

**SUMMARY  
FINANCIAL REPORT**  
for the period  
**January – June 2005**  
(According to the International Financial Reporting Standards)  
**Gorenje Group**



## **Contents:**

<b>A.</b>	<b>BUSINESS REPORT</b>	<b>2</b>
1.	Basic information on Parent Company Gorenje, d.d., and on Gorenje Group	2
2.	Sales	2
3.	Investments	3
4.	Employees	4
5.	Shareholder Structure and Share Price	4
6.	Business Outlook for the Year 2005	7
<b>B.</b>	<b>FINANCIAL REPORT</b>	<b>8</b>
1.	Accounting Policies	8
2.	Group Structure	8
3.	Non-Audited Consolidated Financial Statements According to IFRS	9
	Non-Audited Consolidated Income Statement of Gorenje Group	9
	Non-Audited Consolidated Balance sheet of Gorenje Group	10
	Non-Audited Consolidated Cash flow Statement of Gorenje Group	11
	Non-Audited Consolidated Statement of changes in Equity of Gorenje Group	12
4.	Financial Highlights and Achievements	13

## A.) BUSINESS REPORT

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

<b>Full name:</b>	Gorenje, gospodinjiski aparati, d.d., 31 December 1997
<b>Abbreviated name</b>	Gorenje, d.d.
<b>Registered office:</b>	SI-3503 Velenje, Partizanska 12, Slovenia
<b>Company's activity</b>	Manufacture, sale and maintenance and repair of electric and non-electric domestic and electro-thermic appliances.
<b>Activity's code:</b>	29.710 Manufacture of electric domestic appliances
<b>Tax number:</b>	72615320
<b>Identification number:</b>	5163676
<b>Share capital:</b>	12,200,000,000 SIT
<b>Shares:</b>	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 ( <a href="http://www.ljse.si">www.ljse.si</a> ).

#### Organisational Structure of the Gorenje Group:

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

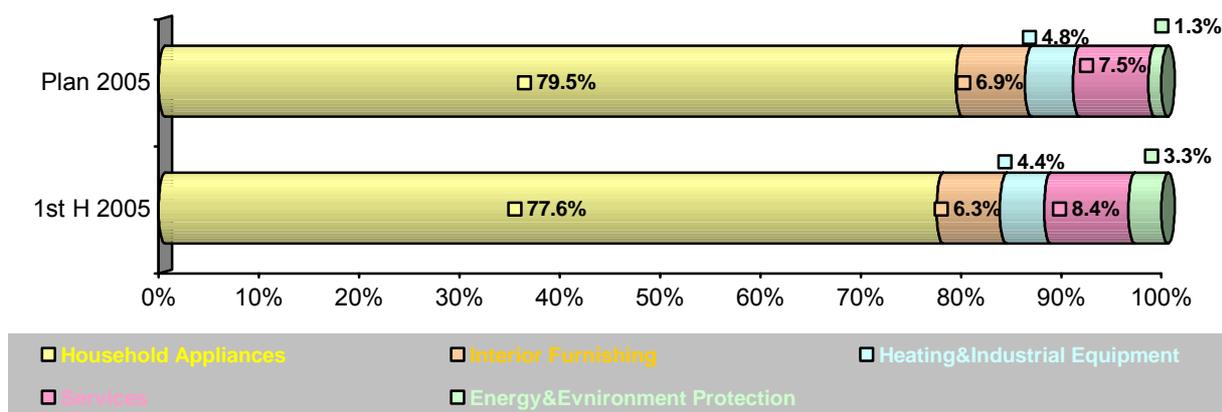
- Household Appliances Division, which comprises companies manufacturing and selling household appliances.
- Interior Furnishings Division, which comprises companies manufacturing and selling kitchen and bathroom furniture, bathroom equipment and ceramic tiles,
- Heating and Industrial Equipment Division,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

### 2. Sales

In the 1st H 2005, **Consolidated net revenues from sales** amounted to **SIT 114,263 million**, showing an increase of **15%** over 1st H 2004 and 49% of the 2005 plan. From this 7.1% of the growth goes to the incorporation of the company Mora Moravia, a.s., into the Gorenje Group from the January 2005.

