

Non-audited Financial Statements of Gorenje, d.d., for the 2005 Financial Year
in accordance with

the Slovenian Accounting Standards (SAS) and the International Financial Accounting Standards (IFRS)

Published by corporation Gorenje, d.d., Partizanska 12, SI-3503, Velenje, as provided by the Companies Act, Article 38. a of the Regulations of Ljubljanska borza vrednostnih papirjev d.d. (the Ljubljana Stock Exchange), and the Securities Market Act.

Achieved Business Objectives

Business Environment

In 2005, we witnessed the continuation of **similar trends and conditions** as in 2004 in all areas of operation of the Gorenje Group. **European markets** were once again characterised by a **low level of economic activity, low level of consumer confidence and diminished international competitiveness** due to a weak US dollar, which resulted in a reduced demand for durable goods including household appliances and other products for the home, and in increased competition and price pressures on the European market.

Early admission of Slovenia into the ERM 2 mechanism, which took place in 2004 and the EUR/SIT exchange rate being fixed, coupled with a comparatively high level of inflation in 2005, put additional pressure on the operation of the Gorenje Group.

Apart from the abovementioned negative factors, the biggest challenge of 2005 was a price hike in commodities and raw materials, in particular steel sheet metal and other steel products, non-ferrous metals and petrochemicals, eventually reaching and settling at their all time highs.

According to forecasts made at the end of 2004, a major and possibly negative impact on the business performance of the Gorenje Group was to be expected with the entry into force of the **directive on the recycling of electronic and electrical waste** in August 2005. Due to the lack of conceptual harmonization of the consideration of economic impacts as a result of the directive's application in the European Union, the dire forecasts and expectations did not eventuate. While the uncertainty remains, it is however not a threat in 2006.

To a large extent, negative impacts of the economic conditions on business operation in 2005 described above were **neutralised** as follows:

- By optimisation and search of low cost **substitute sources of supply**;
- By selective **price raises** of household appliances and by improving their **sales structure**; and
- By **cost rationalisation** in all areas of operation.

Achieved Business Objectives in Figures (in line with SRS provisions)

Million SIT	2005	Plan 2005	2004	2005/ Plan 2005	2005/2004
Net Sales Revenue	153,310.3	153,634.5	144,149.9	99.8	106.4
Gross Operating Yield	157,222.5	155,813.4	147,297.3	101.0	106.7
EBITA plus Long-Term Provisions	10,785.9	10,556.6	10,314.9	102.2	104.5
Profit before tax	2,791.7	2,757.0	2,706.5	101.3	103.1
Net Profit	2,954.9	2,373.0	2,706.5	124.5	109.2
Average Number of Employees	5,557	5,312	5,542	104.6	100.3

Net Sales Revenue

The achieved growth of net sales revenue is in accordance with the plan and, to a large extent, a result of more favourable pricing of products, goods and services sold, and a favourable geographic sales structure.

EBITDA plus Long-Term Provisions

Earnings before interest, tax, amortization and the net increase in long-term provisions in the balance sheet are higher than in 2004 mainly on account of higher operating profit (9.2 % increase) and higher costs of amortization. The planned figure was exceeded mainly on account of the balance of long-term provisions being reduced by a lesser amount than originally anticipated.

Gross Profit

Due to substantial extraordinary income shown in the previous year, the increase in gross profit i.e. profit before tax is lower than the increase in net revenue from sales and consequently also lower than other Profit and Loss Statement items. Nevertheless, it is still higher than planned and exceeds the level reached in 2004.

Net Operating Profit

In spite of the increase in income tax actually charged in comparison with the previous year, net profit for the accounting period exceeded gross profit i.e. profit before tax. This is a result of the introduction of deferred taxes, which are higher than the taxes charged; to a large extent they relate to deferred taxes on long-term provisions for warranty.

Net Distributable Profit

Net distributable profit for 2005 amounts to SIT 4,121.5 million. In accordance with the provisions of the Companies Act and the company statute, Gorenje, d.d. used the net profit from the 2005 financial year and part of the net profit carried forward from previous years to create reserves for own shares, while other reserves, created from the 1999 net profit, were transferred to the 2005 net distributable profit. Creation of net distributable profit is subject to approval by the company's Supervisory Board as part of their adoption of the annual report.

