchange have signed the Corporate Governance Code for Public Joint-stock Companies, which is to encourage the use of best practice in governing and managing companies.

The company Gorenje, d.d., follows the principles of the Corporate Governance Code and applies them as appropriate, as derives from this statement. The parent company complies with the best practice provisions in accordance with the Corporate Governance Code also in governing the subsidiary companies of the Gorenje Group.

Details on implementation of the Code's recommendations were published on 27 August 2004 on the electronic stock exchange information system. In accordance with the obligations specified in the statement, the Company's Management Board published the Company's bylaws and schedule of important announcements in the financial year 2005. In the present Annual Report the Company discloses the remuneration of individual Management Board Members in accordance with law, and it has obtained the statement of the auditing company about the independence of advisory services and auditing service.

Due to below stated reasons the Company has not implemented the following recommendations of the Code:

1.
In Chapter 2. Company's Management Board, Paragraph 2.3.: Remuneration, reimbursements and other benefits and ownership of the Company's shares:

- The recommendation under Section 2.3.10. that a company should specify the rules on limitation of trading with company shares and shares of related companies for members of the company's bodies and employees, who have access to inside information, has for the time being not been implemented by the Company as it feels that requirements for reporting on acquisition and disposal of shares and other provisions of the Securities Market Act specify the regulations to a satisfactory extent and ensure the transparency of trading in Company's shares by the members of its bodies and other persons who have access to inside information.

2.
In Chapter 3. Supervisory Board, Paragraph 3.4.: Remuneration, reimbursements and other benefits and ownership of the Company's shares:

- The recommendation under Section 3.4.3. that a company should disclose remuneration of each individual Supervisory Board Member, has for the time being not been implemented. Remuneration of Supervisory Board Members is disclosed by type of remuneration and in the total amount, which is in accordance with the Commercial Companies Act and Slovenian Accounting Standards.

The company Gorenje, d.d., complies with all other requirements and recommendations of the Corporate Governance Code.





2. Business Report

2.1. Key Strategic Objectives of the Gorenje Group

In performing its business activities the Gorenje Group pursues the following strategic objectives:

- *The key strategic goal of the Gorenje Group is to continue to successfully develop and grow and be ranked among the five largest European companies manufacturing and selling large household appliances.*
- *The core activities of the Gorenje Group are production and sale of large household appliances and production and sale of interior furnishings, while the other Group's activities are developed according to given development possibilities and synergy between them and the core activities.*
- *The Gorenje Group maintains its competitive advantage in manufacturing large household appliances and interior furnishings by developing innovative, environment-friendly services and products of accomplished design and technical excellence aimed at improving the quality of life of its consumers within the marketing concept "Everything for Home".*
- *Sales activities of all business sectors of the Gorenje Group are directed towards European markets, on the remaining markets the Group operates according to market opportunities.*
- *Within its core activities the Gorenje Group markets its products and services under a uniform pan-European brand name Gorenje, but develops*

also additional local or specialised brand names according to market needs.

- *The Gorenje Group will manufacture about 3.5 million pieces of large household appliances within its programmes: cooking appliances, washing machines and tumble dryers and refrigerators and freezers, through its production capacities in Slovenia and Czech Republic, and to maintain its international competitiveness, additional production capacities will be set up or acquired in other countries, probably in East Europe.*
- *The Gorenje Group continually studies the possibilities of alliances with appropriate strategic partners who could significantly contribute to its ability for long-term development and growth and improve its international competitiveness.*
- *The Gorenje Group will carry out its activities to achieve a balanced fulfilment of obligations to all its stakeholders who form its internal and external business environment, and in doing so will observe the principles of sustained development and socially responsible operation.*

During 2005 the Gorenje Group will prepare its economic plan for 2006 and a new strategic and medium-term economic plan.

2.2. Economic Conditions

The World

- The average growth of world gross product in 2004 was 5%, high economic growth was recorded mainly by China which, despite a slow-down, managed to reach an 8% increase in GDP.

- Lower economic growth than the world average was recorded by the U.S.A., their economic growth was 4% in 2004.

- A characteristic feature of 2004 was the exceptional price rise of raw materials, especially oil and iron and non-ferrous metals, mainly on account of high demand from China and price rise of energy products. The price of oil exceeded USD 50 per barrel, which made the prices in chemical raw materials and plastics rise as well.

The European Union

- GDP growth in the European Union was 1.8% in 2004 and was weaker than elsewhere in the world, including the OECD members.

- Higher rates of economic growth are not expected for the EU in the future, also due to the strong euro and structural difficulties of the economically most powerful members.

- Inflation in the European Union (25 countries) was 2.1%, and 2% in the old EU members (15 countries).

High growth in prices of raw materials, other materials and components was detected, especially iron and non-ferrous metals, oil and oil products and chemical and plastic materials, mainly as a result of China's economic growth, raise in the price of energy products and limited capacity in some industries.

The European Union's competitiveness against the other world economic regions weakened, on account of exceptionally strong euro against the dollar.

Slovenia

- In 2004 economic growth in Slovenia exceeded the first projections and was 4.6%. A similar, 3.8% economic growth is expected for 2005. Such economic growth was also made possible by the larger number of working days in 2004.

- The average annual inflation in 2004 was 3.6% in Slovenia and is expected to fall to 3% in 2005.

- On 1 May 2004 Slovenia entered into the European Union which caused the termination of duty-free agreements and imposition of import duties for some lines of white goods and fur-

niture in the countries of West Balkans, especially Bosnia and Herzegovina, Macedonia and Croatia.

- Upon Slovenia's entry into the exchange rate mechanism ERM II, the middle exchange rate of EUR was set at SIT 239.64 with possible variance of 15%, although after the ERM II entry practically no larger variances were recorded.

The Household Appliances Market

- Fierce competition, low growth and the occasional slow down were characteristic for the West European markets in 2004; as no revival of economic growth is expected in the European Union, the trend will probably continue in the next year.

- Prices of products fell as a result of excess supply, new suppliers from the Asian countries, and competition between the global retailers.

- A slightly livelier growth was recorded on East European markets, although competition from the West, Central- and North- European markets is expanding to the East and South-East Europe. Stronger market growth was detected especially on the Far East markets and Australia.

- Companies invested in new products and production capacities, renown brand names expanded to lower price brackets, Asian manufacturers of household appliances and home electronics became more aggressive.

- On account of the European directive on recycling electronic and electric equipment, which will enter into force in the middle of 2005 (WEE directive) the costs related to treatment and removal of old household appliances will increase in all markets of the European Union.

2.3. Sales and Market Position

In 2004 the Gorenje Group generated SIT 216,247.0 million consolidated net sales revenues,

which was a 9.4% increase compared with 2003.

Sales structure by Division in SIT m	2004	%	2003	%	04/03
Household Appliances Division	181,657	78.7%	164,266	76.8%	110.6%
+ Interior Furnishings Division	16,728	7.2%	15,409	7.2%	108.6%
+ Heating and Industrial Equipment Division	11,106	4.8%	10,854	5.1%	102.3%
+ Services Division	17,819	7.8%	21,632	10.1%	82.4%
+ Energy and Environment Protection Division	3,442	1.5%	1,615	0.8%	213.1%
= Total sales of Divisions	230,752	100.0%	213,776	100.0%	107.9%
- Inter-Division Sales	14,505		16,069		90.3%
= Consolidated net sales revenues	216,247		197,707		109.4%

2.3.1. Sales of the Household Appliances Division

In 2004 the Division reached a 10.6% growth in the value of sales, although the situation on some of the markets was extremely unfavourable, with negative growth rates. The Gorenje Group continued to consolidate its position on European markets to which the majority of its business activities are oriented.

- In the sales structure the refrigerators and freezers programme remained the most important and reached a moderate growth dynamics. The programme launched some modernised products including wine chillers Monarque, and intensively developed a new generation of 600 mm wide refrigerators and freezers which will be launched in the first half of 2005.

- A higher growth dynamics was reached by the cooking appliances programme. The novelties in the production and sale of this programme were a new line of 850 mm wide glass ceramic hobs and new models of built-in ovens. In 2005 the programme will become stronger on account of the products by the acquired Czech manufacturer of cooking appliances Mora Moravia, a.s.

- Due to the launch of a new generation of washing machines and tumble dryers on the most important European markets, the washing machines and tumble dryers programme achieved the highest growth dynamics. In 2005 this programme will focus on further intensive marketing of the new generation on all key markets.

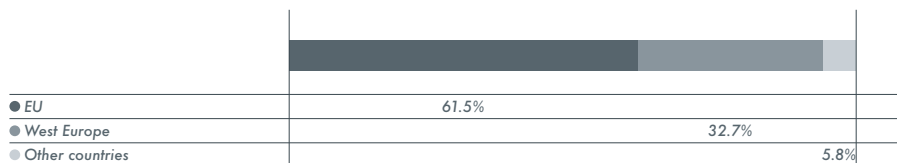
- Important growth dynamics was achieved with the sale of products from the complementary programme (products directly related to the large household appliances programme such as cooker hoods, dishwashers, etc.) and supplementary programme (microwave ovens, small household appliances, vacuum cleaners, home electronics) which are becoming a significant market segment of the Division's sales. The two programmes are rounding up our product range for home and households.

In 2004, 61.5% of the parent company's sales of household appliances, in terms of value, were realised on the markets of the European Union, which was a 6% growth compared with 2003.

Northern and Central Europe

In the region of Northern and Central Europe sales lagged slightly behind

Geographical structure of the parent company's sales of household appliances in 2004



those in 2003 due to extremely unfavourable market conditions, however we succeeded in restructuring the sales by increasing the sales of medium and high priced products. Due to this restructuring the average price of household appliance of our own production grew compared with 2003.

Scandinavian and Baltic markets reached the quantity levels from 2003, while growth in terms of value exceeded the previous year's results. On the German market, where the negative consumer climate still exists, the sales were slightly below 2003, which was also characteristic for the Austrian market, also due to the fact that market shares were aggressively attacked by major manufacturers of household appliances, holders of important brand names. On both markets the value growth index was higher than the quantity growth index, compared with 2003. In addition to the problems faced on these markets, decreased sales were partly due to a delayed start of production of the new generation of washing machines and tumble dryers.

South-West Europe

The growth dynamics in terms of value was higher than in terms of quantity in South-West Europe, where the larger markets of France, Greece and Italy reached similar sales levels as in 2003. Marketing of higher-positioned products and withdrawal from less profitable segments caused a faster increase in the value of sales despite the price drop on all these markets due to more aggressive competition.

South-East Europe

In South-East Europe a sales growth was experienced after the stagnation in 2003, despite unfavourable market conditions which deteriorated with Slovenia's joining the European Union. With the accession Slovenia's bilateral agreements with individual countries were terminated. This had a particularly negative effect in Bosnia and Herzegovina and Macedonia, where import duties increased considerably. Unfavourable market conditions were additionally worsened by markets' low liquidity, lack of possibilities for insuring receivables, weak economic sectors in these countries and grey imports of household appliances. Nevertheless the market position of the brand name Gorenje in this region was retained.

In 2004 we failed to maintain the sales volume from 2003 on the Slovenian market, mainly due to more intense activities by the competition, market stagnation and reduced orders received from business partners for the first half of the year. Among the important steps, made to consolidate and increase the market share, was the introduction of a 5-year warranty for large household appliances which produced a positive sales effect. On the Croatian market, where the sales volume achieved was higher than in 2003, also longer, in this case 3-year warranty period was introduced. Despite difficult market conditions in Bosnia and Herzegovina, a sales volume was achieved which considerably exceeded the 2003 volume, and the

market share improved. Introduction of consumer loans had a very positive effect on sales in the markets of Serbia and Montenegro, which recorded a fast growth. Also in Macedonia sales grew compared with those in 2003.

East Europe

In East Europe the sales growth achieved exceeded the market's growth and the sales projection, here also because of improved sales structure, namely faster sales growth in terms of value than in terms of quantity. The fastest growth was recorded in Ukraine, Russia and in Poland. The sales structure of individual programmes became more even, further structure improvement is expected in washing machines, which were launched on all the markets of this region in the beginning of 2004.

Overseas Countries and the UK

On the markets of Overseas Countries and the UK sales considerably exceeded the 2003 figures, again they were stronger in terms of value than in terms of quantity. The strongest markets remained those of England and Ireland, where a significant increase in sales was recorded. Sale of highly positioned household appliances under the Gorenje brand name recorded fast growth as well. In 2004 sales in the U.S.A., Canada and Australia increased. The regions of Middle East and Far East remained on the sales levels from 2003.

The Gorenje Brand Name

In 2004 the sale of products under Gorenje's own brand name represented 72% of total sales of household appliances. With extensive investments

in marketing campaigns, which reached SIT 3.7 billion or 2.1% of the Division's net sales revenues, additional strengthening of the Gorenje brand name was achieved on all European markets. With good co-ordination of marketing activities throughout Europe the invested funds were better capitalised.

A new identity of the Gorenje brand name, which enabled uniform communication and appearance of the brand name on all markets in all product groups, was introduced to all European markets. Activities for extension of recognition and reputation of the Gorenje brand name continued as the majority of promotion funds were invested in it. To increase the efficiency of investments in the media, activities for the purchase of media space throughout Europe through one agency were started. Most of the annual activities related to the launch of the new generation of washing machines and tumble dryers and its intensive promotion on major markets.

A portion of sales was realised under the brand name Sidex in France and under the brand name Körting in Italy, Greece and Germany.

Market position

Gorenje's target market is the European market, where in 2004 Gorenje retained its market position by holding approximately 4% of the market in the large household appliances segment. Gorenje retained the leading position on the markets of South-East Europe, where it retained its strong market shares, and remained among the leading manufacturers in East Europe where it succeeded in improving its market position by fast growth.

2.3.2. Sales of Other Divisions

*Interior Furnishings Division
SIT 16,728 million revenues, 7.2%
share in the structure*

Despite deteriorated market conditions the Division increased its sales by 8.6% in 2004, this was mainly achieved by Gorenje Notranja oprema, d.d. In line with the Division's development strategy, the share of kitchen furniture in the sales structure increased and was 44% in 2004. Within the bathroom programme, where 24% of net sales revenues are generated by the sale of bathroom furniture and sanitary equipment, sales of small bathroom units were more successful throughout the year. Sale of ceramic tiles was very successful, sales revenues were up 30% on 2003.

Gorenje Notranja oprema, d.d., holds a big share of the domestic market. On the markets of South-East Europe 16% of total sales were realised. Growth was the highest on these markets, especially on the Croatian market, but the effects of aggressive sales approach were felt also on other markets of South-East Europe. The biggest share of revenues was realised on the markets of the EU, where growth reached 3.5%.

*Heating and Industrial Equipment
Division SIT 11,106 million revenues,
4.8% share in the structure*

In the Heating and Industrial Equipment Division a 2.3% sales growth was recorded mainly as a result of higher sales revenues recorded by the company Gorenje Tiki, d.o.o.

Sales of the company Gorenje Tiki, d.o.o. grew especially in East Europe and North and Central Europe. The new generation of medium-sized water heaters enabled higher competitiveness and growth on these markets. With 430 thousand pieces of sold appli-

ances, the company Gorenje Tiki, d.o.o. ranked among the five largest manufacturers of water heaters in Europe.

In 2004 business conditions for the company Gorenje Indop, d.o.o. changed significantly, as the portion of orders by the company Gorenje, d.d. decreased considerably due to the completion of investments in infrastructure. The Company increased its marketing activities on the domestic market and abroad and succeeded in partly substituting the lower intra-group sales.

The company Gorenje Orodjarna, d.o.o. directed its sales activities mainly to obtaining business in the automobile industry and faced a reduction in the number of orders from the company Gorenje, d.d. due to its decreased investment activities.

*Services Division
SIT 17,819 million revenues, 7.8%
share in the structure*

In the Services Division the value of sales fell by 17.5% compared to the year before as a result of lower sales values recorded by the company Gorenje GTI, d.o.o. which in the beginning of the year stopped supplying Toplarna Ljubljana (heating plant) with coal. Other companies of the Division reached a significant sales growth.

*Energy and Environment Protection
Division SIT 3,442 million revenues,
1.5% share in the structure*

In 2004 the Division generated SIT 3,442 million sales revenues, doubling the sales volume compared with 2003. Such growth was mainly generated by the company Kemis, d.o.o. with waste treatment business and by trade in electrical energy carried out by the newly established company Istrabenz Gorenje, d.o.o. in which Gorenje has a 50% shareholding.

2.4. Purchasing

2.4.1. Purchasing of the Household Appliances Division

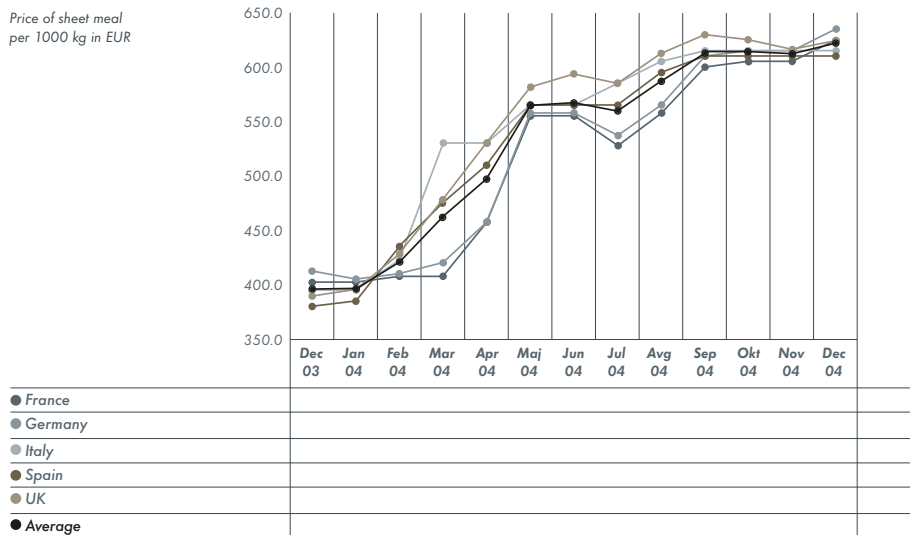
In 2004 deteriorated conditions on raw material markets reflected in unpredictable price rises of raw materials, other materials and components. While in the first half of the year purchasing conditions could be managed, in the second half they worsened unpredictably. This was particularly true for sheet metal where upon concluding purchasing agreements the Group faced the risk of fall-out of supply due to pressures on prices arising from a decreasing offer in Europe. Prices of individual types of sheet metal rose by 50% to 70% during 2004. Ironworks lagged behind the dynamics of demand as they had to fight for sources of steel raw materials on the global market. Due to the shortage the prices of input steel raw materials soared to unprecedented highs which, on account of a record

demand, the steel manufacturers succeeded in transferring to the buyers. There was a general disrespect of long-term agreements and their termination, pressures for prices to be adjusted to published reference prices for "spot" transactions. In the Gorenje Group the arising circumstances were managed on account of long-term partnerships with key suppliers, redistribution of quantities and increasing purchases under more favourable conditions, often to the detriment of stocks. Risks were spread by concluding various derivative term contracts: between three-months and one year.

Purchasing conditions in chemical and plastic materials did not change in the first half of 2004, compared with the second half of 2003, with only a few exceptions. Later, after August, the constant price rise of crude oil began to dramatically reflect, through petroleum products, on processed materi-

Dynamics of growth in prices of sheet metal in West European countries

Price of sheet metal per 1000 kg in EUR



als. Price rises and shortage of particular raw materials were greatly affected by limited capabilities of petrochemical industry, especially benzene, the basic raw material for production of styrene, isocyanate and others. Besides benzene, prices of other input raw materials more than doubled. By the end of 2004 the industry of chemical and plastic materials succeeded in transferring the majority of increased costs to end buyers. Price agreements and supply terms were reduced to monthly levels as it was practically impossible to predict the uncertain and rapidly changing conditions on the raw material market. Due to high demand on the world market and limited sources of chemical and plastic materials their management remains the key concern and business risk also in 2005.

The project of purchasing chain optimisation achieved very good results in 2004, since despite the unfavourable conditions on the raw material market, better purchasing terms were obtained almost in all components. Due to intensive search for alternative sources and change over to new programmes, the number of suppliers was not reduced. 2005 is expected to be another turbulent year as mass activities related to moving purchasing sources to East Europe and Far East can be detected. We follow this trend and rapidly increase activities on the new purchasing markets.

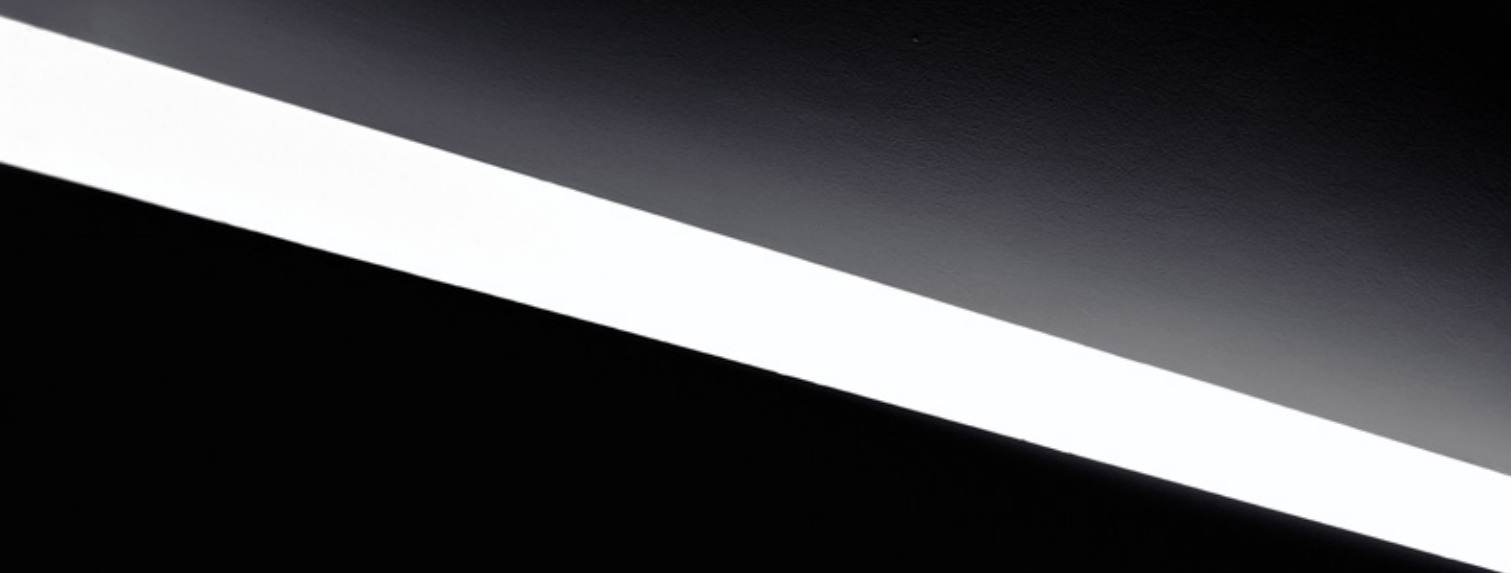
In 2004 the parent company started intensive activities of searching for purchasing sources in China and other Asian Countries, with the purpose to ensure competitively priced supplies. At the same time the Gorenje Group did not neglect developing the local base of suppliers, since business efficiency is linked to the optimisation of components' purchasing chain and to fast response to market needs.

Concern for health and clean environment, which are contained in the EU directives, mainly RoHS (Directive on restricted use of some hazardous substances in electric and electronic equipment) and WEEE (Directive on waste electric and electronic equipment), while some other are being prepared, represent for the Group's purchasing and development sectors an additional challenge in source management, as with their restrictions they reduce the available space and due to their unpredictability, if we persevere in our competitiveness, do not allow a mere following of events but require active guidance in forming requirements and directing suppliers. In 2004 in the whole suppliers' base, activities were set up which will enable a change over to purchasing of materials and components compliant with the directives' requirements by the middle of 2005, which is almost a year before the prescribed time limit.

2.4.2. Purchasing of Other Divisions

The above described developments on purchasing markets reflected, to a certain extent, on all operational sectors (Divisions) of the Gorenje Group. The negative effects of price rises in raw materials and other materials in the metal and oil segments were mostly felt by the companies of the Heating and Industrial Equipment Division, as their nature of production is linked to problematic types of raw materials and other materials, and to a lesser extent by the companies of the Interior Furnishings Division.