Sales structure by Division in SIT m	Plan 2005	%	1 <sup>st</sup> H05	%	05/Pl.05
Household Appliances	198,836	79.5%	93,604	77.6%	47.1%
+ Interior Furnishings	17,386	6.9%	7,578	6,3%	43.6%
+ Heating and Industrial Equipment	11,890	4.8%	5,373	4,4%	45.2%
+ Services	18,835	7.5%	10,122	8,4%	53.7%
+ Energy and Environment Protection	3,253	1.3%	3,967	3,3%	121.9%
= <b>Total sales of Divisions</b>	<b>250,200</b>	100.0%	<b>120,644</b>	100.0%	48.2%
- <b>Inter-Division Sales</b>	<b>14,992</b>		<b>6,381</b>		42.8%
= <b>Consolidated net sales revenues</b>	<b>235,208</b>		<b>114,263</b>		48.6%

The **Household Appliances Division** realised SIT 93,604 m of sales, which represented 77.6% share in total and 47.1% of the annual plan.



### 3. Investments

In the 1<sup>st</sup> H 2005 Gorenje Group Invested **SIT 4,320.8 m** in Property, plant and equipment and intangible non-current assets, showing 38.2% of the plan 2005. The major part were recorded in the household appliances division in amount to SIT 3,928.1 m.

In SIT m	1 <sup>st</sup> H 2004	1 <sup>st</sup> H 2005	Plan 2005
Land	289.6	133.6	43.9
Buildings	716.1	878.3	2,613.2
Technical equipment	5,160.9	2,609.0	7,073.2
Other equipment	809.8	423.9	1,308.0
Other intangible investments	382.4	276.0	286.8
<b>Total</b>	<b>7,358.8</b>	<b>4,320.8</b>	<b>11,325.1</b>

in SIT m	1 <sup>st</sup> H 2004	1 <sup>st</sup> H 2005	05/04	Plan 2005	05/PI 2005
Investments	7,358.8	4,320.8	-41.3%	11,325.1	<b>38.2%</b>
Investment Margin	7.4%	3.8%		4.8%	

#### Investments by divisions:

in SIT m	Plan 2005	1 <sup>st</sup> H 2005	05/PI 2005
Household appliances	8,771.3	3,928.1	44.8%
Internal furnishing	820.6	103.4	12.6%
Heating and industrial equipment	683.2	60.9	8.9%
Services	377.5	193.1	51.2%
Energy and environment protection	672.5	35.3	5.2%
<b>Gorenje Group Investments</b>	<b>11,325.1</b>	<b>4,320.8</b>	<b>38.2%</b>

#### 4. Employees

At the end of June 2005 the number of employees was 10,336, which was 768 employees more (8.0%), than the year-end 2004. The number increased, due to the incorporation of the company Mora Moravia, a.s., (1,002 employees). The average number of employees was 10,545 (in the company Mora Moravia, a.s., 1,041) and in the 1<sup>st</sup> H 2004 9,480 or 11.2% increase.

	1 <sup>st</sup> H 2004	1 <sup>st</sup> H 2005	05/04	Plan 2005	05/PI 05
Net revenues from sales in SIT m	99,109	114,263	15.3%	235,208	49%
Average number of employees	9,480	10,545	11.2%	10,581	99.7%
Productivity (Net revenues from sales/Number of employees) in SIT '000	10,455	10,836	3.6%	22,229	49%

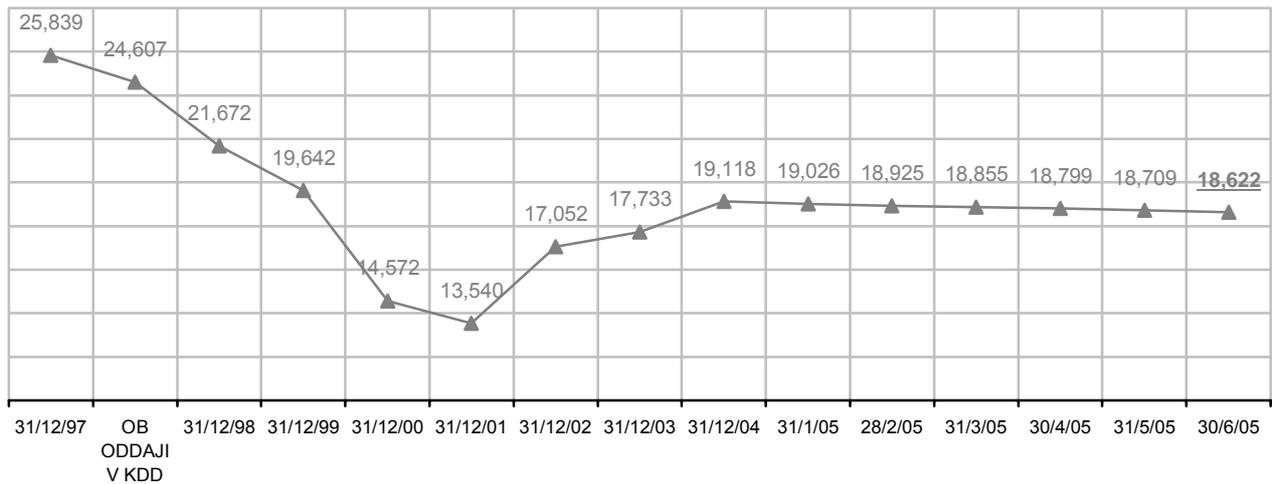
#### Average number of employees by divisions:

	1 <sup>st</sup> H 2004	1 <sup>st</sup> H 2005	05/ 04
<b>Household appliances</b>	<b>7,136</b>	<b>8,206</b>	<b>15.0%</b>
domestic companies	6,522	6,530	0.1%
foreign companies	614	1,676	173.0%
<b>Internal furnishing</b>	<b>1,234</b>	<b>1,208</b>	<b>- 2.1%</b>
domestic companies	1,083	1,068	- 1.4%
foreign companies	151	140	- 7.,%
<b>Heating and industrial equipment</b>	<b>681</b>	<b>673</b>	<b>- 1.2%</b>
domestic companies	681	673	- 1.2%
foreign companies	0	0	/
<b>Services</b>	<b>349</b>	<b>370</b>	<b>6.5%</b>
domestic companies	300	311	3.7%
foreign companies	49	59	20.4%
<b>Energy and environment protection</b>	<b>80</b>	<b>88</b>	<b>10.0%</b>
domestic companies	64	72	12.5%
foreign companies	16	16	0.0%
<b>Gorenje Group</b>	<b>9,480</b>	<b>10,545</b>	<b>11.2%</b>
domestic companies	8,650	8,654	0.0%
foreign companies	830	1,891	127.8%

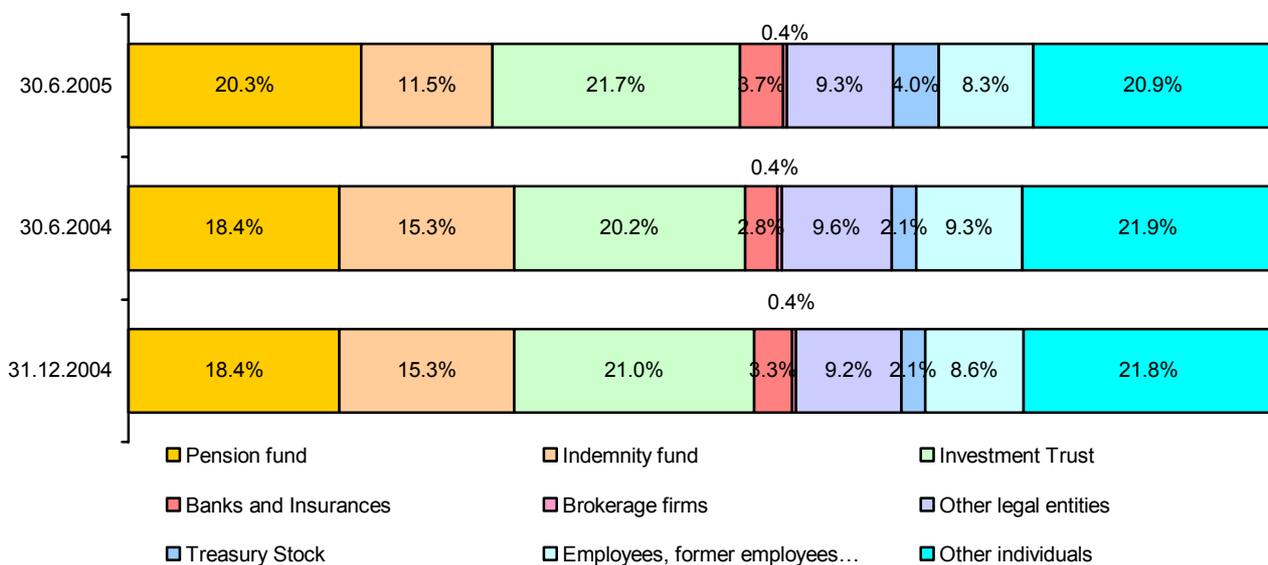
#### 5. Shareholder Structure and Share Price

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

On 30 June 2005 the number of shareholders of Gorenje, d.d., was **18,622**, which was a decrease of 496 shareholders, compared with the figure on 31 December 2004 (19,118).