Achieved Business Objectives in Figures (in line with MSRP provisions)

Million SIT	2005	Plan 2005 ¹	2004	2005/ Plan 2005	2005/2004
Net Sales Revenue	153,358.1	-	144,122.1	-	106.4
Gross Operating Yield	156,128.1	-	147,192.1	-	106.1
EBITA plus Long-Term Provisions	10,777.5	-	10,891.1	-	98.9
Gross Profit	2,284.1	-	2,152.3	-	106.1
Net Profit	2,447.3	-	2,152.3	-	113.7
Average Number of Employees	5,557		5,542		100.3

Net Sales Revenue

The achieved growth of net sales revenue is in accordance with the plan and, to a large extent, a result of more favourable pricing of products, goods and services sold, and a favourable geographic sales structure.

¹ It was not proposed for financial statements for the mother company to be prepared in line with MSRP provisions, as they were not intended for public perusal; MSRP provisions would be applied only in consolidated financial statements of the Gorenje Group.

EBITDA Plus Long-Term Provisions

Earnings before interest, tax, amortization and the net increase in long-term provisions in the Profit and Loss Statement are higher than in 2004 mainly on account of one-time extraordinary income received in the previous year arising from collected receivables which had already been written off. The figure markedly exceeds that of 2004.

Gross Profit

The increase in gross profit i.e. profit before tax exceeds the benchmark and matches the increase in net revenue from sales. This can be attributed to the financial income being maintained at the same level and lower financial expenditure reported in the previous year.

Net Profit

In spite of the increase in income tax actually charged in comparison with the previous year, net profit for the accounting period exceeded gross profit i.e. profit before tax. This is a result of the introduction of deferred taxes, which are higher than the taxes charged; to a large extent they relate to deferred taxes on long-term provisions for warranty interventions.

Ownership Structure as at 31 December 2005

Ownership shares of ten major shareholders are shown in the table below.

	Shareholder/Number of Shares	31.12.2005	%
1.	Kapitalska družba, d.d.	2,607,429	21.37
2.	Slovenska odškodninska družba d.d.	935,277	7.67
3.	Gorenje, d.d. – Own shares	717,192	5.88
4.	KD Galileo, Mutual fund	485,133	3.98
5.	VS Triglav Steber I	426,484	3.50
6.	KD Rastko, Delniški Vzajemni Sklad	403,053	3.30
7.	Maksima, Delniška ID, d.d.	314,702	2.58
8.	Zlata Moneta II, d.d.	217,130	1.78
9.	KD ID, Delniška ID, d.d.	165,040	1.35
10.	Krona Senior ID, d.d.	164,944	1.35
	Major Shareholders – Total:	6,436,384	52.76
	Other Shareholders:	5,763,616	47.24
	TOTAL:	12,200,000	100.00

Own Shares

The balance of own shares as at 31 December 2005 was **717,192 or 5.8786 %** (251,042 or 2.1% on 31 December 2004).

On 19 January 2005, corporation Gorenje, d.d., exercised the option for the purchase of 233,075 of own shares (1.9105 % of the Gorenje, d.d. capital) in accordance with the agreement on establishing put and call option, signed on 21 June 2004 with Slovenska odškodninska družba, d.d. (the Slovenian Indemnity Fund). The price was set at the average market price per GRVG share in the period from 1 July 2004 to 31 December 2004, amounting to SIT 6,485.93 per share. The average purchase price of 484,117 own shares on 30 June 2005 amounted to SIT 4,507.37 per share.

As provided by the agreement, on 5 July 2005 Slovenska odškodninska družba, d.d. (the Slovenian Indemnity Fund) informed Gorenje, d.d., of the option for the purchase of 233,075 shares of Gorenje, d.d., (1.9105 % of the Gorenje, d.d., capital) priced at SIT 6,321.84 per share. In accordance with the agreed payment conditions, Gorenje, d.d., made the payment and acquired the shares on 4 August 2005. The total number of own shares after the transaction was 717,192 or 5.8786 % of the Gorenje, d.d., capital. The purchase price was determined

in line with the agreement, as follows: SIT 6,200.00 per share plus net profit per share in 2004 minus dividend per share for 2004.