All the companies of the Gorenje Group searched for the most favourable sources of high quality materials, raw materials and components in their purchasing markets also in 2004 to be able to produce high quality and competitively priced products.





2.5. Production

2.5.1. Production of the Household Appliances Division

The Household Appliances Division's production is composed of three core production programmes related to large household appliances:

- refrigerators and freezers programme at the production location in Velenje, Slovenia,
- washing machines and tumble dryers programme at the production location in Velenje, Slovenia,
- cooking appliances programme at the production location in Velenje, Slovenia,

and three, mainly supporting programmes of products which supplement the activities of the above mentioned core programmes:

- mechanic components programme (Mekom) at the production location in Rogatec and Šoštanj, Slovenia,
- graphics and electric components programme at the production location in Velenje and Šoštanj, Slovenia,
- thermostats programme for household appliances at the production location in Bistrica ob Sotli, Slovenia.

The major part of production activities of the Household Appliances Division is carried out within the parent company. In the beginning of 2005 the Gorenje Group obtained additional production capacities for manufacturing cooking appliances in the Czech Republic through takeover of the Czech manufacturer Mora Moravia, a.s.

The key challenge of the parent company's operations in 2004 was, in addition to managing the prices of input raw materials, optimisation of production in all its elements, as regards construction of products and optimisation of production procedures, to improve cost-effectiveness and productivity. This was, in addition to the optimisation of purchasing chain and selective price rises of products, an important leverage for compensating negative effects of growth in prices of input raw materials and other materials.

A direct effect of increasing the degree of managing production processes, achieved by consistent reduction of costs of materials, direct production services and maintenance, was that costs of material and services were kept below the projected level and that physical productivity grew by 5.7% compared with 2003.

To make cost management a constant, systematic and transparent activity, the 6 sigma quality system was implemented in production programmes, which in future will have an even greater impact on the efficiency and quality of production, both in the development and implementation phases of production.

For the first time in the history of Gorenje's operation a record production was achieved: 3 million pieces of large household appliances.

Overview of Quantities Produced
in the Period 2000 - 2004

Production (pcs)	Cookers	%	Washing machines and tumble dryers	%	Refrigerators and freezers	%	Total
2000	739,467	32%	590,315	25%	1,016,502	43%	2,346,284
2001	788,247	32%	594,098	24%	1,062,989	43%	2,445,334
2002	904,635	33%	666,324	24%	1,155,095	42%	2,726,054
2003	888,546	32%	679,442	25%	1,200,785	43%	2,768,773
2004	975,184	32%	806,530	27%	1,225,770	41%	3,007,484
Average annual growth		+7%		+8%	+5%		+6%

Refrigerators and freezers programme
Capacity: 1.3 million appliances / year

Five products of the 2nd phase of the project: "Development of the new products for the American market", were successfully implemented (electronic version of the wine chiller and bar unit, double-drawer refrigerator, gourmet food refrigerators, out-door unit and beverage centre) and production of wine chillers started under the brand name Monarque. Throughout the year the activities related to the first phase of the project of the development of a new generation of 600 mm wide refrigerators and freezers were carried out. Start of production is scheduled for March 2005.

Activities were directed also to improve the appliances' energy efficiency and some models of appliances were newly registered under the energy class A+ while production of all appliances classified under energy class C or worse was discontinued. The programme reached a 5% growth in productivity and eliminated some problematic bottlenecks.

The programme's final goal is a successful production of 50,000 pieces of appliances in the 1st phase of the NGC 600 project, with their launch scheduled for 2005. For March the production of appliances of the 2nd phase of the American project is scheduled: cooling glass doors with

liquid crystal glass, electronic version of wine chiller and bar unit, and in case of market demand, the double-drawer refrigerator and wine chiller with liquid crystals. For the second half of August the start of production of Pininfarina appliances is scheduled under the common brand name Gorenje and Pininfarina.

Washing machines and tumble dryers
Capacity: 1 million appliances / year

In June regular production of appliances of the new generation of washing machines and tumble dryers started. In 2004 a total of 90,000 washing machines and tumble dryers of the new generation were manufactured. The programme's technological progresses were significantly updated (new casings design, new assembly line of washing machines, new assembly line of tumble dryers).

In 2005 the final replacement of the old generation of washing machines with the new generation is foreseen, while tumble dryers of the old generation will still be manufactured for some time. Appliances with low drum speed and "A" washing effect are being developed and their production is scheduled for June.

Cooking appliances programme
Capacity: 1 million appliances / year

At the end of the year a niche product was introduced - 500 mm wide cook-

er with depressed knobs. Physical productivity of the programme increased by 10% and the production process was improved when some technological bottlenecks were eliminated.

In 2005 the development of Pininfarina appliances will continue, the line comprises six appliances: built-in oven, free standing cooker, glass ceramic hobs, gas hobs, decorative board for washing machines and dishwashers and decorative board for microwave oven.

Mechanical components programme (Mekom programme)

Since 2004 the Mekom programme includes also the Plastics plant, while a new plant for production of components for household appliances was set up at a new location in Šoštanj. The biggest technological challenge was production of plastic tubs for the new generation of washing machines. Physical productivity rose by 15% compared with the year before.

The graphics and electric components programme of the company Gorenje I.P.C., d.o.o. were moved to a new location in Šoštanj. The principal development and technological challenges were related to the new generation of washing machines and tumble dryers (cable sets and composition of couplings). The packaging programme continued to increase the production quantities and produced 2,230 tons of polystyrene packaging by the end of 2004.

The company Biterm, d.o.o. also achieved a record production in 2004 - 3.4 million pieces of mechanical thermostats.

2.5.2. Production of Other Divisions

Interior Furnishings Division

In 2004 the capital structure of the Interior Furnishings Division was rounded up as the company Gorenje Notranja oprema, d.d. became the leading company of the Division, which owns all the companies in this sector. Such capital structure will enable even faster integration and improved performance efficiency of the whole Division.

Production of the Interior Furnishings Division is related to the production of wooden semi-finished and finished products, mostly intended for manufacturing kitchen furniture. In 2004 technical and technological specialisation of production of kitchen furniture continued and will enable the setting up of efficient links between the production plants of the Division. Production of furniture programme, which operates within the company Gorenje Notranja oprema, d.d. was directed to production of doors (veneer, lacquered, coated doors and other furniture units) for the whole Division. The production of Marles programme specialises in manufacturing doors ABC with foils, kitchen units and worktops. In Glin Nazarje, d.o.o. other furniture is made, improved chipboards and bathroom units. The Division's reorganisation and reduction of the number of employees reflected in increased productivity by 11% and increased added value per employee.

Heating and Industrial Equipment Division

In the last years the company Gorenje Tiki, d.o.o. greatly renewed its technical

and technological support of production, which enabled further development of their production programme. With the new generation of medium-sized water heaters they became one of the five leading manufacturers of water heaters in Europe.

The company Gorenje Indop, d.o.o. continued to turn its attention to foreign markets due to reduced volume of production and services intended for the parent company. In the year under review the Company significantly increased production activities in the new programme of storage and transport systems which reached close to one third of total sales. Significant achievements were made in production of equipment for processing polyurethane, sheet metal and for automation of production processes in the automobile industry.

The company Gorenje Orodjarna, d.o.o., directed its production activities to manufacturing tools for the automobile industry as the volume of production for the parent company decreased.

Energy and Environment Protection Division

The leading companies of the Division, Kemis, d.o.o. with its two subsidiary companies in Croatia and Bosnia and Herzegovina, and Opte Ptuj, d.o.o. are very different as regards production activities. The first is active in waste treatment and its principal production goal is ecological treatment of waste material, while the other is mainly active in manufacturing bricks and concrete articles which include some types of ecological waste materials. In 2004 both companies reached higher production volumes, compared with the year before, and continued with technological improvements to production processes.

2.6. Development

The Group's development activities are driven by the necessity to understand the needs of customers and business partners, who are affected by global social changes. With individuals they reflect in their individuality, in the higher average age achieved, their communications through the electronic media, their attitude to brand names and to traditional values such as family.

In the business world, changes reflect in mergers of manufacturers and distribution, improved quality of services and products, aggressive competition from the Far East on traditional European markets and extension of the European market on account of new European Union members.

A sustainable development of the whole society from the economic, social and environmental aspects and simultaneous and balanced development of products, technologies and business processes is the approach that prepares us for appropriate reaction to unpredictable events and instils confidence in customers and business partners.

In 2004 development of products was marked by the excellence of products' design and optimal functional solutions, use of environment-friendly materials, low consumption of electric power, silent operation, built-in intelligent systems, which add to saving and affect the quality of basic functions and combine the products into electronically linked systems.

Simultaneous with product development was the development of technologies, which was directed to higher automation of production and improved production capacities. Appropriate use of materials and effectively priced development solutions ensured appropriate management of material and labour costs.

Development of business processes and further renovation of the information system enabled the optimisation of business processes of Gorenje Group by:

- applying the simultaneous development model, which significantly reduces the time needed for developing products,
- continuing to implement the most demanding control of development and production system according to the sigma 6 quality model,
- applying the 20 keys method for assessing the competitive position of the Group and its continual improvement, applying a concurrent development model, which significantly shortens the development periods,
- the operation of the Innovation Centre, which activated the intellectual capital in the field of new knowledge in co-operation with the faculties and research and development institutions in Slovenia and abroad,
- the membership of Gorenje, d.d. in the European Association of Manufacturers of Household Appliances (CECED), from where the common initiative of major European manufacturers derives,
- upgrading the ISO 14001 environmental standard with EMAS and obtaining the accreditation from chemical laboratories.
- continuing with gradual implementation of the uniform management information system SAP in the companies of the Gorenje Group.

2.6.1. Development of the Household Appliances Division

In developing the products intended for households the Household Appliances Division took into consideration the most up-to-date development principles of technologies and products.

In 2004 the fundamental principles of the Division's development were consistently adhered to by:

- ongoing improvement of production processes through the 20 keys system,
- computerisation of each work post and its linkage to the central system of planned sales and production,
- optimisation of technological processes,
- implementation of the 6 sigma quality model,

- computer supported communications in the field of development, and
- implementation of a new, uniform product development with consistent adherence to the principles of simultaneous development.

Preparation of all production processes for manufacturing 3.5 million pieces of large household appliances, technological preparation for the production of a new generation of washing machines and tumble dryers, new generation of refrigerators and freezers, new Pininfarina line and a new polystyrene packing plant are just some of the investments in technologies which will enable optimal and competitively priced production.

In 2004 the key achievements in product development were as follows:

- *finalisation of development and launch of new generation of washing machines and tumble dryers,*
- *development of the first phase of a new generation of 600 mm wide refrigerators and freezers scheduled for launch in the beginning of 2005,*
- *finalisation of development and launch of the electronic version of the wine chiller and bar unit, double-drawer refrigerator, gourmet food refrigerators, out-door unit and beverage centre,*
- *development in improving the appliances' energy efficiency with a new registration of appliances under the energy class A+ and discontinuation of production of all appliances classified under the energy class C or worse,*
- *development of Pininfarina household line scheduled for launch in the autumn of 2005,*
- *development of low drum-speed appliances with "A" washing effect,*
- *development of a 500 mm wide cooker with depressed knobs as a niche product,*
- *further development of narrow glass ceramic hobs (Domino), built-in cookers with induction heating knob and renewed designs of 500mm and 600 mm wide free standing cookers,*
- *development of a new tube plate evaporator in the Mekom programme with new modern technology,*
- *development cable sets and composition of couplings for the requirements of new generations of household appliances.*

2.6.2 Development of Other Divisions

Development of other Divisions was carried out under an uniform approach, both for the development of production technologies and for the optimisation of production capacities, which meant concentration of suppliers, unified approach to customers and concentration of knowledge, which enables faster development and generation of higher added value. Other Divisions followed the goals of the parent company in relation to business partners and in relation to end users.

Interior Furnishings Division

In 2004 some new models of kitchens were introduced and many functional improvements. The complete programme of Gorenje and Marles kitchens was updated. In the kitchens the trend of implementing modern kitchens and a bigger selection of worktops (Soligor) continued. The production programme was extended to include kitchen worktops, kitchen sinks and tailor-made sinks and the development times for new products were shortened.

Within the bathroom furniture, a completely new jacuzzi for 5 to 6 persons was developed in laminates technology and a new whirlpool bath. Development of new products in the ceramics programme was carried out with two product derivatives with the mono-burning technology, in floor and wall tiles for lining interior surfaces.

Heating and Industrial Equipment Division

Gorenje Indop, d.o.o., strengthens its status of a developer who supplies hardware to the most demanding industries, such as the automobile industry, and in 2004 they developed technologies used for industrial equipment in the fields of logistics and transport. Gorenje Orodjarna, d.o.o., developed a programme of development and production of special tools for polystyrene packaging products on the basis of own know-how. Gorenje Tiki, d.o.o., developed and launched a new generation of medium-sized water heaters.

Services Division

The Paka Hotel operates within the company Gorenje Gostinstvo, d.o.o., and is the leader of a cluster of small business hotels in Slovenia. Successful integration of the new restaurant in the centre of Velenje, purchased in 2003, and implementation of the HACCP standard places the hotel and restaurant business among the leading providers of these services in Slovenia.

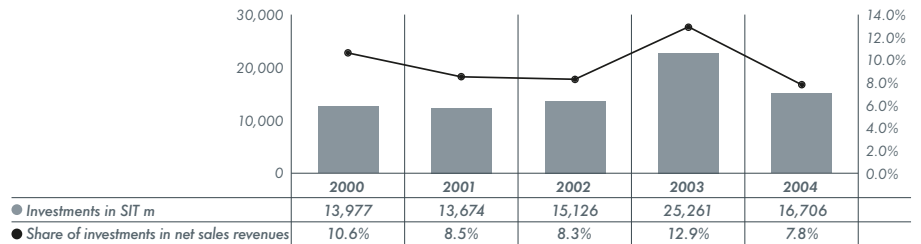
Energy and Environment Protection Division

In the field of treatment of dangerous waste, know-how was acquired, in cooperation with partners, on treatment of acid tear pits, including solidification of acid tear and its removal and in the field of energy the basis for further development of operation was set up.

2.7. Investments

With investments in tangible and intangible fixed assets in 2004 the Gorenje Group ended a several-year period of intensive investing. The

Group invested SIT 16,706.1 million, of which SIT 14,845.9 million in tangible fixed assets and SIT 1,860.2 million in intangible fixed assets.



In the period from 2000 to 2004 a total of SIT 84,744 million was invested or approx. EUR 376 million.

Structure of the Gorenje Group investments in intangible and tangible fixed assets by Division

In SIT m	2004	2003
Household Appliances Division	15,071.6	22,496.7
Interior Furnishings Division	432.3	420.2
Heating and Industrial Equipment Division	483.1	962.4
Services Division	527.4	1,151.0
Energy and Environment Protection Division	191.7	230.9
Total	16,706.1	25,261.2

2.7.1. Investments of the Household Appliances Division

Household Appliances Division

Volume of investments: SIT 15,071.6 million

The biggest number of investments in the Group were recorded in the Household Appliances Division, SIT 15,071.6 million, of which SIT 11,145 million for investments in the company Gorenje, d.d. Investments were mainly earmarked for purchase of technological equipment, tools for technological modernisation and development of new products.

The major investments in fixed assets and intangible fixed assets, carried out in 2004 were:

- introduction of a new generation of washing machines and tumble dryers,
- development of a new generation of refrigerators and freezers and launch in the second half of the year 2005,

- development of a new Pininfarina line and launch in September 2005,
- finalised investment in a new logistic centre,
- finalised investment in a new plastics plant,
- finalised investment in a polystyrene packaging plant,
- finalised investment in a sales and distribution centre in Ljubljana and Podgorica,
- completion of construction works on refitting of buildings and infrastructure at the location in the industrial area in Šoštanj,
- purchase of land in the industrial area of Valjevo, Serbia and Montenegro, for constructing a household appliances plant.

2.7.2. Investments of Other Divisions

Interior Furnishings Division

Total investments: SIT 432.3 million

Investments amounting to SIT 259.4 million were made by the company Gorenje Notranja oprema, d.d., for the programme Marles in the amount of SIT 175.7 million for modernisation of production equipment and devices and in the programme furniture and ceramics for refitting of the roofs of production halls and modernisation of production equipment. The company Gorenje Glin, d.o.o., earmarked SIT 141.7 million for investments in 2004, mainly for modernisation and automation of packaging line and cleaning machines for cleaning furniture components. The other companies of the Division invested a total of SIT 31.2 million.

Heating and Industrial Equipment Division

Total investments: SIT 483.1 million

The company Gorenje Tiki, d.o.o., earmarked for investments SIT 231.2 mil-

lion for achieving the following goals: finalisation of the project of new welding line, which was started in 2003, responding to demands on the newly acquired markets, which require a wider sales programme and ongoing investment in modernisation of technological equipment. The company Gorenje Orodjarna, d.o.o., allocated SIT 216.2 million for investments. The major part of funds was earmarked for obtaining a larger number of posts for computer assisted construction and for the purchase and renovation of computer equipment, the rest was used to buy production machinery.

Services Division

Total investments: SIT 527.4 million

In 2004 the companies of the Services Division allocated the majority of investment funds to purchasing real estate, since the company Hyundai auto Zagreb, d.o.o., purchased land for construction of a parking lot for used cars in stock, the company Hyundai auto, d.o.o., Belgrade purchased business premises from the company Gorenje, d.o.o. The company Gorenje GTI, d.o.o., earmarked the majority of funds for purchasing motor vehicles and forklift trucks, office, computer and other equipment.

Energy and Environment Protection Division

Total investments: SIT 191.7 million

In the Energy and Environment Protection Division the company Kemis, d.o.o., Radomlje, purchased land for the construction of storage, production and business centre. The Company Kemis, d.o.o., Zagreb also purchased land and buildings for storage of hazardous waste, and earmarked part of the funds for purchasing a system for reloading waste in the warehouse.

2.8. Quality Management

Speaking of quality means speaking of efficient business processes which are required for recognising the needs and expectations of customers and their realisation in the form of high quality products and services. Efficient management of these processes directly reflects on business results, therefore an efficient system of quality management is very important for the whole Gorenje Group.

2.8.1. Quality Management in the Household Appliances Division

In the Division bases its quality management system on SIST EN ISO 9001/2000 standard requirements. The success and efficiency of the system's operation is being monitored by internal assessments and external assessments of certified houses and business partners. In 2004 the external assessments have not detected any weaknesses which would be a result of inefficient and poor operation of the implemented quality management system.

In 2004 the certifying authority supported the efficiency of the quality management system of Gorenje, d.d., according to SIST EN ISO 9001/2000 by positive remarks on the following fields:

- the process surveillance system, target management and monitoring targets,
- systematic approach to processes of ongoing improvement,
- extensive and strong development activity,
- wide range of competitive products,
- modern technological equipment and updating of production,
- extension of warranty periods for products.

The quality management system was upgraded by activities related to ongoing progress within the 20 keys programme. Activities were carried on in reducing inter-phase stocks, shortening of time period upon change of tools and production lines and encouraging employees to create innovations. Good results of this programme increase the efficiency of the whole business system, therefore it remains an integral part of operations.

Perceiving and satisfying customers' requirements are among the basic tasks of the Gorenje Group. Methodologically

based execution of procedures started years ago by implementation of concurrent development, in 2004 the process acquired, through implementing the 6 sigma principles in production and development processes, new dimensions. In this way mechanisms were set up for a significant improvement of efficiency of internal processes of product realisation. Implementation of new principles of work was supported by training of employees. 70% of professional staff from the production sector was introduced to the basics of the 6 sigma quality system.

As an upgrade to the implemented system, the accreditation was obtained on the basis of assessment of compliance with requirements of the SIST EN ISO 17025 standard, which means that laboratories received the official recognition that they were qualified to perform their activity.

The company Biterm, d.o.o., carried out activities to improve the quality level by introducing new suppliers and materials and reducing subjective factors during assembly work by introducing automatic equipment.

In the company Gorenje IPC, d.o.o., the following activities were carried out to achieve the quality targets and to improve the quality of semi-finished products:

- discontinuation of 100% surveillance and introduction of statistical quality control and surveillance rounds,
- active inclusion in teams for improving quality with buyers of semi-finished products,
- implementing quality criteria deriving from customers' requirements (CTQ),
- implementing the 6 sigma quality system methodology and
- implementing a system of work with internal suppliers.

2.8.2. Quality Management in Other Division

Internal Furnishings Division

The implemented and approved quality management system according to the requirements of the SIST EN ISO 9001/2000 standard proved efficient in 2004, which reflected in achieving and exceeding set quality targets.

Heating and Industrial Equipment division

The company Gorenje Indop, d.o.o., has implemented the quality management system according to the requirements of the SIST EN ISO 9001/2000 standard. The system underwent external assessment and was approved as an efficient tool for management and control. In Gorenje Orodjarna, d.o.o., activities were conducted for constant improvement of quality of processes within the 20 keys project. The operation of processes was approved by

external assessment according to the EAQF standard. The quality management system in Gorenje Tiki, d.o.o., was adjusted to the requirements of the SIST EN ISO 9001/2000 standard.

Services Division

Gorenje GTI, d.o.o., is the only company in the Division which implemented a quality management system according to the requirements of the ISO 9001/2000. The system was approved as efficient by external assessment in 2004.

Energy and Environment Protection Division

The company Kemis, d.o.o., has implemented the approved quality management system according to SIST EN ISO 9001/2000 standard, which started being upgraded according to the requirements of the ISO 14001 and OHSAS 18001 standards.

2.9. Information Technology

The main goals and tasks were to enable the SAP information system to operate in connection with other sub-systems in Gorenje, d.d., to upgrade the SAP system in subsidiary companies, in which it had already been implemented, and gradual implementation of the system in other companies of the Gorenje Group.

2004 was a year of intensive upgrading of the SAP information system, which had been implemented in the parent company in 2003, and further implementation of the system in the subsidiary companies of the Gorenje Group. Part of the activities was dedicated to the stabilisation of operation of the system's transaction level by individual processes and its operating modules, the remaining significant part to further development of the system in the parent company and the Group's subsidiaries.

Important activities which considerably increased the user value of the system or significantly regulated the information support to individual business processes and sub-processes of the parent company were as follows:

- information support to the new logistic centre's operation,,
- implementation of module of products' profitability analysis on various monitoring levels,
- development, implementation and further development of data warehouse for the requirements of the reporting system,
- implementation of the investment management module,

- development, implementation and testing of the financial consolidation module,
- ensuring the functioning of interfaces to information subsystems in production, which are not supported by SAP,
- development of various Internet and Intranet applications and other activities.

Activities related to the implementation of the SAP information system in subsidiary companies of the Household appliances Division were in 2004 completed in the company Gorenje Skandinavien A/S, Denmark, which started using SAP on 1 April 2004, while preparations for implementation in 2005 were carried out in the companies Gorenje Vertriebsgesellschaft m.B.H., Germany, Gorenje UK Ltd, Great Britain and Gorenje Romania S.R.L., Romania.

Since the middle of 2004 technical bases have been prepared for implementation of SAP in the Interior Furnishings Division, where the work plan included activities related to setting up of a task force, auditing of hardware and communication infrastructure, preparation of identification data, outlook of reference location and comparison with the competitive programme for production and distribution of furniture. At present implementation of a uniform management information system in the companies of other Divisions is not foreseen, so that the majority of companies of other Divisions will continue using specialised information systems, adapted to the requirements of their activities.

2.10. Financial Management

For several years the Gorenje Group has been pursuing a uniform financial policy with set strategies and methods of operation with external business partners and companies within the Group. The Group's financial policy specifies a uniform method of operation in the fields of managing payables and receivables, financing and investing, managing financial risks, relations with banks and insurance companies.

The parent company is responsible for the financial policy in relation to banks and financial institutions, for financial risk management and for optimising cash management. The basic terms and conditions of financial operations are valid for all the companies in the Group, considering the characteristics of individual countries in which they operate.

The basic function of financial management is ensuring the liquidity of the Gorenje Group, which consequently

enables uninterrupted operation of other business activities. In 2004 the Group's liquidity was ensured by efficient cash management, appropriate credit lines for short-term management of cash flows and systematic cash flow management at the Group's level.