### Shareholders structure:



### Shareholders structure on 30 June 2005

Shareholders	Numbers of shares	%
Kapitalska družba, d.d. (Pension Fund)	2,374,024	19.5
Slovenska odškodninska družba, d.d. (Indemnity Fund)	1,398,450	11.5
Gorenje, d.d. – Treasury Stock	484,117	4.0
KD Galileo, Vzajemni sklad fleksibilne strukture naložb (Mutual Fund)	483,497	4.0
KD Rastko, Delniški Vzajemni Sklad (Mutual Fund)	463,214	3.8
VS Triglav Steber I (Mutual Fund)	417,744	3.4
Maksima, Delniška ID, d.d. (Investment Trust)	356,702	2.9
KD ID, d.d. (Investment Trust)	164,540	1.3
Krona Senior ID, d.d. (Investment Trust)	153,872	1.3
SOP Ljubljana	148,253	1.2
Other Shareholders	5,755,587	47.2
<b>TOTAL</b>	<b>12,200,000</b>	<b>100.0</b>

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

The Management Board has on 2 March 2005 acquired additional GRVG shares, so that the number of shares held by the members is as follows: **12,154 shares (0.0996%)**; (Mr Franjo Bobinac 1,822; Mr Franc Košec 1,200; Mr Žiga Debeljak 1,200; Mr Drago Bahun 7,932) and of the Supervisory Board **11,945 shares (0.1012%)**; (Mr Ivan Atelšek 7,058; Mr Jurij Slemenik 1,511; Mr Krešimir Martinjak 100; Mr Peter Kopal 1,178 and Mr Drago Krenker 2,098).

Mr Tomaž Kuntarič has on 12 April 2005 resign as a member of the Supervisory Board. On the 8<sup>th</sup> Annual Shareholders Meeting of the company Gorenje, d.d., held on 4 July 2005, was elected Mr Jože Zagožen as a substitutional member of the Supervisory Board, with the term of office from the date of appointment to July 18, 2006. On the 30 June 2005 Mr Zagožen held 405 GRVG shares.

## Own Shares

Balance of own treasury shares as at June 30, 2005 amounted to 484,117 or 4.0% (on Dec. 31, 2004 it amounted to 251,042 or 2.1%). On Jan 19, 2005 the Company Gorenje, d.d., executed the option for the purchase of 233,075 own shares (1.9105% of total equity) in accordance with the Option Sale and Purchase Agreement signed on June 21, 2004 with the Slovenska odškodninska družba, d.d. (Indemnity Fund). The price which according to the agreement provisions equals average market price of the GRVG share for the period from July 1, 2004 to December 31, 2004 amounted to SIT 6,485.93 per share. The average purchase price of 484,117 own shares amounted to SIT 4,507.37 per share.

## The book value of the share, EPS and payment of dividends

The Gorenje shares was in June by comparison with the Ljubljana Stock Exchange turnover on the 3<sup>rd</sup> place; represented 5.7% of the total shares turnover. The GRVG price reached at the end of the year 2004 SIT 6,473.90 and 30 June 2005 SIT 5,384.64. The price decreased by 16.8%, and SBI index decreased by 10.4% in the first half of the year.

**Earnings per share**, (net profit of Gorenje, d.d.,-annual level / no.of shares minus treasury stock) amounted to SIT 203.2. The annual level of the P/E ratio was 26.50 (on 31 Dec 2004 = 28.58).

**The book value of share** on 30 June 2005 reached SIT 5,383.44 (equity of Gorenje, d.d., minus reserves for own stake / no.of shares minus treasury stock; 11,715,883 shares). Market to book value was 1.00 (on 31 Dec 2004 = 1.26).

**The payment of dividends** In the year 2004 the company Gorenje, d.d., paid to shareholders a gross dividend of SIT 100 per share, and in the year 2005 will the company pay to shareholders a gross dividend of SIT 100 per share.