Book Value of Shares and Earnings per Share

Gorenje shares (GRVG) made the premier listing of the Ljubljana Stock Exchange on 3 October 2005 and on 31.12.2005 **traded at the uniform price of SIT 5,421.45**, which is 1.2 % above their **book value**, which on 31.12.2005 amounted to **SIT 5,358.11**. The book value of a share is calculated as the ratio between the total company capital less reserves for own shares as at 31.12.2005, and the number of shares issued minus the number of own shares (717,192) as 31.12.2005.

Net profit per share, calculated as the ratio between the net profit made in the accounting period and the number of shares issued minus the number of own shares, amounted to **SIT 257.33** in 2005.

Supervisory Board

On 12 April 2005, Mr Tomaž Kuntarič resigned as a member of the Supervisory Board. At the 8th Annual Shareholder Meeting of Gorenje, d.d., held on 4 July 2005, Dr Jože Zagožen, who held od 30 June 2005 405 GRVG shares, was elected in his place with the term of office from the date of appointment until 17 July 2006.

As at 31 December 2005, members of the **Supervisory Board held 14,800 shares (0.1213 %)**, as follows: Mr Ivan Atelšek 8,258 (0.0677 %); Mr Jurij Slemenik 1,511 (0.0124 %); Mr Krešimir Martinjak 100 (0.0008 %); Mr Peter Kobal 1,178 (0.0097 %); Mr Drago Krenker 2,098 (0.0172 %); Dr Jože Zagožen 405 (0.0033 %) and Mr Bogdan Pušnik 1,250 (0.0102 %).

On 25 August 2005, Mr Bogdan Pušnik bought 500 GRVG Gorenje, d.d., shares on the Ljubljana Stock Exchange, 250 GRVG shares on 27 September 2005, 250 GRVG shares on 10 October 2005 and 250 GRVG shares on 11 November 2005. All transactions were made public in the SEOnet electronic system and on the Gorenje website, www.gorenje.com. On 22 December 2005 Deputy Chairman Mr Ivan Atelšek bought 1,200 GRVG Gorenje, d.d., shares on the Ljubljana Stock Exchange.

The number and percentage of shares owned by members of the Supervisory Board remained unchanged from 31 December 2005 to the date of this publication.

Management Board

On 2 March 2005, members of the Management Board purchased GRVG shares on the Ljubljana Stock Exchange as follows: Chairman of the Management Board Mr Franjo Bobinac, 1,000 shares; Mr Žiga Debeljak, 800 shares; Mr Drago Bahun, 800 shares; Mr Franc Košec, 800 shares. All transactions were made public in the SEOnet electronic system of the Ljubljana Stock Exchange and on the Gorenje website, www.gorenje.com.

As at 31 December 2005, members of the **Management Board held 12,154 shares (0.0995 %)**, as follows: Mr Franjo Bobinac 1,822 (0.0149 %); Mr Franc Košec 1,200 (0.0098 %); Mr Žiga Debeljak 1,200 (0.0098 %) and Mr Drago Bahun 7,932 (0.0650 %).

At its 26th meeting held on 27 December 2005, the Supervisory Board of Gorenje, d.d., appointed a new member of the Management Board, on the proposal of Chairman Franjo Bobinac. Accordingly, as of 1 January 2006, Mrs Mirjana Dimc Perko replaced Mr Žiga Debeljak as the member of the Management Board responsible for finance and economics. Term of office of new members is the same as for the Management Board i.e. until 18 July 2008. Consequently, there was a change in the number and percentage of shares owned by members of the Management Board since 31 December 2005. **As at the date of this publication, members of the Management Board held 11,037 (0.0905 %) GRVG shares**, as follows: Mr Franjo Bobinac 1,822 (0.0149 %); Mr Drago Bahun 7,932 (0.0650 %); Mrs Mirjana Dimc Perko 83 (0.0007 %) and Mr Franc Košec 1,200 (0.0098 %).

Financial Statements in Accordance with SAS

Non-audited Balance Sheet of Gorenje, d.d.