In 2004 the parent company strengthened its role also in financing the Gorenje Group, especially in arranging necessary financial sources under favourable terms for all the Group's companies. Due to a period of heavy investments and to investments in the Group's working capital in 2004, financial liabilities of the Group increased by SIT 9,840.8 million. The Group ended the financial year 2004 with SIT 56,846.5 million of financial liabilities, which in terms of maturity were divided into 55.0% of short-term and 45.0% of long-term liabilities. At the end of 2004 financial liabilities were divided by currency as follows: EUR (90.9%), SIT (1.3%) and other currencies (7.8%).

Structure of financial liabilities by maturity

● short-term financial liabilities	55.0%	
● long-term financial liabilities		45.0%

Structure of financial liabilities by currency

● EUR	90.9%	
● SIT		1.3%
● other currencies		7.8%

Structure of financial liabilities by type of interest rate

● fixed interest rates	52.0%	
● fluctuating interest rates		48.0%

In the process of financial risks management we continued to focus on credit risks, currency risks, interest rate risks and liquidity risks. In 2004 we continued with the centralisation of financial risks management so that the major part of related activities were carried out by the parent company. In connection with financial risks management the Group also controls the structure of financial liabilities exposed to interest rate risks. In view of favourable price levels during 2004 the Gorenje Group concluded interest rate swaps and increased the share of financial liabilities linked to fixed interest rates to 52% of total financial liabilities. The remaining interest rates

were fluctuating, mostly linked to EURIBOR.

In 2004 the companies of the Gorenje Group made net long-term and short-term investments in the amount of SIT 2.6 billion and referring to investments in shares and stakes bought for trading purposes, loans given to business partners and receivables from received bills of exchange. On 1 July 2004 the company Gorenje, d.d., concluded an agreement on the purchase of 100% stake in the company Mora Moravia, a.s., Czech Republic, manufacturer of cooking appliances, and became its owner in January 2005.

2.11. Risk Management

The Gorenje Group is daily exposed to risks in the international environment therefore careful attention has been paid to risk management for several years. To be able to systematically manage all types of principal risks at the level of the whole Group a Risk Management Committee was set up in 2004.

The principal tasks of the Risk Management Committee are:

- identification of individual types of risk to which the Group is exposed,
- evaluation of individual risk exposures,
- setting up strategies for managing individual risks,
- preparing proposals for hedging against individual types of risks,
- performing other tasks and activities associated with managing the risks to which the Group is exposed.

Within the Risk Management Committee operate three subcommittees: subcommittee for Business risks, subcommittee for Financial risks and subcommittee for Operating risks.

Individual subcommittees perform activities necessary to ensure that levels of exposure to various forms of risk are appropriate and in line with adopted policies, which is to improve the reliability of achieving the set business targets of the Gorenje Group.

Business risks

Business risks are all risks associated with the ability to ensure short-term and long-term generation of business revenues, management of business expenses, maintaining the value of operating assets and management of operating liabilities.

Risk Management Committee		
Subcommittee for Business Risks	Subcommittee for Financial Risks	Subcommittee for Operating Risks

At the Gorenje Group we identified the following key business risks:

Business risks
external risks,
sales risks,
commodity risks,
product liability risks,
investment risks,
staff fluctuation risks,
property-linked risks.

External risks are associated mainly with changes in macroeconomic conditions on key markets and with political risks on some markets of East and South-East Europe. The Group's protection against external risks lies in diversified business activities and markets. The Management Board of the Gorenje Group considers that exposure to these risks is moderate.

Sales risks are associated with the Group's competitiveness in selling products and services on individual markets. Sales risks comprise the risk of appropriate marketing strategy (brand name, com-

petitiveness in terms of price and functionality of products), the risk of increasing negotiating power of big industrial buyers and the risk of quality of after-sale services. The Group reduces the sales risks with appropriate marketing activities, by diversifying customers, diversifying products and services, with ongoing development of new products and services, by ensuring that the largest possible portion of sales is made under own brand names and by organising an appropriate network of after-sales services in all markets in which it operates. The Management Board of the Gorenje Group considers that exposure to these risks is moderate.

Because we depend on suppliers of raw materials, other materials and services, we are exposed to commodity risks and we evaluate the risks associated with management of unexpected fluctuations in prices, quality and terms of supply of input raw materials, other materials and services. Exposure to these risks is reduced by concluding long-term agreements with suppliers, ensuring global, cost-effective purchasing sources, common development of products and processes and restructuring of purchasing relations. Despite the before mentioned measures, the Management Board of the Gorenje Group considers that exposure to commodity risks, and especially to price risk, is high.

In the field of product liability risks we focus on managing risks which could result in irregular operation of our appliances on the market or, at the extreme, to mass failure or manufacturer liability. The Group reduces product liability risks by appropriate systems of developing and ensuring the quality during the production, sales and after-sales processes and by taking out insurance against manufacturer liability. The Management Board of the Gorenje Group considers that exposure to product liability risks is low.

Among the investment risks attention is paid to managing risks associated with achieving the planned economics of investments, by successful finalisation of investments in the development of new generations of products and by successful implementation of new technologies. This type of risks is reduced by appropriate economic planning and controlling the effects of investments and by appropriate procedures in designing and carrying out investment projects. The Management Board of the Gorenje Group considers that exposure to investment risks is moderate.

Motivated associates with the necessary professional skills and wide work experience are the reason that we pay special attention to staff fluctuation risks which include the risks associated with:

- social dialogue with employees,
- loss of key staff,
- shortage of highly qualified staff.

In the field of social dialogue with employees we endeavour to communicate well with the employees and the bodies which represent them or their interests (workers' council and trade unions). We provide regular direct information of employees through the tools of internal communication. Exposure to the risk associated with eventual loss of key staff and the risk associated with eventual shortage of highly qualified staff is reduced by implementing and developing the system of annual talks with associates, by ensuring and encouraging continuous education, by appropriate remuneration systems, succession systems and other measures. The Management Board of the Gorenje Group considers that exposure to staff fluctuation risks is low.

Property-linked risks refer to managing the following risks: fire risk, risk of production fall-out, transport risks and other property risks. The companies of the Gorenje Group systematically transfer the key risks to insurance companies, thus reducing their exposure to these risks. The Management Board of the Gorenje Group considers that exposure to property-linked risks is low.

In the Gorenje Group special attention is paid to the following types of financial risks:

Financial risks

credit risks,
currency risks,
interest rate risks,
liquidity risks.

Financial risks

In managing financial risks in 2004 we pursued the adopted financial policy, which includes the basis for efficient and systematic financial risk management. The goals of the financial risks management process are to:

- obtain stability of operation and reduce exposure to individual risks to acceptable levels,
- increase the Company's value and influence its credit rating,
- increase financial revenues and reduce financial expenses, and
- eliminate or reduce the effects of extreme damages incurred.

At the Gorenje Group we evaluate our exposure to individual types of financial risks and take measures for protection against them on the basis of impacts on cash flows. For protection against financial risks during the normal course of activity we take appropriate measures in business, investment and financial areas, in addition we take out insurance or purchase derivative financial instruments.

In 2004 we managed credit risks, which include all risks associated with partners' (buyers') failure to fulfil contractual obligations resulting in decreased economic benefit for the Company, by taking the following measures:

- we insured the major part of operating receivables and commercial credits against commercial risks with the Slovene Export Corporation and other insurance companies,
- we additionally secured trade receivables associated with higher risks by taking out mortgages, bank

guarantees and by other instruments,

- we regularly monitored the operation and financial status of all new and existing business partners and limited our exposure to individual business partners, and

- carried out systematic collection of receivables.

The Management Board of the Gorenje Group considers that in view of the measures taken for protection against risks the Group's exposure to credit risks is moderate.

Due to its international branch network the Gorenje Group is exposed to currency risks, which can cause a decrease in economic benefit for the Company on account of fluctuating currencies.

Among currency risks those risks prevail which are associated with business operations in countries such as Croatia, Serbia and Montenegro, Great Britain, Poland, Hungary and all the dollar markets. In all these markets we try to reduce the long-term exposure by natural protection, namely by balancing sales with purchases, on a short-term we protect against currency risks by forward contracts, by borrowing in local currency and to a lesser extent by other derivative financial instruments. Although the Gorenje Group, as a predominantly Europe-oriented company, has the highest net exposure in EUR, we consider that after the entry into the ERM2 mechanism and due to consistent exchange rate policy of the Bank of Slovenia during the period until changeover to euro, the exposure is moderate and take no measures to protect against it. The Management Board of the Gorenje Group considers that in view of the measures taken for protection against risks the Group's exposure to currency risks is moderate.

In the last few years we paid great attention to interest rate risks, which may decrease the Company's economic benefit due to changed interest rates on the market. In line with adopted financial policy and because of favourable interest rates during 2004 we concluded interest rate swaps and continued to increase the share of long-term financial liabilities linked to fixed interest rates in the structure of total financial liabilities. At the end of 2004 the Gorenje Group had 52% of total financial liabilities linked to fixed interest rates, which practically coincides with total long-term financial liabilities of the Group. The Management Board of the Gorenje Group considers that in view of the measures taken for protection against risks the Group's exposure to interest rate risks is low.

Liquidity risks include risks associated with shortage of available financial sources and consequently a company's inability to fulfil its financial obligations on due payment dates. Liquidity risk of the Gorenje Group is considered low due to efficient cash management, appropriate credit lines for short-term management of cash flows, high level of financial flexibility and access to favourable financial sources. Solvency risk of the Gorenje Group is considered low due to successful business performance, efficient asset management, ongoing cash generating capability, conservative capital structure and high credit rating. The Management Board of the Gorenje Group considers that in view of the measures taken for protection against risks the Group's exposure to liquidity risks is low.

Operating risks

Operating risks refer to decreased economic benefit of the Gorenje Group deriving from potentially inadequate planning, conducting and supervising business processes and activities.

In connection with production risks the greatest attention is paid to managing the risks associated with:

- functioning of key equipment (machinery, tools, production lines,...),
- functioning of infrastructure (uninterrupted supply of energy products etc.) and
- incorrect treatment of dangerous substances.

Risks associated with the functioning of key equipment and infrastructure are reduced by carrying out regular preventive maintenance inspections, setting up systems for fast removal of errors, with professionally trained associates and by taking other measures. Risks associated with incorrect treatment of dangerous substances are reduced by encouraging associates to attend training programmes for safe work with dangerous substances and other preventive organisational measures. The Management Board of the Gorenje Group considers that exposure to production risks is moderate.

In connection with staff-related operating risks we manage risks associated with eventual interruptions of business processes due to major absence from work. Especially in production we try to reduce the exposure to such risks by systematically including associates in preventive medical programmes and by following the principles of health and safety at work. The Management Board of the Gorenje Group considers that exposure to staff-related operating risks is low.

At the Gorenje Group we identified the following key operating risks :

Operating risks	<i>production risks, staff-related operating risks, information system risks, project-related risks.</i>
------------------------	--

Among the information system risks those risks are important which are associated with eventual disturbances in the functioning of the system's applications, software and hardware and of communications and network connections in the system, special attention is also paid to risks associated with information system security.

Impacts of these risks are managed by:

- gradual implementation of uniform management information system SAP in all companies of the Household Appliances Division,
- preparing advance resetting for individual types of break-down of applications and system software, hardware and communication and network connections in the system,
- planning the procedures for action during eventual absence of information support in the event of break-down,
- regular maintenance of software and hardware and communications and network connections,
- monitoring changes in the development of information system,
- appropriate training of associates and other measures.

The Management Board of the Gorenje Group considers that exposure to information system risks is moderate.

Because in the Gorenje Group project oriented work is frequently applied, greater attention is paid, especially in cases of larger - longer lasting projects, to managing project-related risks, which are associated with eventual inadequate execution of projects. These risks are reduced by appropriate organisation of project-related activities and by setting appropriate formal procedures for carrying out projects and by regular supervision of project-related activities. The Management Board of the Gorenje Group considers that exposure to project-related risks is low.

Internal Audit

In 2004 the Internal Audit Department was established in the Gorenje Group with the purpose of regular evaluations and introduction of appropriate internal control systems which contribute to reducing operating risks and other risks associated with the operation of the Gorenje Group companies. The Internal Control Department is directly responsible to the Management Board of the parent company.

2.12. Generating Shareholders' Value

Gorenje, d.d.	Joint-stock company since 31 December 1997 after completion of ownership transformation
Nominal value of share capital	SIT 12,200,000,000
Number of ordinary registered shares	12,200,000
Shares' stock exchange trading code	GRVG
Nominal value per share	SIT 1,000
Issued shares	All shares are of the same class and give to the holders a proportionate right to participate in managing the company - one share carries one vote.

The Articles of Association of the company Gorenje, d.d., do not contain provisions which would invalidate proportionate rights carried by shares, such as minority shareholders' rights or limitation of voting rights. In 2004 the Company did not engage in activities which would cause a change in the share capital, in its nominal value or in the rights carried by shares, and did not issue new shares. The company does not have any accepted resolutions for the conditional capital increase and approved capital.

At Gorenje, d.d., we are aware of the importance of clear and coherent communication with shareholders and other stakeholders. Therefore we regularly publish comprehensive interim reports and other informations about the operation of the company Gorenje, d.d., and the Gorenje Group. In 2004, in addition to the financial statements in accordance with Slovenian Accounting Standards, we published quarterly financial statements of the Gorenje Group in accordance with International Financial Reporting Standards.

Annual Report of the company Gorenje, d.d., and the Gorenje Group for 2003 received the award for the best annual report, given every year by the Slovenian financial newspaper Finance.

At the third annual Conference on Investor Relations for the Region of Central and East Europe, held in Budapest on 13 September 2004, Gorenje, d.d., was ranked second in the category "Best Investor Relations" among the Slovene companies. The award was given by the IR Magazine.

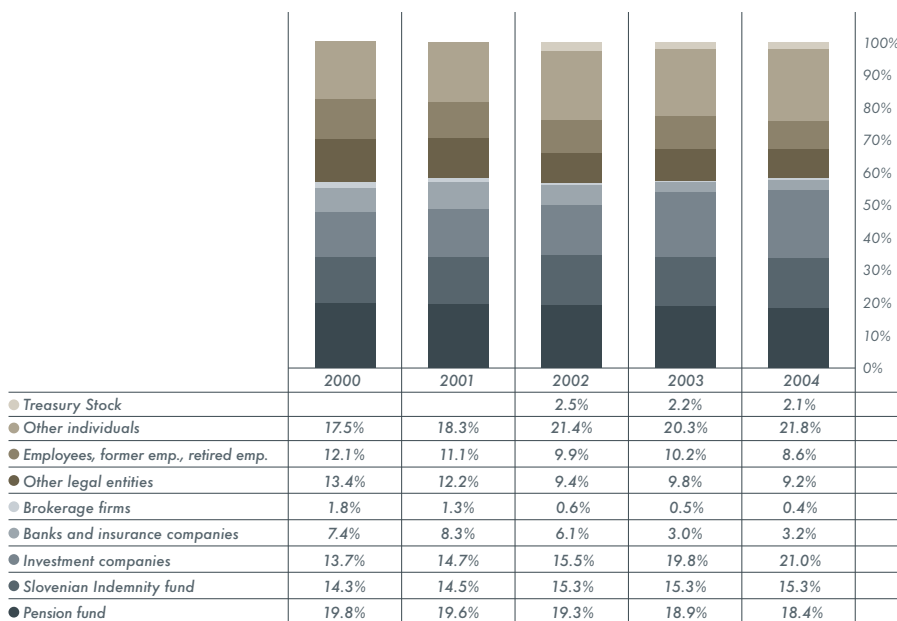
Number of Shareholders

On 31 December 2004 the company Gorenje, d.d., had 19,118 shareholders, which was an increase of 1,385 shareholders or 7.8% compared with 31 December 2003 (17,733).

Change in Shareholders' Structure

In the shareholders' structure the share of legal persons owned by the state decreased, compared with 2003 from 34.2% to 33.7%, the share of investment companies increased from 19.8% to 21.0% and the share of other legal persons decreased from 9.8% to 9.2%. The share of banks and insurance companies grew from 3.0% to 3.3%. Foreign investors' participation fell from 1.64% (199,505 shares) to 1.63% (198,931 shares) of which foreign legal persons held 177,846 shares or 1.46% (168,982 as at 31 December 2003 or 1.39%) and foreign individuals 21,085 shares or 0.17%.

	2004	2003	2002	2001	2000
Number of shareholders	19,118	17,733	17,052	13,540	14,572



Ten Major Shareholders

The number of ten major shareholders as at 31 December 2004 increased

compared with 31 December 2003 from 6,027,802 to 6,372,895 or by 345,093 shares.

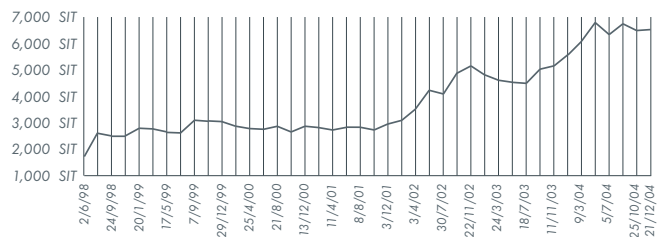
Shareholder / No. of shares	31 December 2004	Participation in %
1. Pension Fund	2,142,788	17.56
2. Slovenian Indemnity Fund	1,864,601	15.28
3. KD Investments d.d. VS Galileo	473,427	3.88
4. KD Investments d.d. VS Rastko	447,862	3.67
5. ID Maksima, d.d.	366,002	3.00
6. Triglav Steber I, ID, d.d.	362,729	2.97
7. Gorenje, d.d. (Treasury Stock)	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
Total 10 major shareholders	6,372,895	52.24
Other shareholders	5,827,105	47.76
TOTAL	12,200,000	100.00

Average Daily Price of GRVG

Shares of the company Gorenje, d.d., were listed on the official market of the Ljubljana Stock Exchange on 10 November 2000, but they had been traded on the organised market since 1998. They are included in the composition of the Stock Exchange Index

SBI 20. On 31 December 2004 the shares' daily average price was SIT 6,473.91, which was 32% over the last trading day in 2003. In the beginning of the year the shares' price continued to grow and reached a record high on 23 April 2004 at SIT 6,935.29. The SBI 20 index grew by 24.7% in 2004.

Average Daily Price of GRVG from the first trading day on:



● Average Daily Price of GRVG

02/06/98	31/12/98	31/12/99	10/11/00	31/12/00	31/12/01	31/12/02	31/12/03	23/04/04	31/12/04
1,484 SIT	1,794 SIT	2,350 SIT	1,978 SIT	2,155 SIT	2,221 SIT	4,407 SIT	4,918 SIT	6,935 SIT	6,474 SIT
First day of trading on the organised market	First day of trading on the Ljubljana Stock Exchange							Record high average daily price	

The shares kept their 4th position on the Ljubljana Stock Exchange with a turnover of SIT 11.2 billion in 2004. Trades in GRVG represented 5.7% of the total trades turnover (SIT 196.5 billion) and 18.7% in the shares

turnover (SIT 59.9 billion) on the Ljubljana Stock Exchange. At the end of 2004 market capitalisation amounted to SIT 79 billion, the average daily market capitalisation was SIT 76.7 billion.

Data	Value
Average daily price on 31 Dec. 2003 (SIT)	4,917.81
Average daily price on 31 Dec. 2004 (SIT)	6,473.91
Average daily price in 2004 (SIT)	6,285.16
Annual high in 2004 (SIT)	6,934.88
Annual low in 2004 (SIT)	4,913.88
Average daily volume (in lots)	7,060
Highest daily volume (in lots)	75,277
Lowest daily volume (in lots)	313
Turnover in 2004 (in SIT m)	11,219.47

Treasury Stock

As at 1 January 2004 the company Gorenje, d.d., held 264,540 treasury stocks, which represented 2.17% of ownership, while on 31 December 2004 the figure was 251,042 shares or 2.06% ownership. The decreased number in treasury stock was due disposal of own shares in exchange for additional stakes in the Slovenian subsidiary companies Gorenje Tiki, d.o.o., Gorenje Notranja oprema, d.d., and Kemis, d.o.o.

The Slovenian Indemnity Fund (Slovenska odškodninska družba, d.d.) and Gorenje, d.d., signed on 21 June 2004 an option agreement which gives the Slovenian Indemnity Fund the right to sell in four equal blocks, in the period from January 2005 to July 2006, and Gorenje, d.d., the right to buy, a total of 932,300 treasury stocks or 7.64% of capital of the company Gorenje, d.d.

Number of shares held by the Supervisory Board and the Management Board of Gorenje, d.d.

On 31 December 2004 representatives of the Supervisory Board held

12,345 shares GRVG (0.1012%) as follows:

Mr.Ivan Atelšek	7,058 (0.0579%),
Mr.Peter Kobal	1,178 (0.0097%),
Mr.Drago Krenker	2,098 (0.0172%),
Mr.Tomaž Kuntarič	400 (0.0033%),
Mr.Krešimir Martinjak	100 (0.0008%)
and Mr.Jurij Slemenik	1,511 (0.0124%).

The Management Board held a total of 8,754 shares (0.0718%), of which:

Mr.Drago Bahun	7,132 (0.0585%),
Mr.Franjo Bobinac	822 (0.0067%),
Mr.Žiga Debeljak	400 (0.0033%),
and Mr.Franc Košec	400 (0.0033%).

Dividend Policy and Payment of Dividends

Gorenje subjected distribution of net profit to investment needs and capital structure requirements, but without disregarding shareholders' expectations and interests. The strategic plan foresees that Gorenje, d.d., will allocate up to one third of net profit for the current year to dividend pay-out. In 2004 the Company paid to shareholders a gross dividend of SIT 100 per share.

Share Trading and Profitability Data

	2004	2003	2002	2001	2000
Number of shares on the market (in m)	12.2	12.2	12.2	12.2	12.2
Number of treasury stock (31 Dec.)	251,042	264,540	307,105	/	/
Number of shareholders (31 Dec.)	19,118	17,733	17,052	13,540	14,572
Turnover (in SIT m)	11,220	8,914	17,919	6,416	7,250
Average market capitalisation (in SIT m)	76,614	53,617	42,102	26,266	26,283
Value turnover (turnover/average market capitalisation)	0.15	0.17	0.43	0.25	0.28
Book value of share in SIT (equity of Gorenje, d.d., minus reserves for own stake) / (no. of shares minus treasury stock)	5,141	4,793	4,497	3,939	3,508
Market price in SIT (last trading day of the year)	6,474	4,918	4,407	2,221	2,155
Market to book value of share	1.26	1.03	0.98	0.56	0.61
Capital gain	32.0%	12.0%	98.4%	3.1%	-9.1%
Dividend yield	1.5%	2.2%	1.8%	3.2%	/
Total yield	33.5%	14.2%	100.2%	6.3%	-9.1%
Gross Dividend per share in SIT	100 SIT	95 SIT	80 SIT	70 SIT	/
EPS (net profit of Gorenje, d.d.) / (no. of shares minus treasury stock)	226.5 SIT	400.6 SIT	328.5 SIT	274.1 SIT	224.3 SIT

2.13. Plans and Conditions of Operation in 2005

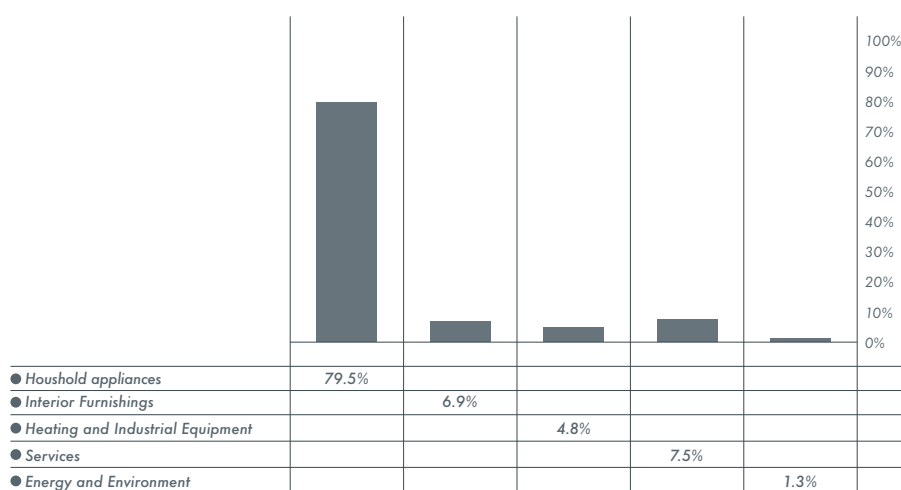
On 1 May 2004 Slovenia became an equal member of the European Union and the Gorenje Group faced numerous challenges associated with the general economic conditions in Europe and the world and with changes in the economic environment. The business plan for 2005 proved difficult to prepare since in 2004 major changes occurred in the economic environment, which, according to estimates, will continue in 2005, and their extent is difficult to assess due to high level of uncertainty.