## 6. Business Outlook for the Year 2005

The first half of the current year had been distinguished by similar trends and circumstances, already present in the year 2004 and the first quarter of this year on all key markets of the Group:

- European markets are still distinguished by low level of economic activities, low consumer confidence and reduced international competitiveness resulting from weak dollar compared to euro. All these elements have been reducing demand for permanent goods, including household appliances and other home products, at the same time raising competition edge and price burden on European market.
- Premature entry of Slovenia into the ERM II system and fixed EUR/SIT exchange rate, in addition to the still relatively high domestic inflation rate in 2004, has created additional cost strains for Gorenje, especially in costs of material and services.
- The paramount challenge to be faced in the year 2005 has been the extreme price pressure on supply of strategic raw materials, especially the steel plate, other steel products, and iron free metals, coupled by the rise of prices in petrochemical products, originating from the last quarter of 2004. These price increases, which for numerous raw materials and consumables arrived at all-time record levels, stopped at the level attained at the end of last year. However, the prices of oil and oil derivatives continue to grow and show a further growth trend in 2005.
- Another important challenge in 2005 is the implementation of the Waste Electronic and Electric Equipment recycling directive, according to which the household appliance recycling costs will be borne by the manufacturers. The directive shall be valid as of August 2005, with the implementation starting immediately in some EU countries, or with a lag until 1.1. 2006 in others. There are still several unresolved issues regarding the implementation of Directive provisions; however, all EU countries are hastily organizing both collective and individual schemes for the collection of waste electric and electronic equipment. In Slovenia, Gorenje is actively involved in devising such a scheme, along with other major liable companies / subjects. There are also more than a few unanswered questions regarding the economic impact of Directive implementation; in addition, it is impossible to assess, to which level the manufacturers will succeed in levying the recycling costs on the final consumers. According to Gorenje's estimates, the costs of Directive implementation in 2005 will amount to approximately 4.0 million EUR.

The above negative impact of adversary economic elements will have to be neutralized as much as possible during the year by:

- optimization and search for cheaper alternative supply sources;
- selective price increase of household appliances and enhancement of their sales structure; and
- by cost rationalization in all segments of operations.

The management will continue to perform all business activities in order to accomplish the business goals set ahead for 2005.

## A. FINANCIAL REPORT

### 1. Accounting Policies

In the process of compiling the non-audited accounting statements of the Gorenje Group in compliance with the International Standards of Financial Reporting (MSRP), the Group used the same accounting guidelines as in 2004, except for the consideration of long-term provisions (reservations) for warranty period repairs. In 2004 these were carried out by deferring the revenues in the amount of long-term provisions planned. In 2005, the modified explanations and interpretation of accounting standards application require presenting the long-term provisions among the entries of net sales income and costs of goods, materials and services. Accordingly, the data from the 2004 income report that refer to formation and changing the long-term provisions, were adjusted in line with the revised accounting rules.

### 2. Group Structure

In accordance with International Financial Reporting Standards, the non-audited consolidated financial statements of the Gorenje Group include the financial statements of the parent company Gorenje, d.d. and the financial statements of subsidiaries operating in Slovenia and abroad.

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

- In the beginning of January 2005 the company Gorenje, d.d., acquired from the company Energygor, d.o.o. 100% share of the company Opte Ptuj, d.o.o., and 66.67% share of the company Kemis, d.o.o.
- On Jan. 26, 2005 the company Gorenje, d.d., became 100% owner of the Czech company Mora Moravia, a.s. in accordance with the relevant acquisition agreement.
- The relevant recording in the Court register on Jan. 28, 2005 concluded the restructuring procedure of the joint stock company Gorenje Notranja oprema into the public limited company, in which parent company Gorenje, d.d., holds 98.7756% ownership stake.
- On March 30, 2005 the company Gorenje, d.d., incorporated the limited company Gorenje Adria Nekretnine, d.o.o. (real estate trading), with the head office in Zagreb, of which Gorenje, d.d., is the major owner.
- The company IG Prodaja, d.o.o., was incorporated on Dec. 23, 2004, with 50% ownership of Gorenje, d.d., and 50% ownership of ISTRABENZ ENERGETSKI SISTEMI, energetske storitve, d.o.o.
- The company G.A Beteiligungs GmbH, Vienna, Austria was established, which 100% owner is the company Gorenje Beteiligungs GmbH, Vienna, Austria, on which 100% stake of the company Hyundai Auto Zagreb, d.o.o., Zagreb, Croatia and 100% stake of the company Hyundai Auto, d.o.o., Belgrade, Serbia and Montenegro was transferred.