	In SIT '000	31.12.2005	31.12.2004
	ASSETS	147,875,647	134,037,261
A.	Fixed assets	85,149,181	79,564,036
I.	Intangible fixed assets	3,990,025	3,030,403
II.	Tangible fixed assets	47,865,808	48,174,608
III.	Long-term investments	33,293,348	28,359,025
B.	Current assets	62,435,568	54,032,112
I.	Inventories	18,073,100	15,682,877
II.	Operating receivables	39,967,398	34,333,081
	a) Long-term receivables	773,918	509,535
	b) Short-term receivables	39,193,480	33,823,546
III.	Short-term investments	4,384,956	4,006,554
IV.	Cash in banks, cheques, cash in hand	10,114	9,600
C.	Deferred costs (expenses) and accrued revenues	290,898	441,113
	EQUITY AND LIABILITIES	147,875,647	134,037,261
A.	Equity	65,181,858	62,100,198
I.	Shares	12,200,000	12,200,000
II.	Capital reserves	129,253	129,253
III.	Reserves from surplus	22,827,555	21,173,216
IV.	Net profit or loss from previous periods	4,121,543	2,774,603
V.	Net profit or loss for the period	0	1,217,927
VI.	Equity revaluation reserves	25,903,507	24,605,199
B.	Provisions	3,597,707	3,996,665
C.	Financial and operating liabilities	77,741,925	67,228,938
I.	Long-term financial liabilities	22,933,414	17,320,443
II.	Long-term operating liabilities	390	763
III.	Short-term financial liabilities	13,380,096	13,183,906
IV.	Short-term operating liabilities	41,428,025	36,723,826
D.	Accrued costs (expenses) and deferred revenues	1,354,157	711,460

Non-audited Profit and Loss Statement of Gorenje, d.d.

	In SIT '000	2005	2004
1.	Net sales revenue	153,310,353	144,149,916
2.	Changes in inventories	1,219,074	1,142,416
3.	Capital of capitalised own products	691,119	645,242
4.	Other operating revenues	2,001,989	1,359,706
5.	Gross operating yield	157,222,535	147,297,280
6.	Cost of goods, materials and services	-121,198,827	-113,788,047
7.	Personal expenses	-23,407,566	-22,102,375
8.	Depreciation and amortization expenses	-7,903,151	-7,466,257
9.	Operating expenses from revaluation	-831,957	-415,285
10.	Other operating expenses	-587,985	-456,542
11.	Provisions	-11,300	-63,045
12.	Operating profit	3,281,749	3,005,729
13.	Financial revenue	2,474,731	2,364,281
14.	Financial expenses	-2,956,942	-3,337,784
15.	Profit or loss from ordinary activities	2,799,538	2,032,226
16.	Extraordinary revenue	0	674,911
17.	Extraordinary expenses	-7,816	-632
18.	Profit before tax	2,791,722	2,706,505
19.	Income tax	-395,382	0
20.	Deferred tax	558,600	0
21.	Net profit for the year	2,954,940	2,706,505

Non-audited Cash Flow Statement of Gorenje, d.d.

	In SIT '000	2005	2004
A.	CASH FLOW FROM OPERATING ACTIVITIES		
	a) Inflows from operating activities	5,210,771	9,168,029
	Profit before taxation	2,791,722	2,706,505
	Depreciation	7,903,151	7,466,257
	Operating less closing operating receivables	-5,634,317	-955,396
	Operating less closing deferred costs (expenses) and accrued revenues	150,215	-49,337
	b) Outflows from operating activities	3,119,518	-1,535,442
	Tax on profit	163,218	0
	Closing less opening inventories	-2,390,223	-3,272,826
	Opening less closing operating liabilities (debts)	4,703,826	1,371,067
	Opening less closing accrued costs (expenses) and deferred revenues	642,697	366,317
	c) Net cash from operating activities	8,330,289	7,632,587
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
	a) Outflows from investment activities	-12,568,390	-13,945,170
	Offset increase in intangible fixed assets	-1,607,377	-1,896,474
	Offset increase in tangible fixed assets	-6,946,596	-6,916,709
	Offset increase in long-term investments	-3,642,612	-2,947,572
	Offset increase in short-term investments	-371,805	-2,184,415
	b) Net cash used in investing activities	-12,568,390	-13,945,170
C.	CASH FLOW FROM FINANCING ACTIVITIES		
	a) Inflows from financing activities	5,809,161	7,616,765
	Offset increase in long-term financial liabilities	5,612,971	6,336,124
	Offset increase in short-term financial liabilities	196,190	1,280,641
	b) Outflows from financing activities	-1,570,546	-1,306,444
	Decrease in capital	-1,171,588	-1,149,363
	Offset decrease in provisions	-398,958	-157,081
	c) Net cash used in financing activities	4,238,615	6,310,321
D.	CASH AND CASH EQUIVALENTS AT 31 December	10,114	9,600
	x) Net increase / decrease in cash and cash equivalents	514	-2,262
	y) Cash and cash equivalents at 1 January	9,600	11,862