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

Projected consolidated net sales revenues of the Group amount to SIT

235.2 billion, which is a 8.8% growth compared with 2004. Net profit for 2005 is projected to reach SIT 4.8 billion, a 5.4% decrease compared with 2004. The principal reason for lower projections of net profit is higher tax on profits due to changed tax-law provisions in Slovenia.

Planned sales structure of the Gorenje Group by Division in 2005



Net sales revenues of the company Gorenje, d.d. are projected to reach SIT 153.6 billion, which is a 6.4% growth compared with 2004. Projected net profit is SIT 4.5 billion,

which is a 6.6% decrease compared with 2004. The principal reason is higher tax on profits due to changed tax-law provisions in Slovenia.

Sales structure by Division in SIT m	Plan 2005	%	2004	%	Plan 05/04
Household Appliances Division	198,836	79.5%	181,657	78.7%	109.5%
+ Interior Furnishings Division	17,386	6.9%	16,728	7.2%	103.9%
+ Heating and Industrial Equipment Division	11,890	4.8%	11,106	4.8%	107.1%
+ Services Division	18,835	7.5%	17,819	7.8%	105.7%
+ Energy and Environment Protection Division	3,253	1.3%	3,442	1.5%	94.5%
= Total sales of Divisions	250,200	100.0%	230,752	100.0%	108.4%
- Inter-Division sales	14,992		14,505		103.4%
= Consolidated net sales revenues	235,208		216,247		108.8%

In 2005 conditions of operation will not change significantly. The highest uncertainty remain the prices of strategic raw materials, especially sheet metal, other metals and plastics and components, produced from these raw materials. The economic plan foresees a rise in purchasing prices which is estimated according to expected trends on the purchasing markets, but it should be emphasised that reliability of these estimates is low, considering the circumstances. It is estimated that in the first quarter of 2005 the purchasing markets will stabilise, but different developments are possible as well, especially with regard to the economic activity of China and other Asian countries and movements in the price of crude oil.

The other significant factor, which affects the realisation of planned business results for 2005, is the implementation of the Directive on recycling of electronic and electric equipment, which in the EU countries will enter into effect in August 2005. On the basis of this Directive manufacturers of electronic and electric equipment will be responsible for treatment of equipment sold prior to the Directive's implementation or after the implementation. Because the Directive's provisions are not clear from some key perspectives, and the majority of member countries do not yet have the implementational laws, the Group's costs relating to obligatory recycling of appliances could not be evaluated in preparing the economic plan. In any case, the Group will endeavour to transfer the recycling costs to the buyers of products, to the greatest extent, however, it seems unlikely that a full transfer could be achieved.

To achieve the planned business results in 2005, on account of the before mentioned business risks, the following activities will be of key importance:

- obtaining favourable sales growth in conditions of relatively low economic activity and strong competition on the key markets, especially by introducing new products and appropriate marketing activities,

- further development of the new generation of refrigerators and freezers and launch of the first products of this generation to the key markets,
- managing purchasing prices of materials, raw materials and components by searching for alternative purchasing sources and effective use of the existing ones,
- limiting investments to development of new products and services, new technologies, market development, setting up production capacities outside Slovenia and selective diversification of business activities,
- improving business efficiency with appropriate organisation of business processes and reduction of costs,
- further internal consolidation of all Divisions of the Group and improvement of efficiency of their performance,
- management of business and financial risks and operating risks.

The planned business results of the Gorenje Group are in line with adopted strategic goals. In achieving them the Group will contribute to long-term fulfilment of its strategic goals, improve its competitiveness and in a socially responsible way increase its capability for long-term fulfilment of obligations to all key stakeholders.





3. Corporate Social Responsibility Report

3.1. Responsibility to Employees

»Corporate social responsibility is continual company's commitment to ethical behaviour, economic development, improving the quality of life of employees, their families, the local community, and society in general.« (Source: World Business Council for Sustainable Development, web site www.wbcsd.ch)

The Lisbon strategy applied by the European Union to define economic competitiveness and dynamics, calls also for increased social security and concern for the environment. These requirements can be complied with by the companies only if the social responsibility concept has been integrated into the company's business strategy.

The Gorenje Group is aware of the responsibility for its activities, which have an impact on people as well as on closer and wider surroundings, including the natural environment, therefore its approach to the social responsibility is a planned and responsible one. The basic principles for implementing social responsibility – a fair and equal consideration of employees, ethical and fair business operations, respect for basic human rights, a positive attitude to closer and wider community and responsible environmental management, serve as the basis for defining key social responsibility areas of the Group, which are reflected in the Group's vision, mission and values.

Number and Educational Structure of Employees

9,568 people were employed in the Group at the end of 2004, of which 5,600 in Gorenje, d.d. The educational structure has gradually improved over the years, and

although the majority of recruits are employed in production, the percentage of those without any professional education is on the decrease, whereas the number of those who have achieved vocational and secondary school level, or even higher education and university diplomas, is on the increase.

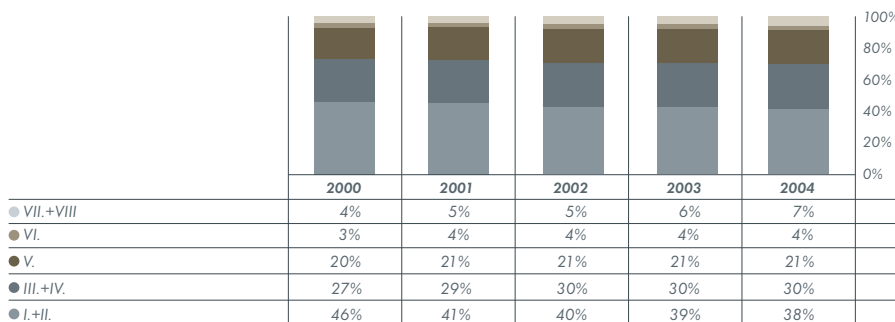
Number of Employees by Divisions

Division	As at 31 Dec.		Average	
	2004	2003	2004	2003
Household Appliances Division	7,206	7,092	7,147	6,821
Interior Furnishings Division	1,215	1,228	1,227	1,243
Heating and Industrial Heating Division	694	666	689	653
Services Division	364	361	354	352
Energy and Environment Protection Division	89	80	86	77
Total	9,568	9,427	9,503	9,146

Education Level as at 31 December

	2004	2003
I.	3,082	3,093
II.	558	537
III.	316	315
IV.	2,551	2,529
V.	2,053	2,008
VI.	384	376
VII.	573	531
VIII.	51	38
Total	9,568	9,427

Structure of Employees



Concern for Employees' Education and Training

In accepting the challenges of the global environment, the Gorenje Group establishes appropriate relations with its employees and with external partners also by incorporating into all spheres of educational activities, the concept of a learning company. The educational activities regularly promote the employees' personal development as well as key employees' capacities related to what they can do, what they are good at, what they wish and what that believe is right.

By diversified educational and training system, by raising formal education and improving scholarship policy, the company wishes to create, acquire, transfer and adjust knowledge to strategic requirements. On the other

hand, through adequate connections with academic circles, the culture of changes is systematically introduced, based on knowledge, entrepreneurial spirit and innovativeness.

7,246 employees of Gorenje, d.d. participated in various forms of education in 2004; they spent 86,949 hours attending different lectures, seminars, conferences or were trained at their workplace. The majority of educational activities (75%) were performed outside regular working hours; in this way the employees have proved once again that they are willing to learn and adapt to new business requirements. These training activities demonstrated that learning promotes and generates innovations, new production routes, new market options and helps satisfy newly emerging buyers' requirements.

Indicators of educational processes - functional training and education	Gorenje, d.d.
Number of employees	5,543
Number of employees, included in education and training on annual basis	2,757
Percentage of employees included in education and training	49.7%
Number of hours dedicated to education and training on annual basis	86,949
Average number of hours dedicated to education and training per employee	15.7
Average number of hours dedicated to education and training of top managing and executive officers	31.6
Number of all participants in education and training on annual basis	7,246
Average number of hours dedicated to education and training per participant	12

Employees' education per contents

85% of all forms of education were organised within the Group in own classrooms, of which 65% were copyright programmes and contents prepared by the Group's own experts. In this way, knowledge skills are transferred within the Group and organisational and performance costs are reduced.

● Professional training	30.0%
● Computer science and IT	6.0%
● Languages	22.0%
● Functional training in the management field	8.0%
● Functional training in the field of communications skills	3.0%
● Functional training in the field of health and safety at work	21.0%
● Functional training in the field of quality and environmental management	10.0%

The granting of scholarships is still an important source for acquiring new staff.

Concern for Young and Promising Staff

The majority of scholars are engaged in the technical profile of studies. The granting of scholarships remains under the domain of the Group - our investments into human resources bore fruit, as we could employ recruits from professions that are in great demand. We have 33 scholars at Vth level and 85 at graduate level. The percentage of students studying at technical colleges amounts to 75.4%; and these are the branches that we lack experts in.

The Group has successfully co-operated with various educational institutions for many years. In 2004 it organised excursions and events, whose purpose was to support the educational system and try to find young promising experts. Through professional presentations it opened its doors to primary and secondary school pupils and students who decided for professions, closely related to those that our production needs. Gorenje, d.d., participated in the foundation of Consortium MBA programme at master of science level at the University of Ljubljana, Faculty of Economics - CISEF. Five of our employees participate in this consortium and consequently we hosted 30 participants. Actions were carried out of recruitment and informative nature.

Human Resources Development

The main function of the human resources development is to identify individual's advantages, wishes and ambitions and develop them in accordance with his/her objectives and the Group's targets. The fundamental tool of employees' development in the Gorenje Group is the Gorenje Managers' Academy, which has become part of the Group's tradition. Its programme is earmarked for the development of promising associates, who

could in future assume managing and executive positions. In 2004, 27 students of the 16th generation finished their studies at the Managers' Academy and presented their business plans.

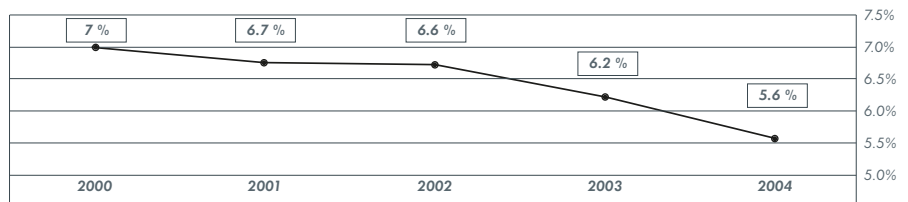
Measuring Corporate Culture and Climate in the Gorenje Group

Each company has its own corporate culture and pertaining values. The culture mainly involves visible features: symbols, heroes, rituals and methods dealing with the perception of our own personality, and the values are hidden factors and invisible dimensions. On its path to success the Group solidified a number of values, which the employees assumed and identified themselves with. Wishing to identify the values which the employees perceive and wish to observe in the future, we made a survey, in 2004, to measure the company's corporate culture and its cultural dimensions. The results showed that, among all types of corporate culture, the most prominent is the culture of achievement with the company's vision and its goals in the forefront. The basic values of diligence, mutual relations, loyalty and success are common to all and are clearly defined. The emphasis is on teamwork, where each individual makes a contribution from his/her field. Individuals are dedicated to the organisation and to the job. In the future the employees wish to experience highly marked culture of achievements, which would pay attention to mutual relations, confidence and understanding, even more than before.

Healthcare for Employees

A person's health depends on biological, psychological and social factors, which are intertwined and are strongly interconnected. The studies confirmed that health is placed on top of all values, but we often do not act in this way. Employees' health or illness is

Sick leave in the period from 2000 to 2004 in Gorenje, d.d., (sick leave in hours, compared to the number of regular working hours)



often demonstrated through the number of days they spend on sick leave. The percentage of sick leave amounted to 5.6 in Gorenje, d.d. and was calculated comparing the number of regular working hours.

Gradual decrease in the number of sick leave days came as a result of measures and activities implemented to reduce absence and our long lasting, continuous concern for employees and their well-being. As health is ranked so high on the scale of values we started, a few years ago, with health-related preventive programmes under the working title: »Programmes for people-friendly working surroundings«, also supported by risk evaluation/assessment results. The programmes were carried out at four locations and were conceived by target group. 767 employees were included in health-preventive programmes.

Strengthening Employees' Social Security through Supplementary Insurance

Gorenje, d.d., does not belong to the companies where employees receive high salaries, but it belongs to those that provide for a high level of social security. Important aspects for employees' social security are provided by supplementary pension and health-care insurance. We have concluded a comprehensive contract with insurance operators, which is more favourable for employees and encourages them, through co-financing of insurance premiums, to join different supplementary insurance schemes.

At present over 80% of employees have joined the supplementary health insurance scheme, while the voluntary group supplemental pension insurance includes close to 70% of employees.

The Group's policy as to supplementary insurance is to create the conditions for appropriate social security and help, through co-financing, those who are willing to act themselves or those who decide on joining the supplementary insurance schemes.

Concern for Health and Safety at Work

The number of injuries and their frequency and severity gives an impartial picture of the situation in the field of providing for safe and healthy work within the period from 2000 to 2004. In 2004 we observed, on the basis of analyses, that 70% of employees included in the structure of accidents worked in the company for 1 to 4 years, prior to the claim incurred. For this reason, apart from well-established systemic interdisciplinary activities, an additional systemic solution was prepared to train the employees for correct and safe work; and in 2005, it will be generally implemented in all working surroundings. To make people aware and acquainted with the safety issue, along with risk evaluation and related safety measures programmes, we carried out 3,300 educational training courses for employees.

In the field of fire safety we equipped all buildings with active fire protection systems, built a central water reservoir

Overview of the number of injuries in Gorenje, d.d.

	2000	2001	2002	2003	2004
No. of injuries per 1 million realised hours	31	33	34	30	31

with a pump station and a primary water distribution system for active fire protection system or the so-called »sprinkler« system. Three production plants were equipped with active fire protection system. The systems are connected to the safety information network with a centre located in the emergency service unit of the professional fire brigade (PFB) of Gorenje, d.d.

The number of interventions has been considerably reduced lately, as the employees recognised that by properly executing the working procedures and respecting the fire-safety regime, they could prevent the incidents that might outgrow into serious fire. We have continued with planned activities in the field of preventive operations performed by PFB members. Apart from daily preventive inspections of the working surroundings, we have introduced the system of monthly fire-protection audits in the production plants, lately also by means of a thermo-vision camera. We prepared fire-fighting plans for locations with increased danger of fire; aimed at preparing the tactical fire-fighting plan for each individual building of Gorenje, d.d. Great attention was paid to preventive training of the employees; 3,354 employees participated in 165 courses.

Communicating with Employees

The objective of internal communication is to enable the employees to socialise, acquire education and qualifications and raise the entrepreneurial culture; hence it acts as a tool for motivating the employees for proper action and creativity at work. The department engaged in communications uses one of internal communication tools - the company publications intended for employees, retired employees and family members, business partners, the local environment, media, etc.:

- the company bulletin Črno na belem, published regularly on Thursdays for employees only,
- the journal Pika na G, intended for employees, retired employees, shareholders, business partners and social community organisations at local and state level, and
- a new newsletter in electronic form.

Greater attention focused on individual colleagues and companies abroad, summaries of texts in English, modified design concept, plenty of pictures in the journal Pika na G and introduction of a newsletter in electronic form, which enables a two-side communication, considerably contributed to a better quality of internal communications in the past year.

3.2. Responsibility to Users of Products and Services

The concern for users' safety has been added to the concern for perfection of design, low electricity consumption, silent operation and optimal functional solutions.

Providing for Product Safety

Through relevant technical committees the experts follow the development of international and regional standards, as well as individual national standards in the field of safety of electrical household and similar appliances, gas appliances and the standards in the field of electromagnetic compatibility. The acquired knowledge and year-long experience are both applied when planning new products. Individual component parts and sets should comply with the requirements of the above-mentioned standards, prior to obtaining authorisation for installation into the finished product. Prior to reaching the market, new products are verified in renowned foreign and local institutions of international reputation, which then issue relevant test reports and certificates. The safety of each product is verified during the production itself and later after its completion in adequately qualified and equipped laboratories.

Providing for Environmentally Friendly Products and Services

Nowadays, when ecology becomes a social priority, it is understandable that the production and its effects, i.e. the products and services, have to be

manufactured and implemented in an environment- and user-friendly way. This is achieved by manufacturing products of high technological level, allowing for a lower consumption of energy products (A and A+ energy-classes of products), life important elements, like water (energy-saving washing machines and dishwashers) with a composition that reduces the environment hazardous substances to or below the permissible level, or totally eliminates them (environment-friendly cooling systems in refrigerators and freezers).

Implementation of Warranty and After-Sales Service Liability

By selling any product and performing any service, Gorenje commits itself to offer after-sales service during the legally required time limit and to carry out repairs professionally, quickly and at the most favourable cost for the customer. Moreover, in its activities Gorenje offers the after-sales service even outside the legal framework, obligatory for the manufacturer. In this way we directly provide for the basic principles of customer relations management, which becomes an increasingly important element in sales and in making a distinction between manufacturers and sellers of our products.

3.3. Responsibility to Local and General Social Community

The Gorenje Group is establishing contacts with the general and local environment also through sponsorships and donations. Within this scope it was involved in the field of culture, education and science, sports and the humanitarian campaigns.

In the field of culture we participated in carrying out the gathering of Slovenian writers called Herbesteinska Literina, we sponsored the festival of classical music Skupina Brežice, cultural events in the Cankarjev dom in Ljubljana, we contributed funds for the exhibition on occasion of the 50th anniversary of the Slovenj Gradec Fine Arts Gallery for the Koroška region, we sponsored the exhibition translated as "Birth certificate of the Slovenian culture" held at the National and University Library in Ljubljana and the industrial design biennial – BOI 19. We have supported for many years the activities of the international-

ly successful Gorenje Mixed Choir, and organised several painting and sculpture exhibitions in our Gorenje Gallery.

In the field of sports we acted as general sponsor for a very successful Nordic ski team within the Slovene Ski Association and the Gorenje Handball Team.

In the field of education we have supported for many years the secondary schools centre in Velenje and the school of music Fran Korun Koželjski in Velenje, and we are also co-founders of the International Post-graduate Jožef Stefan School.

We participate in humanitarian campaigns by contributing to different humanitarian institutions, in the health and social field as well as in other humanitarian fields.

3.4. Responsibility to Natural Environment

In the Gorenje Group the environment protection is constantly adjusted to the requirements of customers, employees and the environment.

Their requirements are as follows: legal requirements, policies of state institutions, incentives of non-governmental organisations, neighbours and employees, and in this way we combine environmental, social and economic interests. The priority activities are focused on the deconstruction of electrical and electronic equipment, restricting the use of certain hazardous substances in this equipment and the development of products in accordance with the environmental design requirements.

The Household Appliances Division

The companies in the Group have a well-established environmental management system. In Gorenje, d.d., the environmental management system is certified according to ISO 14001 and according to the EMAS regulation, whereas in five of its companies, it is certified according to ISO 14001.

The Parent Company Gorenje, d.d.

In 2004, Gorenje, d.d. certified the upgraded environmental management system and registered into the EMAS scheme. The environmental statement EMAS for the year 2004 is an independent Section of this Annual Report.

As the winner of the Slovenian contest, organised in 2003 by the Gospodarski vestnik magazine, the Ecological Development Fund of the Republic of Slovenia and the Environmental Agency of the Republic of Slovenia, in the category of Environment-friendly companies, Gorenje, d.d. qualified for the 2004 European Awards for the Environment, granted by the European Environmental Commission. Gorenje, d.d. was among twelve finalists selected in four different categories and among four nominees in the environmental management category and we received the Management Award for Sustainable Development.

The new generation of washing machines and tumble dryers was granted the award, at the ceremony, which took place within the scope of regular annual environmental meeting, for the best environmental-friendly product in 2004, conferred by Gospodarski vestnik in co-operation with the Ecological Development Fund of the Republic of Slovenia and the Environmental Agency of the RS.

The analytical laboratory and the environment protection department of Gorenje, d.d. acquired the accreditation document for analysing several parameters in waste waters and for sampling waste waters. On the basis of this accreditation Gorenje, d.d. acquired the authorisation, at the beginning of 2005, for performing the first measurements and for conducting operation monitoring of waste waters. In January 2005 Gorenje, d.d. acquired the authorisation from the Environmental Agency of the RS within the Ministry of the Environment and Spatial Planning for performing waste evaluation.

Biterm, d.o.o.

The company has successfully re-certified the environmental management system according to ISO 14001 standard. We have set up a demanding environmental management programme which was successfully realised. The greatest emphasis was laid on reducing the consumption of natural resources. We achieved the set goal, i.e. to reduce the consumption of electricity, compressed air, water and alcohol by 3% per product unit. We performed separate waste collection and paid attention to neatly arranged surroundings. We spent a lot of time trying to reduce the consumption of soldering tins, within the scope of the project for eliminating the use of lead in soldering tins. The project will provide for product compliance with the RoHS directive, which anticipates a reduced use or total elimination of ele-

ments, such as lead and cadmium in manufacturing materials.

Gorenje I.P.C., d.o.o.

In 2002 the company implemented an integrated quality and environmental management system and the relevant operating policy. This policy is in line with the Company's strategic goals and programmes and was approved by the Company's management. The year 2004 was very important for the packaging programme with regard to the environment protection. In January, a preliminary evaluation was made and all the necessary activities performed. The control audit led to the programme certification and its inclusion into the integrated system. In this way, all the production programmes were integrated into the existing quality and environmental management integrated system.

Two production sub-programmes were moved to the new location in Šoštanj, which offered an excellent opportunity for revision of the system and system documentation. The separated waste collection and hazardous substances management system was thus renewed and conceived to comply with new conditions. With participation of the parent company compliance with the requirements of the RoHS directive was prepared; namely the Company uses tin for welding and soldering, which contains lead. We have tried and tested new materials currently available on the market, and have agreed with our customers to carry out the last tests prior to using these new materials in production. The final tests should be carried out by autumn 2005 at the latest.

The integrated system vision: Innovative in terms of quality; Friendly in terms of environment; Comprehensive in terms of business excellence, remains unchanged in the future.

Other Divisions

Interior Furnishings Division

Gorenje Notranja oprema, d.d.

The Company performed activities to improve the environmental protection in accordance with the environmental management programme and the requirements imposed by the legislation. We made efforts to acquire environmental safety authorisations for the existing plants. We wrote an application and a plan for reducing the emission of volatile organic compounds from the lacquering plant in the furniture programme. The ceramic tiles programme conceived a proposal for reducing the risks involved in using liquefied petroleum gas related to the measures introduced to reduce the risk of major accidents due to hazardous chemicals. We carried out all planned operating monitoring and environmental parameter measurements.

In 2004 we also carried out activities designed to reduce emissions into the air. In furniture manufacture the manual sprinkler chamber was replaced with a new one, with a more efficient system for cleaning of solid particles and with a purification device for coagulated waste varnish from optical water curtain. We made specimens of kitchens using aqueous leaching and cover transparent varnish on aqueous basis. The share of kitchens manufactured by applying the technological procedures for finalisation of kitchen doors with plastic foils amounted to 20% for the brand name Gorenje and 80% for the brand name Marles. In the Marles programme the filters were replaced with cyclone-based dust elimination through a bag-like filter system with efficient purification and return of air. In the bathroom programme the Airless sprinkler systems for gel-coating application were replaced by those with better yields and lower emissions. To reduce water consumption the Marles programme recon-

structed the boiler room. The gas heating method was replaced with water-heating, which considerably reduced water consumption.

In the field of waste management the production of ceramic tiles yielded waste gypsum, as a by-product from the purification plant installed to the ceramic tiles oven, which was returned to the production process in the form of raw material.

The heating of the inflammable substances warehouse from the bathrooms programme is now performed by our own biomass energy, and the Marles programme reconstructed the entire heating system with an energy-efficient water-heating system.

Heating and Industrial Equipment Division

Gorenje TIKI, d.o.o.