**Subsidiaries operating in Slovenia:** Gorenje IPC, d.o.o., Velenje; Biterm, d.o.o., Bistrica ob Sotli; Gorenje Notranja oprema, d.o.o., Velenje; Gorenje Glin, d.o.o., Nazarje; Gorenje Orodjarna, d.o.o., Velenje; Gorenje Indop, d.o.o., Velenje; Gorenje Tiki d.o.o., Ljubljana; Gorenje GTI, d.o.o., Velenje; Gorenje Gostinstvo, d.o.o., Velenje; LINEA, d.o.o., Velenje; Energygor, d.o.o., Velenje; Opte Ptuj, d.o.o., Ptuj; Kemis, d.o.o., Radomlje; Istrabenz – Gorenje, d.o.o., Ljubljana (Joint Venture); IG Prodaja d.o.o., Nova Gorica (Joint Venture)

**Subsidiaries operating abroad:** Gorenje Beteiligungsgesellschaft m.b.H., Austria; Gorenje Austria Handelsgesellschaft m.b.H., Austria; Gorenje Vertriebsgesellschaft m.b.H., Germany; Gorenje Körting Italia S.r.l., Italy; Gorenje France S.A.S., France; Gorenje BELUX S.a.r.l., Belgium; Gorenje UK Ltd., Great Britain; Gorenje Skandinavien A/S, Denmark; Gorenje AB, Sweden; Gorenje USA Inc., USA; Gorenje Spol. s r.o., Czech Republic; Gorenje Real Spol. s r.o., Czech Republic; Gorenje Slovakia Spol. s r.o., Slovakia; Gorenje Budapest Kft., Hungary; Gorenje Polska sp. z o.o., Poland; Gorenje Bulgaria EOOD, Bulgaria; Gorenje Zagreb, d.o.o., Croatia; Gorenje Skopje, d.o.o., Macedonia; Gorenje Commerce, d.o.o., Bosnia and Herzegovina; Gorenje, d.o.o., Serbia and Montenegro; Gorenje Podgorica, d.o.o., Serbia and Montenegro; Gorenje OY, Finska; Gorenje AS, Norveška; Gorenje Romania S.R.L., Romania; Gorenje aparati za domačinstvo, d.o.o., Serbia and Montenegro; Mora Moravia a.s., Czech Republic; Mora Slovakia s r.o., Slovakia; Mora Hungaria Kft., Hungary; Gorenje Küchen GmbH, Austria; Gorenje Kuchyne Spol. s r.o., Czech Republic; Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina; Hyundai Auto Zagreb, d.o.o., Croatia; Hyundai Auto, d.o.o., Serbia and Montenegro; Gorenje Imobilia, d.o.o., Serbia and Montenegro; Gorenje Adria nekretnine, d.o.o., Croatia; G.A. Beteteiligungs GmbH, Austria; Kemis, d.o.o., Croatia; Kemis BiH, d.o.o., Bosnia and Herzegovina.

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

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

	Exchange Rate: 1EUR =	239.69 SIT	237.94 SIT		239.79 SIT
	in SIT 000	Jan - June 2005	Jan - June 2004	2005/PI2005	Plan 2005
<b>1.</b>	<b>Net sales revenue</b>	<b>114,263,011</b>	<b>99,108,859</b>	<b>49%</b>	<b>SIT 235,208.4m</b>
2	Changes in inventories of finished goods and work in progress	6,593,100	6,884,060		
3	Other operating income	1,314,900	1,410,373		
4.	Raw material and consumables used	-91,541,751	-79,186,036		
5	Staff costs	-20,617,300	-19,199,478		
6.	Depreciation and amortisation expense	-5,852,210	-4,820,813		
7.	Other operating expenses	-1,717,700	-1,273,154		
<b>8.</b>	<b>Operating profit</b>	<b>2,442,050</b>	<b>2,923,811</b>		
9.	Net finance cost	-94,400	-740,809		
<b>10.</b>	<b>Profit before tax</b>	<b>2,347,650</b>	<b>2,183,002</b>		
11.	Income tax expense	-423,750	-236,783		
<b>12.</b>	<b>Profit after tax</b>	<b>1,923,900</b>	<b>1,946,219</b>	<b>21%</b>	<b>SIT 4,793.2m</b>
<b>13.</b>	<b>Minority interest</b>	<b>8,750</b>	<b>43,254</b>		
<b>14.</b>	<b>Net profit for the period</b>	<b>1,915,150</b>	<b>1,902,965</b>	<b>21%</b>	<b>SIT 4,779.2m</b>