Non-audited Statement of Changes in Equity of Gorenje, d.d.

In SIT '000	Share capital	Capital reserves	Reserves from surplus	Net profit or loss from previous periods	Net profit or loss for the year	Equity revaluation reserves	Total
Balance at 1 January 2005	12,200,000	129,253	21,173,216	2,774,603	1,217,927	24,605,199	62,100,198
Movements to capital					2,954,940	2,242,366	5,197,306
Net profit for the year					2,954,940		2,954,940
Equity revaluation reserves due to the value increase of long and short term investments						227,819	227,819
Equity revaluation reserves due to the value increase of investments in subsidiaries accounted for in accordance with the equity method						2,014,547	2,014,547
Movements within capital			1,654,339	2,518,528	-4,172,867		0
Transfer of net profit from year 2004 to forming other reserves under the resolution adopted by shareholder's assembly meeting			1,255,193	-1,255,193			0
Transfer of net profit from year 2005 to reserves for own shares			2,954,940		-2,954,940		0
Transfer of net profit from year 1998 to reserves for own shares			30,895	-30,895			0
Reversal and transfer of other reserves from surplus to net profit or loss from the year 1999			-2,586,689	2,586,689			0
Transfer of net profit for 2004				1,217,927	-1,217,927		0
Movements from capital				-1,171,588		-944,058	-2,115,646
Dividend payout				-1,171,588			-1,171,588
Decrease in equity revaluation reserves due to the value increase of long and short term investments						-944,058	-944,058
Balance at 31 December 2005	12,200,000	129,253	22,827,555	4,121,543	0	25,903,507	65,181,858

In SIT '000	Share capital	Capital reserves	Reserves from surplus	Net profit or loss from previous periods	Net profit or loss for the year	Equity revaluation reserves	Total
Balance at 1 January 2004	12,200,000	83,753	17,124,688	4,377,584	2,151,832	21,980,284	57,918,141
Movements to capital		45,500			2,706,505	2,902,744	5,654,749
Net profit for the year					2,706,505		2,706,505
Equity revaluation reserves due to the value increase of long and short term investments						778,649	778,649
Equity revaluation reserves due to the value increase of investments in subsidiaries accounted for in accordance with the equity method						2,124,095	2,124,095
Profit from own shares sale		45,500					45,500
Movements within capital			4,048,528	-408,118	-3,640,410		0
Transfer of net profit from year 2003 to forming other reserves under the resolution adopted by shareholder's assembly meeting			4,166,101	-4,166,101			0
Appropriation of net profit for 2004 to statutory reserves			270,651		-270,651		0
Appropriation of net profit for 2004 to other reserves under the resolution adapted by the managing board and the supervisory board			1,217,927		-1,217,927		0
Reversal and transfer of other reserves from surplus to net profit or loss from year 1998			-1,568,885	1,568,885			0
Release of reserves for own shares			-37,266	37,266			0
Transfer of net profit or loss from year 2003				2,151,832	-2,151,832		0
Movements from capital				-1,194,863		-277,829	-1,472,692
Dividend payout				-1,194,863			-1,194,863
Equity revaluation reserves due to the value decrease of long and short term investments						-277,829	-277,829
Balance at 31 December 2004	12,200,000	129,253	21,173,216	2,774,603	1,217,927	24,605,199	62,100,198

Financial Statements in Accordance with IFRS

Non-audited Balance Sheet of Gorenje, d.d.