The company continued to successfully resolve environmental protection problems, and renovated and automated the line for enamel coating of water-heater interiors, it improved the system for separate waste collection, whose major part is packaging waste. For this purpose the company joined the packaging waste collection system of the company Slopak, d.o.o. In accordance with the RoHS directive, which anticipates the reduction or total elimination of hazardous substances to be found in electric and electronic equipment, several activities were carried out to meet the RoHS requirements.

Gorenje Orodjarna, d.o.o.

In February 2004 the Company underwent a successful re-certification audit. The programme in the field of environment protection was fully realised. Within the scope of environmental management system the welding facility was equipped with an exhaustion unit linked to the central production exhaustion unit. All containers for collecting shavings are

additionally equipped with catching bowls. Our objective for the next year is to adopt the amended ISO 14001/2004 standard and reconstruct the machines for rough processing without using the emulsions.

Gorenje Indop, d.o.o.

The company monthly monitored the quantity of waste generated, the consumption of electricity and water, analyses were prepared and measures were adopted for permanent reduction of impacts on the environment. We recorded a 5% waste decrease (relative by considering the realisation) compared with the year 2003, the consumption of electricity and heat was lower by 3% or 5% respectively. We reviewed the existing sewage system, brought the documentation in order and studied the option that a new sewage be installed outside the production facilities and finally settled within the construction of a new production plant. All inactive shafts were adequately renovated and sealed.

Services Division

Gorenje Gostinstvo, d.o.o.

A contract was concluded on behalf of the Company for collection of waste edible oil and for collection and disposal of organic waste. By introducing new technological processes we additionally reduced the quantity of waste edible oil. Deep frying has been almost entirely replaced by the method of sprinkling vegetable fat over food and by roasting in a gas convection oven.

Gorenje GTI, d.o.o.

In 2004 the Company paid great attention to the implementation of the environment management system and to compliance with legal requirements related to the distribution centre, the show room in Ljubljana and waste management. The company joined the packaging waste collection system via



SLOPAK and started preparing for the management of waste electric and electronic equipment. Additional two women auditors obtained auditor qualifications.

Energy and Environment Protection Division

Kemis, d.o.o.

The Company operated in accordance with its mission to reduce the impact of waste from industries, shops and households on the environment.

Within the scope of this activity:

- over 200 tons of waste solvents were redistilled,
- over 5,000 tons of waste were delivered for processing into secondary raw materials,
- cement factories received over 2,000 tons of waste to be used as secondary energy,
- 5,000 tons of hazardous waste were prepared for incineration,
- over 100 tons of hazardous waste were collected from households.

To improve its operations over 300,000 EUR were invested for the purchase of vacuum tanker for re-pumping and transport of hazardous

waste and of the land in Vrhnika for setting up own storage, processing and business centre. Implemented operations on the basis of ISO 9001 (2000), has gradually been upgraded with the introduction of ISO 14001 and ISO 18001 standard requirements, with the aim to fully comply with the relevant standard requirements in the year when the Company will move into its own storage, processing and business centre.

Opte Ptuj, d.o.o.

The principal activity of the Company is the manufacture of bricks. With its entry into the records of the Agency of the Republic of Slovenia, it long ago acquired the status of waste remover and processor. It disposes of adequate equipment and procedures, particularly those for the processing of waste electrocoating silts and waste oils. Within the scope of adopting and implementing the measures for improving the technological control management investments in the gas pipeline were made, thus upgrading the existing thermal processing of bricks using gas or heating oil for heating the ovens.

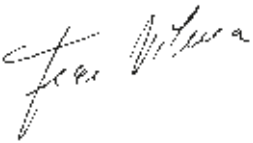


3.5. EMAS Environmental Statement by Gorenje, d.d.

A. Declaration on Credibility of Environmental Data

In 2003 Gorenje, d.d. adapted its activities to the requirements of the EMAS, in accordance with the EC regulation no. 761/2001. The operations of the EMAS were verified in March 2005, by the Slovenian Institute for Quality and Metrology (SiQ) and it was observed that the system complied with the requirements of the EMAS regulation.

All data and facts, quoted in the EMAS environmental statement issued by Gorenje, d.d. for the year 2004 are credible and express the actual position with regard to the Company's environmental management system.



Vilma Fece,
the Management's representative for
the environmental management system

B. Scope of Activities of Gorenje, d.d. Included into the EMAS

The activities of Gorenje, d.d. at the Velenje location in the area dedicated to industrial, repair, craft and service activities are included into the EMAS. The activity comprises development, production and sales of household appliances. The production is composed of:

- the refrigerators and freezers programme (production of refrigerators, deep freezers and combined appliances),
- the cooking appliances programme (production of electric and gas cookers, ovens and hobs),
- the washing machines and tumble dryers programme (production of washing machines, tumble dryers and mini kitchens),
- the Mekom programme (production of metal and plastic components).

The EMAS does not include the production of pipe radiators and metal components of the Mekom programme at the location in Rogatec and the production of metal components in the Mekom programme plant at the Šoštanj location. The scope of production of household appliances is presented in the sub-chapter entitled Production of the Household Appliances Division of this Annual Report.

C. Evaluation of Adequacy of Environmental Policy

At the beginning of 2004 the environmental policy was revised to consider the sustainable development concept. The policy revision was also appropriate in view of significant investment and organisational changes, which the Company has undergone since the mid-2003.

We consider that the environmental policy reflects the actual status of important aspects (products and services, waste, energy products, etc.) and related environmental goals.

D. Efficiency of Environmental Management

D.1 Objectives in the Field of Environment Protection from 2004 to 2006
In the period between 2003 and 2004 Gorenje, d.d. made a new evaluation of the environmental aspects, due to new investments, amended legislation and organisational and personnel changes and determined, on the basis of these evaluations, new objectives for the period between 2004 and 2006:

- implementation of the requirements defined in the RoHS directive (i.e. to produce appliances that comply with these directives as to the content of hazardous substances: the contents of hazardous substances in products should be checked with regard to the 2002/95/EC and 2003/11/EC directives, the components that contain hazardous substances should be replaced and the responsibility as to the content of hazardous substances should be transferred to suppliers as well),
- handling of waste electric and electronic equipment,
- reduction of generated industrial packaging waste (decreased quantity of packaging waste, increased share of reusable packaging, elimination of inadequate packaging in co-operation with the suppliers),
- reduction of the quantity of generated waste,
- cost-effective use of energy resources.

The implementation of outline environmental goals is carried out within the scope of set environmental programmes and activities for achieving the implementation targets, consequently no major deviations from set outline goals were observed.

D.2. Meeting Environment Protection Targets in 2004

Aspect	unit	Targets 2004	Implemented 2004	2003	2002	2001	2000
reduction in quantity of:							
hazardous waste	kg/product	0.16	0.21	0.18	0.25	0.25	0.30
secondary raw materials	kg/product	3.90	4.33	4.23	4.23	4.68	4.45
waste for disposal	kg/product	0.38	0.36	0.44	0.49	0.75	1.01
effective use of energy resources:							
consumption of water	m ³ /product	0.17	0.20	0.19	0.18	0.21	0.30
consumption of power	kWh/product	21.90	22.39	22.24	21.62	21.95	20.82
consumption of thermal energy	kWh/product	12.45	13.72	13.28	12.47	15.05	15.81
consumption of compressed air	m ³ /product	14.50	17.47	13.45	15.09	19.49	21.66
consumption of natural gas	Nm ³ /product	1.00	1.02	1.03	1.02	1.09	1.16

The absolute quantity of hazardous waste amounted to 635 tons, which is 21% more than the year before, or 0.21 kg/ product; consequently, the set goal was exceeded by 31%.

A larger quantity of hazardous waste was mainly a result of the increased quantity of sludge, formed in the Central wastewater treatment plant. The quantity of silt increased mainly due to the following two reasons:

- Increased inflow of washing waters into the Central waste water treatment plant (increased inflow mainly from the cooking appliances programme) and the resulting increases in the volume of chemicals needed for an efficient wastewater treatment system.
- Reaching of limit values during the trial operation of the renovated waste water treatment plant. During the trial operation the basic task was to adjust the water outlet with legal requirements (reaching of limit values for all parameters), therefore apart from proportional administration of neutralising agents with regard to water flow, the pollutant elimination agents were intentionally administered, particularly nickel and phosphorus. All these measures have additionally increased the sludge, however they have enabled us to reach favourable limit values. In 2005 the

primary task (a corrective measure) will be to optimise the use of neutralising agents, which will have a favourably impact on the reduction of waste sludge.

In 2004 the quantity of secondary waste raw materials (kg/product) increased by 2% compared with 2003, but they deviate from set objectives by 11%. The increased quantity of secondary waste raw materials resulted from the introduction of technologically more demanding new generations of household appliances. A special work team was appointed at the Company level to control reject products.

The quantity of incurred waste for disposal (quantity calculated per product) decreased by 18% compared to the previous year and amounts to 0.36 kg/product. The set goal of 0.38 kg/product was exceeded by 5%.

Specific water consumption went up by 5.3% and exceeded the set target of 0.17m³/ product by 18%. The deviation was caused by a substantial increase in water consumption during the process of enamelling cooking appliances. In view of changed product assortment and unstable quality of metal (shortage of sheet metal on the

international market), larger quantities of rinsing waters were needed to reach adequate quality of semi-finished products.

The consumption of power went up by 1% and that of thermal energy by 3%, which complies with the level of rational consumption of energy products in the processing industry.

The consumption of compressed air exceeded the set target by 20%. As this occurred mainly in December, corrective measures were introduced in January 2005 to regulate the regime of compressed air supply in the period when production is not in operation.

Specific consumption of natural gas increased by 2%.

We consider that the environmental programmes implemented in the past five-year period helped us reach the limit which makes it practically impossible to reach any considerably lower quantitative targets (results).

D.3 Implementation Targets for 2005

Aspect	Unit	2004	Targets 2005	2003	2002	2001	2000
Decreased quantity of:							
hazardous waste	kg/product	0.21	0.20	0.18	0.25	0.25	0.30
waste for disposal	kg/product	0.36	0.33	0.44	0.49	0.75	1.01
effective use of energy resources:							
consumption of water	m ³ /product	0.20	0.18	0.19	0.18	0.21	0.30
consumption of power	kWh/product	22.39	22.39	22.24	21.62	21.95	20.82
consumption of thermal energy	kWh/product	13.72	13.30	13.28	12.47	15.05	15.81
consumption of compressed air	m ³ /product	17.47	13.50	13.45	15.09	19.49	21.66
consumption of natural gas	Nm ³ /product	1.02	1.01	1.03	1.02	1.09	1.16

Apart from measurable implementation targets in the field of waste and energy products management, we shall proceed with the relevant programmes in 2005, which will enable us to reach the frame environmental goals, particularly in the field of implementing the RoHS directive requirements and the decomposition of waste electric and electronic equipment.

E. Communication with Stakeholders

In the field of environment protection the press releases in Slovenian media were most frequently dedicated to environmental awards, to entering our name in the EMAS and to re-cycling. 121 articles were published during the year; more than one third positive, and more than half neutral. The most positive attitude was focused on three important environmental awards: the European Award for Environment for Sustainable Development, the Award for the Environment-Friendly Company and the Award for the Environment-Friendly Product.

A great number of positive announcements were published in the media on account of our registration with the EMAS, classifying Gorenje, d.d. as the first company in Slovenia to comply with all the criteria for voluntary entry into the register.

Fourteen groups or individuals entered into contact with representatives of Gorenje, wishing to obtain more information on environmental management. Most frequently they wanted replies to various questionnaires and surveys or they paid a visit to the Company.

A person residing at the Simon Blatnik street complained that he was disturbed by the noise of moving railway wagons. An independent external institution carried out the measurement and found that the noise produced by Gorenje, d.d. did not exceed the legally defined limits.

The Environmental Inspector paid nine visits to Gorenje, d.d. and examined the following environmental fields: waste, storage of hazardous substances, air emissions, handling of ozone-depleting substances, noise released into the environment, handling of the packaging material, functioning and maintenance of oil catchers and handling of communal hygienic waste water and emissions of substance and heat during waste water disposal. Two decrees were issued, both were remedied within the specified time limit; the inspection record about another decree is still awaited.

F. Complying with Legal and Other Requirements

On the basis of fulfilling legal requirements (in the field of water emissions, air emissions, waste, noise, packaging, chemicals, rational use of energies, construction of buildings and protection from natural and other accidents) as well as other requirements from the field of environmental protection, of a detailed environmental survey of the Company's business operations, of the results of environmental observations, of the follow-up documentation and of the results of inspections, we consider that the activities of Gorenje, d.d. comply with legal and other requirements, stipulated in the ISO 14001 and EMAS requirements.

It should be emphasised that compliance with all the legally defined limit values has been assured in the following environmental areas: waste waters, air emissions and noise, which are specifically defined for our field of activity. The limit values for the remaining before mentioned fields are not prescribed.







4. Financial Statements of the Gorenje Group

4.1. Gorenje Group

The parent company Gorenje d.d. is a company domiciled in Slovenia. The consolidated financial statements of the Company for the year ended 31 December 2004 comprise the Company and its subsidiaries (together referred to as the "group") of which there are 47 and the Group's interest in associates. The financial statements were authorised for issue by the directors on 11 of April 2005.

The financial year of the companies in the Gorenje Group is equal to the calendar year.

4.2. Summary of significant accounting policies

The significant accounting policies used in the preparation of the consolidated financial statements of the Gorenje Group are presented below.

Statement of compliance

The accompanying consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (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 new 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 operations 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.

Adjustments were above all required to adjust the values of property, plant and equipment, and of intangible assets to the market values. Adjustments were also required owing to calculation of deferred taxes in companies domiciled in the countries where calculation of deferred taxes is not provided for under the local regulations, and owing to a different treatment of provisions.

Basis for preparation

The financial statements are presented in Slovene Tolar, rounded to the nearest thousand (TSIT). The financial statements have been prepared on the fair value basis for available-for-sale investments, investments held for trading and tangible assets. In other cases the historical cost basis method were in use. The applied accounting policies are consistent with those used in the previous year.

Foreign currency transactions

Revenues and expenses in foreign currencies are translated into Slovene Tolar at the rates of exchange ruling at the date of transaction. Exchange gains or exchange losses arising on these transactions are recognized in the income statement.

Monetary assets and liabilities in foreign currencies are translated into Slovene Tolar at the middle exchange rate of Banka Slovenije ruling at the balance sheet date. Exchange gains or exchange losses arising from translation are recognised in the income statement. Non monetary assets denominated in foreign currency that are stated at fair value are translated to Slovene Tolar at foreign exchange rates ruling at the dates the values were determined.

As the Group's foreign operations are not considered an integral part of the company's operations, assets and liabilities, including goodwill and fair value adjustment arising on consolidation are translated to Slovene Tolar at the middle exchange rate of Banka Slovenije ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Slovene Tolar at the average exchange rate calculated on the basis of monthly balances. Foreign exchange differences arising on translation are recognized directly in equity.

Financial instruments

The financial instruments are recognized in the financial statements. The accounting policies applied in respect of recognition and measurement of these items are stated under the notes to respective items.

Fair value

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values of financial instruments do not deviate essentially from their book values, because their effective interest rates do not differ significantly from market rates.

Derivative financial instruments

The group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risk arising from operational and financing activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes.

Derivative financial instruments are recognized initially at cost. Subsequent to initial recognition, derivative financial instruments are stated at fair value.

Where a derivative financial instrument is designated as hedge of the variability in cash flows of a recognized liability, the effective part of any gain or loss on the derivative financial instrument is recognized directly in equity. The ineffective portion of any gain or loss is recognized in the income statement immediately.

There is no hedging of net investment in a foreign operation.

For risk management, refer to note 2.11.

Impairment of assets

The company reviews the carrying amount of an asset, other than inventories and deferred taxes, at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is to be formally estimated by a verified appraiser.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment loss is recognised in the income statement.

Calculation of recoverable amount

The recoverable amount of assets is the greater of their net selling price and value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. The present value of receivables is discounted at the original effective interest rate inherent in the asset. Receivables with short duration are not discounted.

Reversal of impairment

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment had been recognised.

Intangible assets are carried at cost less accumulated amortization computed on a straight-line basis, and impairment losses.

Intangible assets comprise goodwill, industrial property rights, develop-

ment costs and advances for acquisition of intangible assets. Intangible assets are amortized over a period of eight years.

Industrial property rights are amortized over the period of the contract.

Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures and represents the difference between cost of the acquisition and the fair value of the net identifiable assets acquired. Positive goodwill is stated at cost less accumulated amortization. In respect of subsidiaries the carrying amount of goodwill is included in the carrying amount of the investment in the subsidiary. Goodwill is amortized over a period of eight years as it is expected that the investment will be returned in eight years. IFRS 3 will be applied prospectively from 1 January 2005.

Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognized in the income statement as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to plan or design for the production of new substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The expenditure capitalized includes the cost of materials, direct labour and an appropriate proportion of overheads. Other development expenditure is recognized in the income statement as an expense as incurred. Capitalized development expenditures are stated at cost less accumulated amortization and impairment losses.

Property, plant and equipment are initially stated at its cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment comprises its purchase price, including import duties and non-refundable purchase taxes, and any directly attributable costs of bringing the asset to working conditions for its intended use, in particular delivery costs and installation costs.

The cost of a self-constructed asset includes the cost of construction or manufacture and an appropriate portion of production overheads.

Subsequent to initial recognition as an asset, an item of land, buildings and equipment are carried at revalued amount, being the fair value at the date of the revaluation less any subsequent depreciation and subsequent accumulated impairment losses. When an asset's carrying amount is increased as a result of a revaluation, the increase

is credited directly to equity as revaluation reserves. The revaluation to fair value of these assets is based on the report of an independent appraiser.

An item of property, plant and equipment is eliminated from the balance sheet on disposal or when the asset is permanently withdrawn from use and no future economic benefits are expected. Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are recognised as income or expense in the income statement.

The depreciation is carried out on a straight-line basis. The depreciation rates are determined on the basis of the estimated useful life of an asset.

Land is not depreciated.

The useful life of the principal groups of property, plant and equipment:

	Useful life from-to
Buildings	20 - 50 years
Plant and equipment	5 - 10 years
Computer equipment	2 - 4 years
Transportation vehicles	2 - 5 years
Office equipment	3 - 5 years
Tools	3 - 10 years

Interest on borrowings for additions to property, plant and equipment are charged against profit or loss for the period.

Subsequent expenditure on property, plant and equipment is recorded as an item of increase in property, plant and equipment, if the future economic benefits are expected to be received. All other subsequent expenditure is charged against current operating expenses.

Government grants related to assets
Government grants related to assets are presented in the balance sheet initially as deferred income in the amount of the grant when there is reasonable assurance that it will be received and that the Company will comply with the conditions attaching to it. They are intended to compensate the costs of depreciation of these assets in a subsidiary with the status for employing disabled people. The grant is recognized to income on a straight-line basis over the useful life of the depreciable asset.

Investments

Financial investments are initially recognized at cost, which is the value of consideration given.

Investments in debt and equity securities

Investments held for trading are classified as current assets and are stated at fair value, which is determined quarterly by comparing the values to the quoted bid price. Any resultant gain or loss is recognized in the income statement. Other investments are classified as being available-for-sale and are stated at fair value, which is determined quarterly by comparing the values to the quoted bid price. Any resultant gain or loss is recognized in the income statement.

Investments held for trading and available for sale investments are recognized / derecognized by the Group on the date it commits to purchase/sell the investments.

Loans originated by the Company are stated at amortised cost less impairment losses.

Inventories of materials and merchandise are stated at the lower of cost and net realizable value. Cost comprises the purchase price, import duties and other non-refundable taxes and costs directly attributable to the acquisition. The cost of inventories is based on FIFO principle. Inventories of products and work in progress are recognized at cost of production. Cost of production includes direct cost of materials, direct cost of services, direct cost of depreciation, and production overheads. Production overheads include indirect cost of materials, indirect cost of services, indirect labour cost, and indirect cost of depreciation based on normal operating capacity.

Obsolete items of inventories are written down to net realizable value. Net realizable value is the estimated selling

price in the ordinary course of business less the estimated costs of completion and selling expenses.

Trade and other receivables are stated at cost less impairment losses. Paid advances are disclosed in the balance sheet in respect of items, which they refer to. To reflect their impairment, short-term operating receivables are impaired if their carrying amount exceeds their recoverable amount. Receivables not believed to either be settled in their full amount or by their due date are recorded as doubtful receivables. Receivables in connection with which a dispute has developed with the debtor are recorded as disputable receivables. Allowances for doubtful and disputable receivables are formed in their full amount, and charged against operating expenses.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash balances with banks and call deposits.

Equity and reserves

Dividends are recognized as a liability in the period, in which the shareholders' meeting adopts a resolution on dividend payout.

Provisions are formed when an enterprise has a present obligation as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are formed only if a reliable estimate can be made of the amount of the obligation.

Warranties

A provision for warranties is recognized when the underlying products or services are sold. The provision is based on historical warranty data and weighting of all possible outcomes against associated probabilities.

Employee benefits

Contributions for health insurance, pension insurance, and social insurance from gross wages and salaries are paid during the year at statutory rates. Contributions are recognized as an expense in the income statement as incurred (in the same period as the related wages and salaries).

In accordance with the legal regulations, the Collective Agreement, and the internal rules and regulations, the Company undertakes to pay to its employee's anniversary bonuses and terminal bonuses on retirement. The Company's obligation is calculated by estimating the amount of future benefit that employees have earned; the benefit is discounted to determine the present value. The discount rate is equivalent to the interest rate applied to government bonds that have maturity dates approximating the terms of Company's obligations. The company has no defined contribution plan and no benefit plan.

Other obligations in respect of pension benefits do not exist.

Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at cost less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortized cost with any differences between cost and the redemption value being recognized in the income statement over the terms of the loans on an effective interest basis.

Trade payables are stated at their cost.

Revenues

Revenue from sale of products, merchandise and material is recognized when the significant risks and rewards of ownership have transferred to the buyer. Amounts exclude discounts and rebates approved either when the sale

is made or subsequently, including those granted for early payment. No revenue is recognized if there are uncertainties regarding recovery of the consideration due, associated cost or return of the goods.

Revenue from rendering of services, except the services from which financial revenue is earned, are recognized at selling prices for services completed or, when the percentage of completion method is applied by reference to the stage of completion, at selling prices stated in invoices or other documents.

Financial revenue is the revenue arising in association with long-term and short-term investments (dividends,) as well as in association with bank deposits and receivables (interest). Financial revenue is recognized if there exists no uncertainty associated with its amount and collectability. Interest is recognized on a time proportion basis taking account of the principal outstanding and the rate applicable. Financial revenue includes exchange gains.

Expenses are recognized if decreases in economic benefits during the accounting period are associated with a decrease in assets or an increase in liabilities (debt), and the decrease can be measured reliably.

Operating expenses are recognized once the costs are no longer held in inventories of products and work in progress, or once goods have been sold.

Financial expenses include expenses incurred in connection with financing and expenses incurred in connection with investment (interest on borrowings, and fair value adjustments, impairment of investments etc). Interest expenses and exchange losses are recognized when incurred.

Income tax

Income tax comprises current tax payable in respect of the taxable profit for the period, and deferred taxes. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is determined by using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax asset are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Comparative information

Comparative information has been mainly harmonised with the presentation of information in the current year. Where required, adjustments of comparative data were carried out in order to comply with the presentation of information in the current year.

Segment reporting

Information for reporting by business segment is based on data, which are collected for external reporting, information by geographical segment is additionally based on data, which the Company collects for internal reporting requirements. The Gorenje Group has the following business setments in line with its divisional organisation: Household Appliances Division as the core Division and Other Gorenje Group Divisions.

Geographical segments are segments comprising the countries of a given geographical region. Geographical segments are the geographical areas in which the companies of the Gorenje Group are domiciled. The geographical segments of the Gorenje Group are:

- European Union: Austria, Germany, Italy, France, Denmark, Sweden, Belgium, Finland, Norway, Great Britain, Greece, Lithuania, Latvia, Estonia, Slovenia, Check Republic, Hungary, Poland
- East Europe: Bulgaria, Ukraine, Russia, Macedonia, Croatia, Serbia and Monte Negro, Albania, Kosovo, Bosnia and Hercegovina
- Overseas countries: USA, Australia.