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

	Exchange Rate: 1EUR =	239.57 SIT	239.13 SIT
	<b>in SIT 000</b>	<b>30.6.2005</b>	<b>30.6.2004</b>
	<b>ASSETS</b>	<b>196,766,732</b>	<b>176,858,989</b>
	Tangible fixed assets	78,927,495	75,872,326
	Intangible long-term assets	4,022,505	2,185,011
	Long-term financial investments	4,145,805	3,795,126
	Long-term receivables	509,200	602,254
	Deferred tax	69,327	48,650
<b>A.</b>	<b>Fixed assets</b>	<b>87,674,332</b>	<b>82,503,367</b>
	Inventories	45,910,615	38,141,509
	Trade and other receivables and assets	56,960,145	51,229,108
	Short-term financial investments	3,912,340	2,684,526
	Cash and cash equivalents	2,309,300	2,300,479
<b>B.</b>	<b>Current assets</b>	<b>109,092,400</b>	<b>94,355,622</b>
	<b>EQUITY AND LIABILITIES</b>	<b>196,766,732</b>	<b>176,858,989</b>
	Shares	12,200,000	12,200,000
	Reserves	33,533,343	29,439,315
	Equity revaluation adjustments	7,863,953	7,973,894
	Retained earnings	9,477,308	9,691,951
	Treasury Stock	-2,182,092	-707,169
<b>A.</b>	<b>Capital</b>	<b>60,892,512</b>	<b>58,597,991</b>
<b>B.</b>	<b>Minority interest</b>	<b>196,574</b>	<b>480,579</b>
	Provisions	9,562,259	7,978,924
	Deferred tax	289,330	545,557
	Long-term loans	34,259,057	22,662,415
	Other long-term liabilities	6,100	6,456
<b>C.</b>	<b>Long-term operating and financial liabilities</b>	<b>44,116,746</b>	<b>31,193,352</b>
	Trade liabilities	37,979,280	41,896,528
	Short-term loans	41,481,100	33,982,260
	Other short-term liabilities	5,845,220	6,510,939
	Accrued cost and deferred revenue	6,255,300	4,197,340
<b>D.</b>	<b>Short-term operating and financial liabilities</b>	<b>91,560,900</b>	<b>86,587,067</b>

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

	In SIT 000	Jan- June 2005	Jan- June 2004
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	Profit before taxation	2,347,650	2,183,002
	Adjustments for:		
	Depreciation and amortisation	5,852,210	4,820,813
	Deferred revenues and accrued costs	3,498,526	2,280,576
	Interest and foreign exchange expense net	94,400	740,809
	Change in provisions	260,166	110,859
	Proceeds from sale of fixed assets	-118,747	-261,765
	Increase in deferred taxes		-30,888
	Operating profit before change in net operating current assets	11,934,205	9,843,406
	Increase in receivables	-6,385,508	-6,731,113
	Increase in inventories	-6,207,439	-8,797,133
	Increase in operating liabilities	-9,188,415	3,331,368
	Cash generated from operations	-21,781,362	-12,196,878
	Interest paid and foreign exchange losses	-94,400	-740,809
	Income taxes paid	-465,000	-236,783
	<b>Net cash from operating activities</b>	<b>-10,406,557</b>	<b>-3,331,064</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTMENT ACTIVITIES</b>		
	Proceeds from sale of investments	1,217,356	190,007
	Purchase of tangible and intangible assets	-4,348,354	-6,968,275
	Proceeds from sale of fixed assets	118,747	261,765
	Purchase of own shares	-1,512,189	
	<b>Net cash from investment activities</b>	<b>-4,524,440</b>	<b>-6,516,503</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Proceeds from long-term loans	4,793,300	3,742,914
	Proceeds from short-term loans	10,224,128	5,748,756
	Decrease in the minority interest	-3,246	-45,343
	<b>Net cash from financing activities</b>	<b>15,014,182</b>	<b>9,446,327</b>
<b>D.</b>	<b>BALANCE OF CASH AT END OF PERIOD</b>		
	Increase/decrease in cash and cash equivalents	83,185	-401,240
	<b>Cash and cash equivalents at 1.1.</b>	<b>2,226,115</b>	<b>2,701,719</b>
	<b>Cash and cash equivalents at 30.6.</b>	<b>2,309,300</b>	<b>2,300,479</b>

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

in SIT 000	Share Capital	Reserves	Net profit or loss from previous periods	Net profit or loss for the period	Own Shares	Equity revaluation and translation adjustments	Minority Interest	Total
<b>Balance at 1 Jan 2005</b>	<b>12,200,000</b>	<b>33,533,343</b>	<b>3,996,907</b>	<b>3,565,251</b>	<b>-669,903</b>	<b>8,057,383</b>	<b>191,070</b>	<b>60,874,051</b>
Net profit or loss for the period				1,915,150			8,750	1,923,900
Purchase and revaluation of own shares					-1,512,189	530,617		-981,572
Transfer of revaluation adjustments to income statements						-266,890		-266,890
Changes in a value of hedging instruments						-457,157		-457,157
Net profit or loss for the Year 2004			3,565,251	-3,565,251				0
Decrease in minority interest							-3,246	-3,246
<b>Balance at 30 June 2005</b>	<b>12,200,000</b>	<b>33,533,343</b>	<b>7,562,158</b>	<b>1,915,150</b>	<b>-2,182,092</b>	<b>7,863,953</b>	<b>196,574</b>	<b>61,089,086</b>

in SIT 000	Share Capital	Revenue Reserves	Net profit or loss from previous periods	Net profit or loss for the period	Own Shares	Equity revaluation and translation adjustments	Minority Interest	Total
<b>Balance at 1 Jan 2004</b>	<b>12,200,000</b>	<b>29,439,315</b>	<b>5,588,662</b>	<b>2,200,324</b>	<b>-707,169</b>	<b>8,088,032</b>	<b>482,668</b>	<b>57,291,835</b>
Net profit or loss for the period				1,902,965			43,254	1,946,219
Equity revaluation and translation adjustments						-114,138		-114,138
Net profit or loss for the Year 2003			2,200,324	-2,200,324				0
Decrease in minority interest							-45,343	-45,343
<b>Balance at 30 June 2004</b>	<b>12,200,000</b>	<b>29,439,315</b>	<b>7,788,986</b>	<b>1,902,965</b>	<b>-707,169</b>	<b>7,973,894</b>	<b>480,579</b>	<b>59,078,570</b>

#### 4. Financial Highlights and Achievements

in EUR '000	1 <sup>st</sup> H 2004	1 <sup>st</sup> H 2005	05/04	2005/PI2005	Plan 2005
<b>Consolidated operations</b>					
Net revenues from sales	416,529	476,712	14.4%	49%	980,875
Average number of employees	9,503	10,590	11.4%	100%	10,581
Productivity (Net revenues from sales/Number of employees)	43,938	45,207	2.9%	49%	92,702
Staff costs	80,690	86,017	6.6%		
Depreciation and amortisation expense	20,261	24,416	20.5%		
Added Value	113,239	120,621	6.5%		
Added Value/Average number of employees	11,945	11,439	-4.2%		
EBIT (Operating profit)	12,288	10,188	-17.1%		
EBITDA	32,549	34,604	6.3%		
EBITDA Margin	7.8%	7.3%			
Net profit	8,179	8,027	-1.9%	40%	19,989
Net profit Margin	2.0%	1.7%			2.0%
<b>Consolidated financial position</b>					
Net working capital	162,844	246,302	51.2%		
Net working capital structure	32.5%	40.2%			
Non-current asset	338,456	365,965	8.1%		
Non-current asset structure	67.5%	59.8%			
Total (Net working capital + Non-current asset)	501,301	612,267	22.1%		
Financial liabilities	221,135	316,150	43.0%		
Financial liabilities structure	44.1%	51.6%			
Provisions	35,788	41,122	14.9%		
Provisions structure	7.1%	6.7%			
Capital	244,378	254,995	4.3%		
Capital structure	48.7%	41.6%			
Investments	30,927	18,027	-41.7%	38%	47,228
Investment Margin	7.4%	3.8%			4.8%

In the 1<sup>st</sup> H 2005, **consolidated net revenues from sales** amounted to EUR 476.7 m, showing an increase of 14.4% over 1<sup>st</sup> H 2004 and 49% of 2005 plan. **Net profit** for the 1<sup>st</sup> H 2005 in amount to EUR 8 m reached 40% of the projected figure for 2005. **Balance sheet total** amounted to EUR 821.3 m as at 30 June 2005 and showed an increase of 9.9% over the year end 2004.

Gorenje, d.d.,  
Management Board