Cash flow statement

The cash flow statement has been prepared, using the indirect method, on the basis of the items in the balance sheet as of 31 December 2004, the balance sheet as of 31 December 2003, the income statement for the year ended 31 December 2004, and the additional data required for the adjustment of inflows and outflows.

4.3. Consolidation basis

Subsidiaries

A subsidiary is an enterprise that is controlled by another enterprise known as the parent. Control is presumed to exist when the parent has the power, directly or indirectly, to govern the financial and operating policies of the enterprise so as to obtain benefits from its activities. The financial statements of a subsidiary are included in the consolidated financial statements with effect from the date when the control is started until the date when the control is discontinued.

Joint ventures

Joint ventures are those entities over whose activities the Group has joint control, established by contractual

agreement. The consolidated financial statements include the Group's proportionate share of the entities' assets, liabilities, revenue and expenses with items of a similar nature on a line by line basis, from the date that joint control commences until the date that joint control ceases.

Transactions excluded from consolidation

Intragroup balances and intragroup transactions and resulting unrealized profits and losses are eliminated from consolidated financial statements.

Minority interest

As of 31 December 2004, minority interests include:

	2004			2003		
	Share in capital in %	Minority interests in TSIT	Share in net profit or loss in TSIT	Share in capital in %	Minority interests in TSIT	Share in net profit or loss in TSIT
Gorenje Tiki, d.o.o.	0.205	2,997	210	17.44	239,921	26,307
Biterm, d.o.o.	25.00	124,684	24,607	25.00	100,077	19,957
Linea, d.o.o.	0.000	0	0	1.31	674	86
Gorenje Podgorica, d.o.o.	0.028	210	24	2.00	3,115	355
Gorenje Notranja oprema, d.d.	1.224	62,517	2,313	1.95	98,307	956
Gorenje Kuhinje, d.o.o.	1.224	0	0	1.95	0	-423
Gorenje Glin, d.o.o.	1.224	0	-597	1.95	0	502
Gorenje Kuchyne spol. s r.o.	1.224	0	27	0	0	0
Gorenje Kuechen GmbH	1.224	0	-1,849	0	0	0
Kemis, d.o.o.	0.000	0	0	33.34	41,775	15,344
Kemis Zagreb, d.o.o.	0.000	0	0	33.34	0	5,254
Kemis BiH, d.o.o.	10.00	662	78	37.27	-1,201	190
Total		191,070	24,813		482,668	68,528

Before acquisition contracts the assets of the companies were devalued to fair value -market value, the transfer

has been done at book value and no goodwill or negative goodwill occurred.

4.4. Consolidated Financial Statements

Consolidated income statement of the Gorenje Group for the year ended 31 December 2004

in SIT '000	Notes	2004	2003
Net sales revenue	1	216,247,044	197,707,365
Other operating income	2	4,672,737	3,672,107
Changes in inventories of finished goods and work in progress		5,662,692	2,295,496
Raw material and consumables used	3	-163,750,045	-147,645,343
Staff costs	4	-39,608,326	-36,004,778
Depreciation and amortization expense	5	-10,096,591	-9,271,624
Other operating expenses	6	-6,174,394	-3,723,991
Operating profit		6,953,117	7,029,232
Net finance cost	7	-1,585,755	-2,235,949
Profit before tax		5,367,362	4,793,283
Income tax expense/benefit	8	-288,720	105,588
Profit after tax		5,078,642	4,898,871
Minority interest		24,813	68,528
Net profit for the year		5,053,829	4,830,343
Basic earnings per share	16	423.08 SIT	404.04 SIT

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated balance sheet
of the Gorenje Group as at
31 December 2004

in SIT '000	Notes	2004	2003
ASSETS		179,232,385	159,758,129
Property, plant and equipment	9	78,225,429	73,739,635
Intangible assets	10	3,326,700	2,420,694
Non-current investments	11	4,988,176	4,275,273
Non-current receivables		608,836	293,748
Deferred tax	20	69,327	65,506
A. Non-current assets		87,218,468	80,794,856
Inventories	12	38,458,861	29,344,375
Trade and other receivables	13	47,425,856	44,806,501
Current investments	14	4,287,385	2,110,678
Cash and cash equivalents	15	1,841,815	2,701,719
B. Current assets		92,013,917	78,963,273
EQUITY AND LIABILITIES		179,232,385	159,758,129
Shares		12,200,000	12,200,000
Reserves		33,533,343	29,439,315
Revaluation reserves		8,057,383	8,088,035
Retained earnings		7,562,158	7,788,986
Own shares		-669,903	-707,169
A. Equity	16	60,682,981	56,809,167
B. Minority interest	17	191,070	482,668
Provisions	18	7,323,403	6,148,806
Deferred government grant	19	1,777,690	1,719,259
Deferred tax	20	330,580	593,301
Interest bearing borrowings	21	25,589,500	18,919,501
Other non-current liabilities		6,200	6,118
C. Non-current liabilities		35,027,373	27,386,985
Trade liabilities	23	42,047,437	39,494,444
Short-term borrowings	22	31,256,972	28,086,111
Other current liabilities	25	7,524,078	5,581,990
Accrued cost and deferred revenue	24	2,502,474	1,916,764
D. Current liabilities		83,330,961	75,079,309
Off balance sheet items		25,716,817	21,757,231

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated cash flow statement of the
Gorenje Group for the year ended
31 December 2004

in SIT '000	Notes	2004	2003
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the year		5,367,362	4,793,283
Adjustments for:			
Depreciation and amortization		10,096,591	9,271,624
Investment impairment		150,227	357,858
Foreign exchange income		-2,118,867	-1,272,201
Foreign exchange loss		2,264,740	1,807,965
Gains from sale of property, plant and equipment		-522,438	-757,837
Investment income		-123,457	-133,063
Interest and other finance expense		2,906,645	2,399,682
Interest and other finance income		-1,484,224	-920,328
Change in provisions	18	1,174,597	-2,209,809
Change in government grant	19	58,431	553,733
Operating profit before change in net operating current assets		17,769,607	13,890,907
Change in trade and other receivables		-3,656,679	-5,501,221
Bad debt expense and write-downs		722,237	944,557
Change in inventories		-9,636,772	-3,554,537
Impairment of inventory		522,287	305,716
Increase in deferred tax		258,900	420,287
Change in trade and other payables		5,080,873	8,895,234
Cash generated from operations		-6,709,154	1,510,036
Interest paid and foreign exchange losses		-1,759,808	-1,429,086
Income taxes paid		-547,621	-314,699
Net cash from operating activities		8,753,024	13,657,158
B. CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	9	-15,352,537	-24,949,853
Purchase of intangible assets	10	-1,353,537	-1,314,727
Proceeds from sale of property, plant and equipment	9,10	1,468,709	865,634
Purchase of securities		-2,646,889	-1,279,712
Successive share purchase TIKI		-236,923	-132,685
Purchase of Kemis		-41,775	-88,045
Purchase of new subsidiaries		-12,900	-186,176
Proceeds from sale of securities		862,760	2,460,034
Investment income from other financial assets		123,457	133,063
Increase in current financial investment		-851,584	
Non-current and current loans granted		-253,897	
Investment impairment		-9,309	-3,964
Net cash used in investing activities		-18,304,425	-24,496,431

C. CASH FLOWS FROM FINANCING ACTIVITIES		
<i>Proceeds from long-term borrowings</i>	6,669,999	5,702,831
<i>Proceeds from short-term borrowings</i>	3,170,861	5,370,966
<i>Sale of own shares</i>	45,500	200,525
<i>Dividends of own shares</i>	25,137	0
<i>Dividends paid</i>	-1,220,000	-1,188,825
Net cash used in financing activities	8,691,497	10,085,497
D. BALANCE OF CASH AT END OF PERIOD		
<i>Net increase (decrease) in cash and cash equivalents</i>	-859,904	-753,776
<i>Cash and cash equivalents at 1 January</i>	2,701,719	3,455,495
<i>Cash and cash equivalents at 31 December</i>	1,841,815	2,701,719

The accompanying notes are an integral part of these consolidated financial statements.

**Statement of changes in equity and minority interest
of the Gorenje Group for the year
ended 31 December**

<i>in SIT '000</i>	Share capital	Reserves
Balance at 1 Jan 2004	12,200,000	29,439,315
Net profit or loss for the period		
Revaluation and translation adjustments		
Transfer of revaluation and translation adjustments to IS		
Reversals of reserve of own shares		-37,266
Dividends on own shares not yet paid		
Gains of sale of own shares		45,500
Transfer of accumulated profit for 2003 to other reserves		4,166,101
Appropriation of net profit or loss for 2004 to statutory reserves		270,651
Appropriation of net profit or loss for 2004 to other reserves		1,217,927
Reversal and transfer of other reserves to net profit or loss from previous periods		-1,568,885
Transfer of net profit or loss for 2003		
Dividend payout		
Decrease in minority interest		
Balance at 31 Dec 2004	12,200,000	33,533,343

<i>in SIT '000</i>	Share capital	Reserves
Balance at 1 Jan 2003	12,200,000	28,674,503
Net profit or loss for the period		
Revaluation and translation adjustments		-281,597
Transfer from reserves for own shares to retained profit		-116,772
Gains on sale of own shares		83,753
Dividends on own shares not yet paid		
Sale of own shares		
Appropriation of accumulated profit for 2002 to other revenue reserves		1,897,497
Appropriation of net profit or loss for 2003 to statutory reserves		478,185
Appropriation of net profit or loss for 2003 to other revenue reserves under the resolution adopted by the managing board		2,151,833
Reversal and transfer of other revenue reserves to net profit or loss from previous periods		-2,334,141
Transfer of net profit or loss for 2002		
Dividend payout		-1,113,946
Decrease in minority interest		
Balance at 31 Dec 2003	12,200,000	29,439,315

Net profit or loss from previous periods	Net profit or loss	Own shares	Revaluation reserves	Total	Minority interest
5,588,662	2,200,324	-707,169	8,088,035	56,809,167	482,668
	5,053,829			5,053,829	24,813
			512,375	512,375	
			-543,027	-543,027	
		37,266		0	
25,137				25,137	
				45,500	
-4,166,101				0	
	-270,651			0	
	-1,217,927			0	
1,568,885				0	
2,200,324	-2,200,324			0	
-1,220,000				-1,220,000	
				0	-316,411
3,996,907	3,565,251	-669,903	8,057,383	60,682,981	191,070

Net profit or loss from previous periods	Net profit or loss	Own shares	Revaluation reserves	Total	Minority interest
2,919,722	2,190,402	-823,941	6,417,331	51,578,017	771,334
	4,830,343			4,830,343	68,528
			1,670,704	1,389,107	
116,772				0	
				83,753	
29,175				29,175	
		116,772		116,772	
-1,897,497				0	
	-478,185			0	
	-2,151,833			0	
2,334,141				0	
2,190,403	-2,190,403			0	
-104,054				-1,218,000	
				0	-357,194
5,588,662	2,200,324	-707,169	8,088,035	56,809,167	482,668

4.5. Auditor's Report



Auditor's Report for the Purpose of Reporting to the Public

We have audited the consolidated financial statements of Gorenje d.d and its subsidiaries (Gorenje Group) for the year ended 31 December 2004, from which the summarized financial statements were derived, in accordance with International Standards on Auditing. In our report dated 30 May 2005 we expressed an unqualified opinion on the financial statements in compliance with IFRS from which the summarized financial statements were derived.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the period and of the scope of our audit, the summarized financial statements should be read in conjunction with the financial statements from which the summarized financial statements were derived and our audit report thereon.


Marjan Mahnič, B.Sc.Ec.
Director and Certified Auditor

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.


Andrej Korinšek, B.Sc. Ec.
Director and Certified Auditor

KPMG Slovenija, d.o.o.

Ljubljana, 30 May 2005

4.6. Notes to the Consolidated Financial Statements

Income statement – analyzed by function of expense

in SIT '000	2004	2003
Net sales revenue	216,247,044	197,707,365
Cost of goods sold	34,529,362	32,734,762
Production cost	130,609,269	115,508,389
Gross profit	51,108,413	49,464,214
Cost of sale	29,620,686	26,783,788
Administrative expenses	19,207,347	19,323,301
Other operating income	4,672,737	3,672,107
Operating profit	6,953,117	7,029,232

Note 1

Net sales revenue	216,247,044 SIT '000
-------------------	----------------------

in SIT '000	2004	2003
Sales revenue - domestic market	30,156,901	31,967,617
Sales revenue - foreign market	186,090,143	165,739,748
Total	216,247,044	197,707,365

Sales revenue from services amounted to 21,258.3 mio SIT in 2004 (20,780.9 mio SIT in 2003). The structure of revenue by business

segment and by geographical segment, as well as elimination of intragroup revenue is shown under Note 30 and Note 31.

Note 2

Other operating income	4,672,737 SIT '000
------------------------	--------------------

in SIT '000	2004	2003
Income from subsidies, grants, and compensations	145,521	128,320
Income from reversal of provisions	252,487	1,300,544
Income from reversal of government grants	631,680	258,631
Income from disposal of PPE and intangible assets	522,438	757,837
Income from recovery of bad debts previously written off	572,619	
Other income from tax authorities	674,911	
Other income	1,873,081	1,226,775
Total	4,672,737	3,672,107

Note 3

Cost of Raw material and consumables used	163,750,045 SIT '000
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in SIT '000	2004	2003
Cost of goods sold	34,529,362	32,734,762
Cost of material	96,215,456	82,798,950
Cost of services	33,005,227	32,111,631
Total	163,750,045	147,645,343

Note 4

Staff costs	39,608,326 SIT '000
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<i>in SIT '000</i>	2004	2003
Wages and salaries	27,065,825	24,463,822
Contributions for social and retirement benefits	6,473,563	5,883,487
Other staff costs	5,534,824	5,657,469
Formation provisions for termination pay and pensions	534,114	
Total	39,608,326	36,004,778

A portion of wages and salaries (668,061 TSIT) are used for formation the provision for subsidies for property, plant and equipment, in the company Gorenje IPC, d.o.o. (Gorenje IPC has the status of an enterprise employing disabled people).

Other staff costs include vacations bonuses, meal allowances, commuting allowances, termination pay, and anniversary bonuses in accordance with the local labour legislation and the internal regulations of the Group companies.

Number of employees by Division	No. of employees as at 31 December		Average no. of employees	
	2004	2003	2004	2003
Household Appliances Division	7,206	7,092	7,147	6,821
Interior Furnishings Division	1,215	1,228	1,227	1,243
Heating and Industrial Equipment Division	694	666	689	653
Services Division	364	361	354	352
Energy and Environment Protection Division	89	80	86	77
Total	9,568	9,427	9,503	9,146

Note 5

Depreciation and amortization expense	10,096,591 SIT '000
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<i>in SIT '000</i>	2004	2003
Amortization expense - intangible assets	421,780	315,789
Depreciation expense - PPE	9,065,181	8,697,204
Depreciations of PPE acquired with government grants	609,630	258,631
Total	10,096,591	9,271,624

Note 6

Other operating expenses	6,174,394 SIT '000
---------------------------------	---------------------------

<i>in SIT '000</i>	2004	2003
Allowances for bad debt	722,237	944,557
Allowances for inventories	522,287	305,716
Duties and charges	720,316	494,347
Impairment of investments available for sale		3,963
Other operating expenses	1,303,481	498,708
Formation of provisions for warranties	2,657,638	1,476,700
Formation of provisions other	248,435	
Total	6,174,394	3,723,991

Duties and charges irrespective of operating result include charges (tax on use) for the use of buildings and land charges for water pollution and

environmental pollution obligatory membership fees, and other statutory taxes.

Note 7

Net finance cost	1,585,755 SIT '000
-------------------------	---------------------------

<i>in SIT '000</i>	2004	2003
Finance income		
Interest income	453,747	582,134
Exchange gains	2,118,867	1,272,202
Dividend income from AFS investments	123,457	133,063
Other finance income	1,030,477	338,194
Total	3,726,548	2,325,593
Finance cost		
Changes in FV on investments available for sale and held for trading	140,918	353,895
Interest expense	2,746,291	2,285,193
Exchange losses	2,264,740	1,807,965
Other financial expenses	160,354	114,489
Total	5,312,303	4,561,542
Net finance cost	-1,585,755	-2,235,949

Note 8

Income tax expense	288,720 SIT '000	
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<i>in SIT '000</i>	2004	2003
Current tax	547,621	441,107
Deferred tax	-258,901	-546,695
Total	288,720	-105,588

In 2004, the effective tax rate was 10.2 % (in 2003: 9.2 %). A significant portion of income taxes was recorded by group companies operating out of Republic Slovenia.

Deferred tax, which was recorded in the income statement as a sum of changes in FV increases (decreases) in deferred tax assets and deferred tax liabilities, resulted in a decrease in

income tax expense. The major impact came from decreases in deferred tax liabilities recorded by group companies operating in Slovenia. A decrease in deferred tax liabilities was mainly due to harmonization of Slovenian Accounting Standards with International Financial Reporting Standards, in particular in respect of formation and use of provisions.

<i>in SIT '000</i>	2004	2003
Property, plant and equipment	3,820	62,118
Provisions	-262,721	-608,813
Change in deferred tax expense (benefit)	-258,901	-546,695

Note 9

Property, plant and equipment		78,225,429 SIT '000
in SIT '000		
Land	6,613,030	6,415,595
Buildings	31,449,704	24,308,445
Production plant and equipment	34,784,893	26,162,696
Property, plant and equipment under construction	5,251,154	16,491,076
Advances	126,648	361,823
Total	78,225,429	73,739,635

The item represents a 43.6 share of assets in the consolidated balance sheet. The major portion of property, plant and equipment in the amount of 48,174,608 TSIT is recorded by Gorenje, d.d., and represents a 61.6 % share of property, plant and equipment of the Gorenje Group.

At 31 December 2003, assets were appraised by verified appraisers. In 2004 no Impairment of assets was identified.

In the land register at the District Court in Velenje, lien is entered against the

following real property of Gorenje, d.d., Velenje:
Land register, entry no. 2801, plot no. 1682/5, c.m. Velenje,
Land register, entry no. 1099, plot no. 1712, 2843/4, and 1696, c.m. Velenje, as a security for borrowings in the amount of 171,610 TSIT (carrying value of the borrowings at 31 December 2004) ; NBV of the property (buildings) under lien is 1,070,370 TSIT (at 31 December 2004); (1,278,778 TSIT at 31 December 2003).

Movement of property, plant and equipment in 2004

in SIT '000	Land	Buildings	Production plant and equipment	PPE under construction	Advances for PPE	Total
Cost at 1 Jan 2004	6,415,594	46,191,352	81,579,739	16,491,076	361,823	151,039,584
Additions	372,075	9,189,381	16,794,795	-11,003,714		15,352,537
Disposals, write-offs	-172,610	-1,009,082	-1,386,815	-236,207		-2,804,714
Transfers					-235,175	-235,175
Revaluations			-6,204			-6,204
Disposal of subsidiaries out of the group (Pacific Pyt. Ltd)	-2,029	-34,942				-36,971
Cost at 31 Dec 2004	6,613,030	54,336,709	96,981,515	5,251,155	126,648	163,309,057
Accumulated depreciation at 1 Jan 2004		21,882,907	55,417,043			77,299,950
Depreciation expense		2,020,871	7,653,940			9,674,811
Disposals, write-offs		-1,009,082	-874,361			-1,883,443
Disposal of subsidiaries out of the group (Pacific Pyt. Ltd)		-7,691				-7,691
Accumulated depreciation at 31 Dec 2004		22,887,005	62,196,622			85,083,627
Carrying amount at 1 Jan 2004	6,415,594	24,308,445	26,162,696	16,491,076	361,823	73,739,635
Carrying amount at 31 Dec 2004	6,613,030	31,449,704	34,784,893	5,251,155	126,648	78,225,429

Note 10

Intangible assets		3,326,700 SIT '000	
in SIT '000		2004	2003
Development costs		1,950,560	985,161
Other non-current assets and property rights		1,131,627	1,149,091
Goodwill		244,225	284,929
Advances		288	1,513
Total		3,326,700	2,420,694

An increase in development costs is in respect of the introduction and further development of: the new IT system SAP, new generations of washing machines and tumble dryers and logistic centre NAVIS in Velenje. An increase in other intangible assets is due to the acquisition of computer software.

Goodwill arises from the acquisition of 100% share of Gorenje Interieri d.o.o. by Gorenje Notranja Oprema d.d. in 2001. In 2002 Gorenje

Interieri merged with Gorenje Notranja oprema - Gorenje Interieri deregistered. Fair values were determined: land and building at their market value, equipment at their market value, receivables at the present value of the amount received, non marketable securities at estimated value, liabilities at their present value. GW represents the difference between cost of acquisition and the fair value of the identifiable assets and liabilities acquired.

Movement of intangible assets in 2004

in SIT '000	development costs	property rights	Goodwill	Advances	Total
Cost at 1 Jan 2004	1,191,621	2,531,989	405,543	1,513	4,130,666
Additions	1,198,107	155,430			1,353,537
Disposals and write-offs	-5,141	-35,505			-40,646
Transfer				-1,225	-1,225
Cost at 31 Dec 2004	2,384,587	2,651,914	405,543	288	5,442,332
Accumulated amortization at 1 Jan 2004	206,460	1,382,898	120,614	0	1,709,972
Amortization expense	208,450	172,626	40,704		421,780
Disposals and write-offs	-5,141	-10,979			-16,120
Transfer	24,258	-24,258			0
Accumulated amortization at 31 Dec 2004	434,027	1,520,287	161,318	0	2,115,632
Carrying amount at 1 Jan 2004	985,161	1,149,091	284,929	1,513	2,420,694
Carrying amount at 31 Dec 2004	1,950,560	1,131,627	244,225	288	3,326,700

Note 11

Non-current financial investments	4,988,176 SIT '000
--	---------------------------

<i>in SIT '000</i>	2004	2003
Shares in enterprises and banks	2,914,853	2,693,118
Non-current loans maturing in 1-5 years	737,172	568,416
Non-current loans maturing in 5 years and over		390,440
Bonds		603,753
Other investments	1,336,151	19,546
Total	4,988,176	4,275,273

Shares available for sale are stated at fair value, which is determined quarterly by comparing to their quoted bid price. interest rate depends on the currency in which the loan is given in the range from 2.812% to 8.3%.

Non-current loans are given to companies outside the group by parent company and subsidiaries, Other non-current investments include bank bonds classified as available for sale.

Movement of non-current financial investments in 2004:

<i>in SIT '000</i>	Balance 1 Jan 2004	Increase	Decrease	Impairment	Balance 31 Dec 2004
Shares	2,693,118	1,059,253	-830,548	-6,970	2,914,853
Non-current loans	958,856	68,676	-290,307	-53	737,172
Other non-current investments	623,299	747,350	-32,212	-2,286	1,336,151
Total	4,275,273	1,875,279	-1,153,067	-9,309	4,988,176

Note 12**Inventories**

38,458,861 SIT '000

in SIT '000	2004			2003		
	Household appliances	Other	Total	Household appliances	Other	Total
Material	9,829,989	2,063,626	11,893,615	7,809,066	1,734,782	9,543,848
Allowance for obsolete material	369,883	152,404	522,287	239,814		239,814
Material - NRV	9,460,106	1,911,222	11,371,328	7,569,252	1,734,782	9,304,034
Work in progress	2,198,700	839,324	3,038,024	1,710,556	646,825	2,357,381
Products	16,031,419	2,325,863	18,357,282	11,577,160	1,888,786	13,465,946
Allowance for obsolete products					69,292	69,292
Products -NRV	16,031,419	2,325,863	18,357,282	11,577,160	1,819,494	13,396,654
Merchandise	2,421,171	2,781,236	5,202,407	1,878,248	2,228,479	4,106,727
Advances	110,315	379,505	489,820	120,297	59,282	179,579
Total	30,221,711	8,237,150	38,458,861	22,855,513	6,488,862	29,344,375

Note 13**Trade receivables and other receivables**

47,425,856 SIT '000

in SIT '000	2004	2003
Current trade receivables	42,775,333	38,430,960
Other current receivables	3,680,627	5,466,635
Accrued income	731,559	679,544
Current advances and collaterals	238,337	229,362
Total	47,425,856	44,806,501

Other current receivables include a significant portion of input VAT receivable that amounted to 2,587,757 TSIT (2003: 3,221,245 TSIT) in the Gorenje Group at the balance sheet date.

Accrued income includes accrued income from quantity rebates granted by third parties for material to Gorenje, d.d., Velenje in the amount of 399,607 TSIT. (2003: 380,042 TSIT)

Note 14

Current investments	4,287,385 SIT '000
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<i>in SIT '000</i>	2004	2003
Shares held for trading	1,696,913	856,627
Bank deposits (over 3 months)	224,992	128,918
Loans to companies	591,972	251,350
Current interest receivable	50,336	11,504
Bonds received	1,496,856	834,903
Other current receivables from investments	226,316	27,376
Total	4,287,385	2,110,678

Shares held for trading include shares held for trading recorded by Gorenje, d.d. in the amount of 1.5 billion SIT and by Gorenje Notranja oprema, d.d. in the amount of 0.2 billion SIT. The item includes shares of banks and other enterprises held for trading. Investments held for trading are stated at fair value, which is determined quarterly by reference to their quoted bid price.

Current interest receivable includes interest receivable from current loans accounted for as at the year-end 2004.

Bonds received include bonds received by Gorenje Zagreb d.o.o., in the

amount of 603,017 TSIT, Gorenje France S.a. in the amount of 528,856 TSIT and Gorenje Austria Handels GmgH in the amount of 319.843 TSIT. They are accounted for as available for sale and stated at fair value by reference to their quoted market price.

Loans to enterprises refer to payment terms for sale of products.

Bank deposits and loans to enterprises operating in Slovenia pay interest at rates ranging from 2.5% to 14%; loans to banks and enterprises operating abroad pay interest at rates ranging from 3% to 12.0%.

Note 15

Cash and cash equivalents	1,841,815 SIT '000
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<i>in SIT '000</i>	2004	2003
Cash	61,762	80,955
Bank balances	1,778,638	2,570,907
Call deposits	1,415	49,857
Total	1,841,815	2,701,719

Note 16

Equity	60,682,981 SIT '000
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in SIT '000	2004	2003
Shares	12,200,000	12,200,000
Reserves	33,533,343	29,439,315
Revaluation reserves	8,057,383	8,088,035
Retained earnings	7,562,158	7,788,986
Own shares	-669,903	-707,169
Equity	60,682,981	56,809,167

12,200,000 ordinary shares are authorized, issued and fully paid.

Reserves increased mainly due to the use of profits appropriated under the resolutions adopted by the shareholders' meetings in 2003, and due to the utilization of possibilities under Article 228, Companies Act of the Republic of Slovenia, by companies operating in Slovenia. According to Article 228, Companies Act, the managing board and the supervisory board of a stock corporation may appropriate up to 50% of profit for the year to other reserves.

From the total amount of reserves (33,533,343 TSIT in the end of the year 2004), reserves are amounting to 4,602,416 TSIT restricted for distribution.

The revaluation reserves include the effect of revaluation of contain classes PPE to fair value. Net profit from previous periods and net profit for the period recorded in the balance sheet prepared under IFRS differ from net profit for the period recorded by the Group companies in their books. Net profits may be distributed to shareholders only up to the amount recorded in the books kept in accordance with the local regulations.

Earnings per share amounts to 423.08 SIT (in 2003: 404.04 SIT).

For the purpose of calculating basic earnings per share, the net profit of the Group and weighted average of ordinary shares outstanding during the period was used:

Year 2004	(in 000 'SIT)
Net profit of the Group	5,053,829
Weighted average number of ordinary shares	11,945,187
Basic earnings per share	0.4231
Year 2003	(in 000 'SIT)
Net profit of the Group	4,830,343
Weighted average number of ordinary shares	11,954,824
Basic earnings per share	0.4040

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.

All issued shares are of the same class and give to the holder the right to par-

ticipate in managing the company with one share carrying one vote and has the right to receive dividends.

Gorenje, d.d., does not have any preference shares or convertible bonds therefore no diluted earnings per share can be calculated.

Note 17

Minority interest	191,070 SIT '000
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Minority interest decreased due to an increase in the share of the parent company in Gorenje Tiki d.o.o., Kemis d.o.o., and Gorenje Notranja oprema d.d.

Note 18

Provisions	7,323,403 SIT '000
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in SIT '000	2004	2003
Provisions for warranties	5,501,973	5,051,617
Provisions for termination pays and pensions	1,247,220	725,714
Other provisions	574,210	371,475
Total	7,323,403	6,148,806

A significant portion of other provisions includes provisions for probable payments coming from employment disputes in the amount of 384,416 TSIT in the parent company.

Movement of provisions in 2004:

in SIT '000	Balance 1 Jan 2004	Reversal	Formation	Balance 31 Dec 2004
Provisions for warranties	5,051,617	-2,207,282	2,657,638	5,501,973
Provisions for termination pay and pensions	725,714	-12,608	534,114	1,247,220
Other provisions	371,475	-45,700	248,435	574,210
Total	6,148,806	-2,265,590	3,440,187	7,323,403

Note 19

Deferred government grants	1,777,690 SIT '000
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in SIT '000	Balance 1 Jan 2004	Amortization	Formation	Balance 31 Dec 2004
Government grants	1,719,259	609,630	668,061	1,777,690

Note 20

Deferred tax assets and liabilities

Deferred tax assets are recorded in the amount of 69,327 TSIT; they arise from assets recorded in the financial statements prepared under the local tax regulations.

in SIT '000	2004	2003
Difference between the fair value of assets legislation and value in accordance with local tax	277,308	262,024
Used tax rate	25%	25%
Deferred tax assets	69,327	65,506

Deferred tax liabilities result from overstated provisions recorded by some of the companies in the Gorenje Group in accordance with local legislation. The use of these provisions will result in an increase in tax base. These provisions include, in particular, provisions for major repairs, provisions for opening up new markets, and other provisions. In accordance with the

possibilities as defined in the local law, accrued costs were increased. The tax impact of this increase will be reflected in an increase in tax base in the following years.

The difference between deferred tax liabilities in current and previous year resulted in a decrease in tax expense.

in SIT '000	2004	2003
Difference between provisions with local legislation and IFRS	1,322,320	2,373,204
Used tax rate	25%	25%
Deferred tax liabilities	330,580	593,301

Note 21

Interest bearing borrowings	25,589,500 SIT '000
------------------------------------	----------------------------

<i>in SIT '000</i>	2004	2003
<i>Non-current financial liabilities from banks</i>	23,235,206	17,028,951
<i>Non-current financial liabilities from other</i>	2,354,294	1,890,550
Total	25,589,500	18,919,501

Maturity of non-current financial liabilities	SIT '000
1-2 years	11,712,306
2-4 years	11,177,166
4-6 years	2,578,560
6-8 years	120,156
8-10 years	1,312
Total	25,589,500

Non-current interest bearing borrowings from banks:

Currency	Amount in currency (in 000)	Amount in SIT '000	Interest rate: variable	
			from	To
EUR	94,803	22,728,278	2.67	6.22
Other		506,928	3.20	3.75
Total		23,235,206		

Non-current interest bearing borrowings from other enterprises:

Currency	Amount in currency (in 000)	Amount in SIT '000	Interest rate: variable	
			from	To
EUR	9,759	2,339,553	2.85	2.92
Other		14,741	3.60	3.60
Total		2,354,294		

Note 22

Short term borrowings	31,256,972 SIT '000
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in SIT '000	2004	2003
Current interest bearing borrowings from banks	29,842,651	27,260,575
Current interest bearing borrowings from other enterprises	1,051,597	581,641
Current interest payable	113,208	42,311
Current dividend payable	77,532	74,779
Current liabilities under the forward contracts	171,984	126,805
Total	31,256,972	28,086,111

Current interest bearing borrowings from banks:

Currency	Maturity	Amount in currency (in 000)	Amount in SIT '000	From	To
EUR	1 year	106,443	25,519,029	2.59	6.60
CZK	1 year	382,725	3,016,484	3.38	4.38
SIT	1 year	508,000	508,000	4.00	4.50
USD	1 year	3,220	567,501	3.09	3.20
PLN	1 year	464	27,303	6.34	6.34
DKK	1 year	6,337	204,334	3.28	4.00
Total			29,842,651		

Current interest bearing borrowings from other enterprises:

Currency	Maturity	Amount in currency (in 000)	Amount in SIT '000	From	To
EUR	1 year	3,120	748,071	2.85	2.92
other	1 year	2,383	303,526	3.60	4.31
Total			1,051,597		

Predominant part of the Gorenje Group loans is insured with blanco drafts, though a part of them is also insured with financial covenants and clauses, stipulated by individual loan contracts. A part of the loan, granted to sub-

sidaries, is insured with the guarantee of the parent company Gorenje, d.d., or Gorenje Beteiligungs GmbH. Some loans are secured by liens on property discussed in Note 9.

Note 23

Trade liabilities	42,047,437 SIT '000	
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<i>in SIT '000</i>	2004	2003
Current trade payables	41,513,838	39,494,444
Payables for advances	533,599	0
Total	42,047,437	39,494,444

As at the balance sheet date, current trade liabilities increased by 2,552,993 TSIT over the previous year's figure. A significant portion of the increase was recorded by Gorenje, d.d.. An increase in current trade lia-

bilities was due to an increase in purchases, the extension of payment terms agreed with the suppliers, and an increase in liabilities from investments in property, plant and equipment.

Note 24

Accrued expenses and deferred income	2,502,474 SIT '000	
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<i>in SIT '000</i>	2004	2003
Deferred income	493,949	511,630
Accrued expenses	2,008,525	1,405,134
Total	2,502,474	1,916,764

Current accrued costs and expenses include accrued costs of customer complaints not yet resolved, accrued costs of discounts, accrued interest expenses, accrued costs of vacations

not consumed, and other accrued costs of services. Current deferred income includes deferred income from default interest charged to buyers.

Note 25

Other current liabilities	7,524,078 SIT '000	
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<i>in SIT '000</i>	2004	2003
<i>Payables to employees</i>	1,381,818	1,251,737
<i>Tax and contribution payable to the state</i>	2,910,071	1,585,849
<i>Other payables to the state</i>	833,924	331,632
<i>Payables for advances</i>		658,704
<i>Other payables</i>	2,398,265	1,754,068
Total	7,524,078	5,581,990

Payables to employees, and tax and contribution payable to the state refer to wages and salaries accounted for in December and paid out in January of the following year.

Other payables include payables arising from claims, consignment sale and other payables to business partners.

Note 26

Off balance sheet items	25,716,817 SIT '000	
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<i>in SIT '000</i>	2004	2003
<i>Guarantees issued</i>	14,900,138	19,411,531
<i>Guarantees receive</i>	7,309,977	0
<i>Bills payable</i>	2,021,632	568,909
<i>Other off balance sheet items</i>	1,485,070	1,776,791
Total	25,716,817	21,757,231

Issued guarantees include guarantees and warranties issued to the third par-

ties by the parent company for liabilities of subsidiaries within the Group.

Other disclosures

Note 27

Remuneration of the members of the managing board, the supervisory board and employees under individual employment contracts

in SIT '000	Managing board	Supervisory board	Employees under Individual contracts
Emoluments			
Salaries	936,894	60,889	1,125,162
Bonuses and other emoluments	75,904	7,146	60,463
Total	1,012,798	68,035	1,185,625

Note 28

Events after the balance sheet date

Significant events after the balance sheet date:

- On 19 January 2005, Gorenje, d.d. exercised an option on the purchase of 233,075 own shares (1.9105% share of the owners' equity) in compliance with the Contract on Establishment of a Sale and a Purchase Option concluded with Slovenska odškodninska družba, d.d. on 21 June 2004.

- On 26 January 2005, Gorenje, d.d. became the sole shareholder of the Czech company Mora Moravia, a.s. in accordance with the purchase & sale contract.

- By entry in the court register on 28 January 2005, the ownership transformation of the stock corporation Gorenje Notranja oprema into a limited liability company was completed, in which Gorenje, d.d. holds a 99.7756% share.

Note 29

Transactions with related parties

Gorenje has only subsidiaries no associates, only investments available for

sale or held for trading, there were no transactions to other related parties.

Note 30**Business segments (the primary segment reporting)**

in SIT '000

Net revenue from sale to third parties
Raw material and consumables used
Staff costs
Amortisation and depreciation expense
Segment result
Net finance cost
Dividend income
Minority interest
Income tax
Net profit or loss for the period
Property, plant and equipment
Trade and other receivables
Total assets
Segment liabilities
Provisions-segment
Government grant
Total liabilities
Capital expenditure
Allowances (bad debt, inventories)

Note 31**Geographical segments**

in SIT '000

EU

	2004	2003
Net revenue from sale to third parties	134,645,313	133,068,320
Raw material and consumables used	150,198,393	135,625,219
Trade and other receivables	34,389,400	33,404,961
Assets total	228,647,158	200,473,572
Trade liabilities	40,188,710	38,034,838
Capital expenditure	13,848,725	24,078,792

Household appliances		Other divisions		Eliminations		Group	
2004	2003	2004	2003	2004	2003	2004	2003
171,658,293	154,979,025	44,588,751	42,728,340			216,247,044	197,707,365
129,433,708	112,997,371	34,316,337	34,647,972			163,750,045	147,645,343
30,180,698	27,453,807	9,427,628	8,550,971			39,608,326	36,004,778
8,532,557	7,645,481	1,564,034	1,626,143			10,096,591	9,271,624
5,409,104	6,207,447	1,544,013	821,785			6,953,117	7,029,232
						-1,585,755	-2,235,949
						123,457	133,063
						24,813	68,528
						-288,720	105,588
						5,053,829	4,830,343
64,210,172	59,259,668	14,015,257	14,479,967			78,225,429	73,739,635
39,498,114	37,492,999	7,927,742	7,313,502			47,425,856	44,806,501
215,427,655	186,713,118	37,960,976	37,942,756	-74,156,246	-64,897,745	179,232,385	159,758,129
131,509,150	107,727,197	23,335,655	22,858,132	-45,587,564	-35,987,100	109,257,241	94,598,229
6,780,163	5,458,576	543,240	457,248		232,982	7,323,403	6,148,806
1,777,690	1,719,259					1,777,690	1,719,259
215,427,655	186,713,118	37,960,976	37,942,756	-74,156,246	-64,897,745	179,232,385	159,758,129
15,116,527	23,500,080	1,589,547	2,764,500			16,706,074	26,264,580
977,187	1,099,932	217,454	150,341			1,194,641	1,250,273

East Europe		Overseas countries		Eliminations		Group	
2004	2003	2004	2003	2004	2003	2004	2003
74,758,995	61,187,590	6,842,736	3,451,455			216,247,044	197,707,365
13,502,267	11,961,507	49,385	58,617			163,750,045	147,645,343
13,035,760	11,375,631	696	25,910			47,425,856	44,806,501
24,728,533	23,801,487	12,940	380,815	-74,156,246	-64,897,745	179,232,385	159,758,129
1,858,727	1,437,136		22,470			42,047,437	39,494,444
2,857,199	2,184,203	150	1,585			16,706,074	26,264,580

Note 32

Ratios

	2004	2003
PROFIT RATIOS		
<i>Net rate of return on sales</i>	2.4%	2.5%
<i>Net rate of return on assets</i>	4.6%	4.8%
<i>Net rate of return on equity</i>	8.6%	8.9%
<i>Gross cash flow / net sales revenue</i>	8.3%	7.1%
ACTIVITY RATIOS		
<i>Assets turnover ratio</i>	1.28	1.33
<i>Inventory turnover ratio</i>	6.38	7.13
<i>Short-term operating receivables turnover</i>	4.68	4.92
INVESTMENT RATIOS		
<i>Operating fixed assets rate</i>	0.46	0.48
<i>Long-term assets rate</i>	0.49	0.51
FINANCING STATE RATIOS		
<i>Total capital to long-term assets</i>	1.10	1.05
<i>Equity financing rate</i>	0.34	0.36
<i>Long-term financing rate</i>	0.53	0.53
<i>Equity to operating fixed assets</i>	0.75	0.75
<i>Acid test ratio</i>	0.08	0.07
<i>Quick ratio</i>	0.66	0.68
<i>Current ratio</i>	1.14	1.08
<i>Net financial liabilities / Capital</i>	0.75	0.66
<i>Operating profit or loss / Interest expense</i>	2.53	3.08
OPERATING EFFICIENCY RATIOS		
<i>Operating efficiency ratio</i>	1.03	1.04
<i>Net sales revenue per employee (in TSIT)</i>	22,756	21,617
<i>Added value per employee (in TSIT)</i>	5,962	5,719

Method of calculation of accounting ratios

<i>Net return on sales</i>	<i>Net profit or loss / Net sales revenue</i>
<i>Net return on assets</i>	<i>(Net profit or loss + interest expenses) / Average total assets</i>
<i>Net return on equity</i>	<i>Net profit or loss / (Average equity)</i>
<i>Gross cash flow to net sales revenue</i>	<i>(Operating profit or loss + depreciation / amortisation expense) / Net sales revenue</i>
<i>Assets turnover ratio</i>	<i>Net sales revenue / Assets</i>
<i>Inventory turnover ratio</i>	<i>Net sales revenue / Inventories</i>
<i>Short-term operating liabilities turnover ratio</i>	<i>Net sales revenue / Short-term operating receivables</i>
<i>Operating fixed assets rate</i>	<i>Fixed assets / Assets</i>
<i>Long-term assets rate</i>	<i>(Tangible fixed assets + long-term investments + long-term operating receivables) / Assets</i>
<i>Total capital to long-term assets</i>	<i>(Capital + provisions + long-term liab.) / (Fixed assets + long-term operating rec.)</i>
<i>Equity financing rate</i>	<i>Equity / Liabilities</i>
<i>Long-term financing rate</i>	<i>(Equity + long-term liabilities + provisions) / Liabilities (in broader sense)</i>
<i>Equity to operating fixed assets</i>	<i>Equity / operating fixed assets</i>
<i>Acid test ratio</i>	<i>Liquid assets / Short-term liabilities</i>
<i>Quick ratio</i>	<i>(Liquid assets + short-term receivables) / Short-term liabilities</i>
<i>Current ratio</i>	<i>Short-term assets / Short-term liabilities</i>
<i>Net financial liabilities to equity</i>	<i>(Financial liabilities - financial investments - cash) / Equity</i>
<i>Operating profit or loss to interest expenses</i>	<i>Operating profit or loss / Interest expenses</i>
<i>Operating efficiency ratio</i>	<i>Operating revenue / Operating expenses</i>
<i>Net sales revenue per employee</i>	<i>Net sales revenue / Average number of employees</i>
<i>Added value per employee</i>	<i>(Gross operating yield - cost of materials, goods and services - other operating expenses) / average number of employees</i>

4.7. Business effectiveness analysis

In 2004, the business effectiveness of the Gorenje Group was marked by the following key factors of business environment:

1. an exceptional increase in prices of steel plates, plastic substances, other materials, and raw materials;
2. a low growth of economic activities in significant sales markets, in particular in the markets of North, Central and Southeast Europe;
3. EU accession of Slovenia and reintroduction of customs duties on sale of products in some of the markets of West Balkan;
4. a strong euro/US dollar exchange rate and, consequently, a decreased international competitiveness of the European economy;
5. a severe competition in all markets of operation, and an aggressive entry of Asian competitors in the European markets;
6. a pressure on increase of labour cost in Slovenia;
7. the entry of Slovenia in the Exchange Rate Mechanism (ERM-2) and a premature fixing of tolar/euro exchange rate.

From the point of view of business effectiveness, an unplanned high increase in prices of strategic raw materials and materials, in particular of steel plates, was the Company's largest challenge in 2004. For this reason, the procurement cost management represented the key factor of effective operations in 2004.

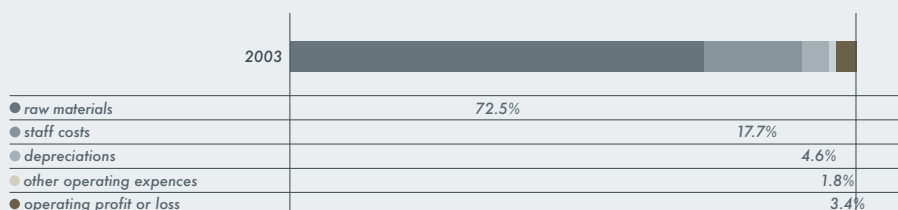
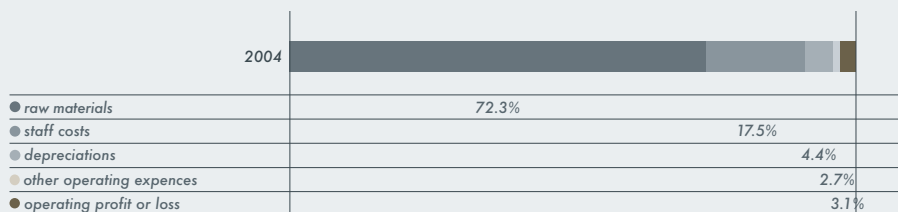
In the first quarter of 2004, the Gorenje Group became aware of the respective trends in the procurement markets and, by a set of various measures, mitigated to a significant extent the negative effects of increase in

prices of strategic raw materials, materials, and components. These measures comprised:

- a search of alternative more attractive procurement sources and optimisation of procurement chain;
- a selective increase in prices of products in sales markets, an improvement of sales structure of products, and assurance of planned scope of sales activities; and
- rationalisation of cost in all areas of operation.

Net sales revenues of the Gorenje Group increased by 9.4 % over the previous year's figure in spite of adverse trading conditions and thus exceeded the budgeted amount by 7.7 %. The budgeted goals of the Gorenje Group were exceeded mainly due to a favourable increase in sales realised by the Household Appliances Division. Net sales revenues of Household Appliances Division were increased by 10.8 % over the previous year. In 2004, the share of net sales revenues of Household Appliances Division in the total net sales revenues of the Gorenje Group amounted to 79.4 % and showed an increase of 1.0 percentage point over 2003. The share of net sales revenues of other divisions in the total net sales revenues amounted to 20.6 %, of which the share of Services Division to 7.4 %, Furniture Division to 7.0 %, Thermal and Mechanical Equipment Division to 4.7 %, and Energy Supply and Environmental Protection Division to 1.5 %.

Cost of goods, materials and services increased by 10.9 % and showed a slightly higher growth than net sales revenues and gross operating yield, mainly due to a higher growth in cost of materials, which results, as mentioned above, from the movement of prices in the procurement markets.



The share of more significant economic categories in gross yield

The growth of labour cost was slightly higher than the growth of net sales revenues (10.1 % growth). The growth of labour cost was due to the adjustment of salaries and wages and other labour cost to the collective agreement under the local labour legislation, as well as an increase in the average number of staff.

Amortisation / Depreciation expense increased by 10.1 % over the previous year's figure due to a high level of investment in the past years, in particular by the holding company of the Group.

Operating profit decreased by 1.1 % over the previous year's figure. The share of operating profit in gross operating yield amounts to 3.1 %. In 2003, operating profit was materially influenced by utilization of provisions. In 2004, provisions recorded by the Gorenje Group increased by 1,174.6 million SIT, while in 2003 they decreased by 1,914.75 million SIT over the previous year's figure.

Added value amounted to 56,658.0 million SIT in 2004 and represented a 25.0 % share in gross operating yield. Added value per employee amounted to 5,962 TSIT and showed an increase

of 4.2 % over 2003. Its growth was slightly slower than the growth of total operating revenues, which was mainly due to a quicker growth of cost of goods, materials and services, and to the impact of reversal and/or use of provisions. Operating profit before depreciation and net provisions amounted to 18,224.3 million SIT in 2004 and showed an increase by 26.6 % over 2003. The growth of cash flows from operating activities shows that in spite of an extremely hard financial year, financial power, operating efficiency, and competitiveness of the Gorenje Group are on increase.

Net profit or loss for the period of the Gorenje Group amounted to 5,078.6 million SIT in 2004 and showed an increase by 3.67 % over the previous year's figure. It lagged behind the budgeted figure by 5.3 %.

In 2004, the share of current assets in total assets of the Gorenje Group increased by 16.5 % over the year-beginning figure.

An increase in current assets is mainly due to an increase in inventories, whose share in total assets amounted to 21.5 % and showed an increase by 9.1 billion SIT over the year-beginning figure. An increase in inventories is

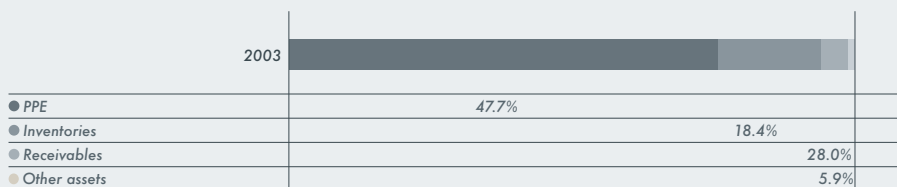
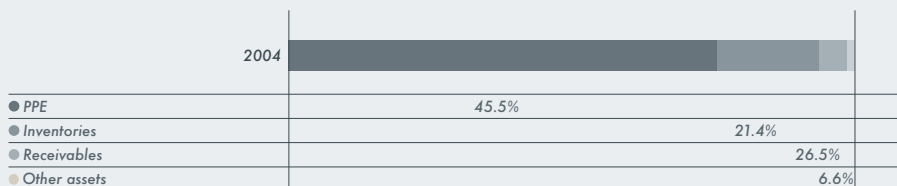
Assets structure

mainly due to the following factors:

- a growth in the volume of business activities;
- a gradual introduction of a new generation of washing and drying machines, and other products;
- a development of new sales markets

and a change in the method of customer service;

- a growth in prices of materials and raw materials;
- a strategic procurement of some materials, raw materials, and components at the end of the period.



Short-term operating receivables have a 26.5 % share in total assets of the Gorenje Group. They increased by 2,619.4 million SIT, or 5.8 %, over the previous year-end figure. In the balance sheet structure, they decreased by a 1.6 percentage point. The growth of short-term operating receivables lagged behind the growth of revenues, which resulted in an improvement of efficiency of working capital management.

Short-term operating liabilities increased by 4,495.1 million SIT, or 10.0 %, over the previous year-end figure.

Financial liabilities recorded at 31 December 2004 showed an increase by 9,840.8 million SIT compared to the beginning of 2004, in spite of the growth in own generated sources of funds. The growth in indebtedness is mainly due to a growth in the volume of engaged net working capital, in particular in inventories. Total financial liabilities include long-term financial

liabilities (45.0 %) and short-term financial liabilities (55.0 %). All long-term assets and a portion of short-term assets are covered by own and outside long term sources of funds, which ensures an additional financial stability.

Owners' equity and provisions have a 40.0 % share in total equity and liabilities, which ensures a conservative capital structure. As at 31 December 2004, the ratio of owners' equity and provisions to total financial liabilities was 1.23. An increasing ability to generate cash flows from operating activities, while showing a conservative capital structure, ensures a high level of long-term solvency of the Gorenje Group.

With regard to the general economic conditions and the conditions in the line of manufacture of household appliances, which is the fundamental activity of the Group, we estimate that the Gorenje Group has successfully completed the financial year 2004.

4.8. Summary Financial Statements of the Gorenje Group and the parent company Gorenje, d.d., according to Slovenian Accounting Standards (SAS)

The translated summary Financial Statements of Gorenje, d.d., and the summary Consolidated Financial Statements of the Gorenje Group for the year 2004, prepared in compliance

with Slovenian Accounting Standards are based on financial statements of the company and the Group published in Slovene version of the Annual Report, which have been audited by KPMG Slovenija, d.o.o. On 1 April 2005 an unqualified opinion has been expressed on each set of financial statements which the summaries are based on.

In the Income Statements for 2004, adjusted figures for 2003 have been added to net profit for the period, due to the fact that during the preparation of the financial statement for 2004, the Company changed the accounting policies, referring to the recognition of long-term investments in the equity of subsidiaries, whereby the options as provided by the SAS No 3.26 have been complied with. Other accounting policies have remained the same.

Prior to the change of the accounting policy, the Company recorded a value increase in long-term investments in the equity of subsidiaries under financial revenues, now these are recorded under specific equity revaluation adjustments. The change in the accounting policy was carried out with a view to harmonise the accounting policies and techniques with the amended International Financial Reporting Standards as well as with the current internationally applied professional accounting solutions. The above-mentioned change in the accounting policy has an impact on the financial statements of Gorenje, d.d., only, and does not effect the consolidated financial statements of the Gorenje Group. Therefore, the adjusted comparable figures have only been presented in the Company's financial statements.

Income statement
of Gorenje, d.d.,
prepared according
to SAS

In SIT '000	2004	2003 adapted	2003
1. Net sales revenue	144,149,916	128,944,883	128,944,883
2. Changes in inventories of finished goods and work in progress	1,142,416	1,050,130	1,050,130
3. Capitalised own products	645,242	1,979,502	1,979,502
4. Other operating revenue	1,359,706	666,990	666,990
5. Gross operating yield	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. Labour cost	-22,102,375	-20,228,053	-20,228,053
8. Depreciation and amortisation cost	-7,466,257	-6,779,545	-6,779,545
9. Operating expenses from revaluation	-415,285	-445,138	-445,138
10. Other operating expenses	-456,542	-350,591	-350,591
11. Provisions	-63,045	0	0
12. Operating profit or loss	3,005,729	4,032,789	4,032,789
13. Financial revenue	2,364,281	1,847,946	3,639,010
14. Financial expenses	-3,337,784	-2,527,399	-2,527,399
15. Profit or loss from ordinary activities	2,032,226	3,353,336	5,144,400
16. Extraordinary revenue	674,911	0	0
17. Extraordinary expenses	-632	-362,450	-362,450
18. Total profit or loss	2,706,505	2,990,886	4,781,950
19. Income tax	0	-100	-100
20. Net profit or loss for the period	2,706,505	2,990,786	4,781,850

Balance sheet of Gorenje, d.d.,
according to SAS

In SIT '000	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. Tangible fixed assets	48,174,608	48,096,377
III. Long-term 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. Operating receivables	34,333,081	33,377,685
a) Long-term operating receivables	509,535	293,596
b) Short-term operating receivables	33,823,546	33,084,089
III. Short-term investments	4,006,554	2,031,167
IV. Cash in banks, cheques, cash in hand	9,600	11,862
C. Deferred costs (expenses) and accrued 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. Issued capital	12,200,000	12,200,000
II. Capital reserves	129,253	83,753
III. Reserves from surplus	21,173,216	19,458,829
IV. Net profit or loss from previous periods	2,774,603	2,043,443
V. Net profit or loss for the period	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. Financial and operating liabilities	67,228,938	58,241,106
I. Long-term financial liabilities	17,320,443	10,984,319
II. Long-term operating liabilities	763	1,004
III. Short-term financial liabilities	13,183,906	11,903,265
IV. Short-term operating liabilities	36,723,826	35,352,518
D. Accrued costs (expenses) and deferred revenues	711,460	345,143
Off balance sheet items	11,011,399	15,437,609

Cash flow statement of Gorenje, d.d.,
according to SAS

In SIT '000	2004	2003
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a) Inflows	9,168,029	7,486,255
Profit before taxation	2,706,505	4,781,950
Depreciation	7,466,257	6,779,545
Opening less closing operating receivables	-955,396	-3,914,911
Opening less closing deferred costs (expenses) and accrued revenues	-49,337	-160,329
b) Outflows	-1,535,442	7,884,135
Income taxes	0	-100
Closing less opening inventories	-3,272,826	-863,651
Opening less closing operating liabilities (debts)	1,371,067	9,343,766
Opening less closing accrued costs (expenses) and deferred revenues	366,317	-595,880
c) Net cash from operating activities	7,632,587	15,370,390
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a) Inflows	0	404,039
Offset decrease in short-term investments	0	404,039
b) Outflows	-13,945,170	-20,004,167
Offset increase in intangible fixed assets	-1,896,474	-1,453,842
Offset increase in tangible fixed assets	-6,916,709	-16,013,815
Offset increase in long-term investments	-2,947,572	-2,536,510
Offset increase in short-term investments	-2,184,415	0
c) Net cash used in investing activities	-13,945,170	-19,600,128
C. CASH FLOW FROM FINANCING ACTIVITIES		
a) Inflows	7,616,765	7,322,639
Offset increase in long-term financial liabilities	6,336,124	1,935,002
Offset increase in short-term financial liabilities	1,280,641	5,387,637
b) Outflows	-1,306,444	-3,384,734
Decrease in capital	-1,149,363	-1,105,072
Offset decrease in provisions	-157,081	-2,279,662
c) Net cash used in financing activities	6,310,321	3,937,905
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD	9,600	11,862
x) Net increase / decrease in cash and cash equivalents	-2,262	-291,833
y) Cash and cash equivalents at beginning of period	11,862	303,695

Statement of changes in equity of
Gorenje, d.d., according to SAS

in SIT '000	Share capital	Capital reserves	Legal reserves	Reserves for own share
Balance at 1 Jan 2004	12,200,000	83,753	3,090,330	707,169
Transfer to equity		45,500		
Net profit or loss for the period				
Special equity revaluation adjustments				
Specific equity revaluation adjustment due to the value increase of investments in subsidiaries accounted for in accordance with the equity method				
Gains on sale of own shares		45,500		
Dividends on own shares not yet paid				
Transfer within equity				-37,266
Transfer of net profit or loss from previous periods to other reserves from surplus under the resolution adopted by shareholder's assembly meeting				
Appropriation of net profit or loss for 2004 to statutory reserves				
Appropriation of net profit or loss for 2004 to other reserves from surplus under the resolution adopted by the managing board and the supervisory board				
Reversal and transfer of other reserves from surplus to net profit or loss from year 1998				
Reversal of reserves for own shares				-37,266
Net profit or loss for 2003 brought forward				
Transfer from equity				
Dividend payout				
Decrease in special equity revaluation adjustments				
Balance at 31 Dec 2004	12,200,000	129,253	3,090,330	669,903

Statutory reserves	Reserves from surplus	Net profit or loss from previous periods	Net profit or loss for the period	General equity revaluation adjustment	Special equity revaluation adjustment	Total
478,185	12,849,004	4,377,584	2,151,832	18,703,303	3,276,981	57,918,141
		25,137	2,706,505		2,902,744	5,679,886
			2,706,505			2,706,505
					778,649	778,649
					2,124,095	2,124,095
						45,500
		25,137				25,137
270,651	3,815,143	-408,118	-3,640,410			0
	4,166,101	-4,166,101				0
270,651			-270,651			0
	1,217,927		-1,217,927			0
	-1,568,885	1,568,885				0
		37,266				0
		2,151,832	-2,151,832			0
		-1,220,000			-277,829	-1,497,829
		-1,220,000				-1,220,000
					-277,829	-277,829
748,836	16,664,147	2,774,603	1,217,927	18,703,303	5,901,896	62,100,198

Consolidated income statement of the
Gorenje Group according to SAS

In SIT '000	2004	2003
1. Net sales revenue	213,589,406	196,230,665
2. Changes in inventories of finished goods and work in progress	5,661,358	2,235,397
3. Capitalised own products	869,114	2,205,670
4. Other operating revenue	2,733,503	3,019,744
5. Gross operating yield	222,853,381	203,691,476
6. Cost of goods, materials and services	-163,879,548	-148,739,991
7. Labour cost	-39,403,064	-35,673,655
8. Depreciation and amortisation cost	-10,615,895	-9,406,731
9. Operating expenses from revaluation	-1,320,614	-1,386,749
10. Other operating expenses	-1,226,274	-861,179
11. Provisions	-204,716	-90,972
12. Operating profit or loss	6,203,270	7,532,199
13. Financial revenue	3,798,532	2,381,828
14. Financial expenses	-5,237,504	-4,561,932
15. Profit or loss from ordinary activities	4,764,298	5,352,095
16. Extraordinary revenue	778,361	414,380
17. Extraordinary expenses	-78,313	-566,151
18. Total profit or loss	5,464,346	5,200,324
19. Income tax	-549,283	-452,910
20. Net profit or loss for the period	4,915,063	4,747,414
21. Minority interest	29,589	74,820
22. Majority interest	4,885,474	4,672,594

Consolidated balance sheet of the
Gorenje Group according to SAS

In SIT '000	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. Tangible fixed assets	78,302,418	73,739,635
III. Long-term 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. Operating receivables	47,305,168	44,420,706
a) Long-term operating receivables	636,919	293,749
b) Short-term operating receivables	46,668,249	44,126,957
III. Short-term investments	4,288,843	2,195,664
IV. Cash in banks, cheques, cash in hand	1,840,387	2,651,862
C. Deferred costs (expenses) and accrued 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. Issued capital	12,200,000	12,200,000
II. Capital reserves	129,253	83,753
III. Reserves from surplus	21,173,216	17,124,688
IV. Net profit or loss from previous periods	1,285,197	2,997,434
V. Net profit or loss for the period	3,396,896	2,042,576
VI. Equity revaluation adjustments	24,713,788	23,970,581
VII. Minority interest	195,066	482,731
B. Provisions	9,170,805	8,941,274
C. Financial and operating liabilities	106,265,112	91,679,779
I. Long-term financial liabilities	25,589,547	18,919,501
II. Long-term operating liabilities	6,233	6,118
III. Short-term financial liabilities	31,084,087	27,959,318
IV. Short-term operating liabilities	49,585,245	44,794,842
D. Accrued costs (expenses) and deferred revenues	2,409,583	1,916,765
Off balance sheet items	25,410,987	21,819,879

Statement of changes in equity of the
Gorenje Group according to SAS

In SIT '000	Share capital	Capital reserves	Legal reserves	Reserves for own share
Balance at 1 Jan 2004	12,200,000	83,753	3,090,330	707,169
Transfer to equity		45,500		
Net profit or loss for the period				
Revaluation and translation adjustments				
Gains on sale of own shares		45,500		
Dividends on own shares not yet paid				
Transfer within equity				-37,266
Appropriation of net profit or loss for 2004 to statutory reserves				
Appropriation of net profit or loss from previous periods to other reserves from surplus under the resolution adopted by managing board and the supervisory board				
Reversal and transfer of other reserves from surplus to net profit or loss from year 1998				
Reversal of reserves for own shares				-37,266
Transfer of net profit or loss from previous periods to other reserves from surplus under the resolution adopted by the shareholders assembly meeting				
Net profit or loss for 2003 brought forward				
Transfer from equity				
Dividend payout				
Decrease in minority interest				
Decrease in revaluation and translation adjustments				
Balance at 31 Dec 2004	12,200,000	129,253	3,090,330	669,903

Statutory reserves	Other reserves from surplus	Net profit or loss from previous periods	Net profit or loss for the period	Revaluation and translation adjustments	Minority interests	Total
478,185	12,849,004	2,997,434	2,042,576	23,970,581	482,731	58,901,763
		25,137	4,885,474	1,021,036	29,589	6,006,736
			4,885,474		29,589	4,915,063
				1,021,036		1,021,036
		25,137				45,500
270,651	3,815,143	-517,374	-3,531,154			0
270,651			-270,651			0
	1,217,927		-1,217,927			0
	-1,568,885	1,568,885				0
		37,266				0
	4,166,101	-4,166,101				0
		2,042,576	-2,042,576			0
		-1,220,000		-277,829	-317,254	-1,815,083
		-1,220,000				-1,220,000
					-317,254	-317,254
				-277,829		-277,829
748,836	16,664,147	1,285,197	3,396,896	24,713,788	195,066	63,093,416

Consolidated balance sheet of the
Gorenje Group according to SAS

In SIT '000	2004	2003
A. CASH FLOWS FROM OPERATING ACTIVITIES		
a) Inflows	13,124,755	8,895,329
Profit before taxation	5,464,346	5,200,324
Depreciation	10,615,895	9,406,731
Opening less closing operating receivables	-2,884,462	-5,427,617
Opening less closing deferred costs (expenses) and accrued revenues	-71,024	-284,109
b) Outflows	-4,362,142	4,937,606
Income taxes	-549,283	-452,910
Closing less opening inventories	-9,096,195	-3,185,149
Opening less closing operating liabilities (debts)	4,790,518	8,978,402
Opening less closing accrued costs (expenses) and deferred revenues	492,818	-402,737
c) Net cash from operating activities	8,762,613	13,832,935
B. CASH FLOWS FROM INVESTING ACTIVITIES		
a) Inflows	0	3,259,129
Offset decrease in long-term investments		628,174
Offset decrease in short-term investments		2,630,955
b) Outflows	-18,729,967	-25,858,198
Offset increase in intangible fixed assets	-1,327,758	-1,554,471
Offset increase in tangible fixed assets	-14,354,233	-24,303,727
Offset increase in long-term investments	-745,767	
Offset increase in short-term investments	-2,302,209	
c) Net cash used in investing activities	-18,729,967	-22,599,069
C. CASH FLOWS FROM FINANCING ACTIVITIES		
a) Inflows	10,024,346	11,220,285
Offset increase in provisions	229,531	
Offset increase in long-term financial liabilities	6,670,046	6,081,333
Offset increase in short-term financial liabilities	3,124,769	5,138,952
b) Outflows	-868,467	-2,902,230
Decrease in capital	-868,467	-999,705
Offset decrease in provisions		-1,902,525
c) Net cash used in financing activities	9,155,879	8,318,055
D. CASH AND CASH EQUIVALENTS AT END OF PERIOD	1,840,387	2,651,862
x) Net increase / decrease in cash and cash equivalents	-811,475	-448,079
y) Cash and cash equivalents at beginning of period	2,651,862	3,099,941

Annex 1

Company	Nominal capital (in TSIT)	Number of employee
Gorenje, d.d., Slovenia	12,200,000	5,600
Gorenje Orodjarna, d.o.o., Slovenia	222,076	218
Gorenje Indop, d.o.o., Slovenia	139,748	163
Gorenje IPC, d.o.o., Slovenia	22,196	857
Gorenje GTI, d.o.o., Slovenia	2,019,371	90
Gorenje Gostinstvo, d.o.o., Slovenia	908,148	188
LINEA, d.o.o., Slovenia	4,260	15
Gorenje Tiki, d.o.o., Slovenia	30,000	313
Biterm, d.o.o., Slovenia	42,897	123
Gorenje Notranja oprema, d.d., Slovenia	919,033	875
Energygor, d.o.o., Slovenia	2,100	0
Gorenje Beteiligungs GmbH, Austria	2,876,916	8
Gorenje Austria Handels GmbH, Austria	785,158	54
Gorenje Küchen GmbH, Austria	8,391	76
Gorenje Vertriebs GmbH, Germany	1,366,535	62
Gorenje Körting Italia S.r.l., Italy	249,956	9
Gorenje France S.A.S., France	773,171	20
Gorenje BELUX S.a.r.l., Belgium	4,457	2
Gorenje UK Ltd., United Kingdom	33,833	6
Gorenje Skandinavien A/S, Denmark	574,556	51
Gorenje AB, Sweden	53,281	5
Gorenje USA Inc., USA	10,222	2
Gorenje spol. s r.o., Czech Republic	966,781	32
Gorenje - real spol. s r.o., Czech Republic	1,940,056	8
Gorenje - kuchyne spol. s r.o., Czech Republic	236,448	61
Gorenje Slovakia s r.o., Slovakia	352,784	25
Gorenje Budapest Kft., Hungary	279,181	23
Gorenje Polska Sp. z o.o., Poland	390,851	40
Gorenje Bulgaria EOOD, Bulgaria	61,127	7
Gorenje Zagreb, d.o.o., Croatia	2,484,533	155
Hyundai auto Zagreb, d.o.o., Croatia	880,328	42
Gorenje Skopje, d.o.o., Macedonia	56,992	14
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	245	42
Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina	28,979	6
Gorenje, d.o.o., Serbia and Montenegro	1,158,722	32
Hyundai Auto, d.o.o., Serbia and Montenegro	113,208	15
Gorenje Podgorica, d.o.o., Serbia and Montenegro	599,358	14
Gorenje OY, Finland	23,974	2
Gorenje Glin, d.o.o., Slovenia	2,100	197
Opte Ptuj, d.o.o., Slovenia	141,857	48
Kemis, d.o.o., Slovenia	7,635	18
Gorenje Romania S.r.l., Romania	100,929	9
Gorenje AS, Norway	61,094	4
Kemis, d.o.o., Croatia	576	13
Kemis BiH, d.o.o., Bosnia and Herzegovina	2,449	4
Istrabenz-Gorenje, d.o.o., Slovenia	150,000	6
Gorenje aparati za domačinstvo, d.o.o., Serbia and Montenegro	988	0
Gorenje Imobilia, d.o.o., Serbia and Montenegro	11,988	0

Annex 2

Company	Managing Director
Gorenje, d.d., Slovenia	Franjo Bobinac, Žiga Debeljak, Franc Košec, Drago Bahun
Gorenje Orodjarna, d.o.o., Slovenia	Marjan Kovač
Gorenje Indop, d.o.o., Slovenia	Rihard Grudnik
Gorenje IPC, d.o.o., Slovenia	Franc Plaskan (until 31.3.04) Simon Kumer (from 1.4.04)
Gorenje GTI, d.o.o., Slovenia	Vincenc Turk
Gorenje Gostinstvo, d.o.o., Slovenia	Saša Oprešnik
LINEA, Stanovanjsko podjetje d.o.o., Slovenia	Franjo Gjerkeš
Gorenje Tiki, d.o.o., Slovenia	Brane Apat
Biterm, d.o.o., Slovenia	Simon Kumer (until 31.3.04) Danilo Reher (from 1.4.04)
Gorenje Notranja oprema, d.d., Slovenia	Gregor Verbič
Energygor, d.o.o., Slovenia	Vilma Fece (until 16.5.04) Marijan Penšek
Gorenje Beteiligungs GmbH, Austria	Ivan Vitežnik
Gorenje Austria Handels GmbH, Austria	Stanko Kranjc (until 31.12.04) Benedikt Skok (from 1.1.05)
Gorenje Küchen GmbH, Austria	Stanko Kranjc
Gorenje Vertriebs GmbH, Germany	Alojz Gabrovec
Gorenje Körting Italia S.r.l., Italy	Andrej Pucer
Gorenje France S.A.S., France	Matjaž Geratič
Gorenje BELUX S.a.r.l., Belgium	Matej Čufer (until 31.12.04) Matjaž Geratič
Gorenje UK Ltd, United Kingdom	Jure Fišer (until 31.12.04) Matej Čufer
Gorenje Skandinavien A/S, Denmark	Klemen Prešeren
Gorenje AB, Sweden	Klemen Prešeren
Gorenje USA Inc., USA	Darko Janjič
Gorenje spol s r.o., Czech Republic	Suad Hadžić
Gorenje real spol. s r.o., Czech Republic	Suad Hadžić
Gorenje - kuchyne spol. s r.o, Czech Republic	Suad Hadžić
Gorenje Slovakia s r.o, Slovakia	Bogdan Urh
Gorenje Budapest Kft, Hungary	Jožef Kocon (until 12.9.04) Bogdan Urh
Gorenje Polska Sp. z o.o., Poland	Uroš Marolt
Gorenje Bulgaria EOOD, Bulgaria	Darko Mlinar
Gorenje Zagreb, d.o.o., Croatia	Janez Živko
Hyundai auto Zagreb, d.o.o., Croatia	Boris Antolovič
Gorenje Skopje, d.o.o., Macedonia	Nenad Jovanović
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	Janez Kumer
Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina	Tomaž Urleb
Gorenje, d.o.o., Serbia and Montenegro	Marko Mrzel
Hyundai Auto, d.o.o., Serbia and Montenegro	Nenad Ignjatović (until 31.5.04) Relja Mirović
Gorenje Podgorica, d.o.o., Serbia and Montenegro	Darko Vukčević
Gorenje OY, Finland	Klemen Prešeren
Gorenje Glin, d.o.o., Slovenia	Marjan Dobrovč (until 30.6.04) Sandi Vasle
Opte Ptuj, d.o.o., Slovenia	Marjan Pišek
Kemis, d.o.o., Slovenia	Emil Nanut
Gorenje Romania S.r.l., Romania	Tone Prislan
Gorenje AS, Norway	Klemen Prešeren
Kemis, d.o.o., Croatia	Zoran Matić
Kemis BiH, d.o.o., Bosnia and Herzegovina	Nataša Ibrahimagić
Istrabenz-Gorenje, d.o.o., Slovenia	Iztok Sotošek
Gorenje aparati za domačinstvo, d.o.o., Serbia and Montenegro	Mirko Meža
Gorenje Imobilia, d.o.o., Serbia and Montenegro	Rudolf Krebl

Companies within the Gorenje Group

Household Appliances Division

Gorenje gospodinjski aparati, d.d.
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Gorenje I.P.C., Invalidsko podjetniški center, d.o.o.
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Energy and Environment Protection Division

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Gorenje Bulgaria EOOD

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