In SIT' 000	31.12.2005	31.12.2004
ASSETS	136,185,868	125,812,563
A. Non-current assets	74,233,321	71,848,874
I. Intangible assets	47,865,808	48,174,608
II. Property, plant and equipment	3,990,025	3,030,403
III. Investment property	279,474	651,798
IV. Non-current investments	20,602,542	19,352,246
V. Non-current receivables	215,318	509,535
VI. Deferred tax	1,280,154	130,284
B. Current assets	61,952,547	53,963,689
I. Inventories	18,073,100	15,682,877
II. Current investments	4,384,956	4,006,553
III. Trade and other receivables	39,193,479	33,823,546
IV. Cash and cash equivalents	10,114	9,600
V. Deferred costs (expenses) and accrued income	290,898	441,113
EQUITY AND LIABILITIES	136,185,868	125,812,563
A. Total equity	50,444,216	53,535,647
I. Shares	12,200,000	12,200,000
II. Reserves	38,472,944	39,960,272
III. Net profit from previous years	442,659	1,072,375
IV. Net profit for the year	2,447,378	663,724
V. Revaluation reserves	536,973	309,179
VI. Own shares	-3,655,738	-669,903
B. Non-current liabilities	29,417,729	21,485,740
I. Provisions	6,483,925	4,066,766
II. Deferred tax		97,768
III. Interest bearing borrowings	22,933,414	17,320,443
IV. Other non-current liabilities	390	763
C. Current liabilities	56,323,923	50,791,176
I. Short-term borrowings	13,541,741	13,355,890
II. Trade and other current liabilities	41,428,025	36,723,826
III. Accrued costs and deferred revenues	1,354,157	711,460

Non-audited Profit and Loss Statement of Gorenje, d.d.

	In SIT* 000	2005	2004
1.	Net sales revenue	153,358,131	144,122,110
2.	Changes in inventories	1,219,074	1,142,416
3.	Other operating income	1,550,953	1,927,617
4.	Gross operating yield	156,128,158	147,192,143
5.	Cost of goods, materials and services	-120,614,086	-113,251,689
6.	Personnel expenses	-23,415,828	-22,240,903
7.	Depreciation and amortization expense	-7,903,151	-7,466,257
8.	Operating expenses from revaluation	-831,957	-415,285
9.	Other operating expenses	-607,102	-520,219
10.	Operating profit	2,756,034	3,297,790
11.	Financial revenue	2,485,068	2,364,281
12.	Financial expenses	-2,956,942	-3,509,769
13.	Profit before tax	2,284,160	2,152,302
14.	Income tax expense	163,218	0
15.	Net profit for the year	2,447,378	2,152,302

Non-audited Cash Flow Statement of Gorenje, d.d.

	In SIT' 000	2005	2004
A.	CASH FLOWS FROM OPERATING ACTIVITIES		
	Net profit	2,447,378	2,152,302
	Adjustments for:		
	Depreciation of tangible fixed assets	7,255,396	6,838,478
	Depreciation of intangible fixed assets	647,755	627,779
	Currency translation loss	690,731	1,295,764
	Financial revenue	-2,474,731	-2,364,281
	Financial expenses	1,652,249	2,028,296
	Change in value of investments	613,963	13,724
	Profit from sale of fixed assets	-189,202	-161,702
	Income tax expense	-163,218	
	Operating profit before changes in working capital and provisions	10,480,321	10,430,360
	Increase in trade and other receivables	-4,925,503	-920,883
	Increase in inventories	-2,390,224	-3,272,826
	Increase in trade and other payables	5,129,967	2,020,802
	Cash generated from the operations	-2,185,760	-2,172,907
	Interest paid	-2,311,941	-3,004,005
	Income taxes paid	0	-100
	Net cash from operating activities	5,982,620	5,253,348
B.	CASH FLOWS FROM INVESTING ACTIVITIES		
	Proceeds from sale of plant and equipment	441,406	2,260,701
	Interest received	1,061,159	2,256,681
	Dividends received	1,100,018	78,304
	Acquisition of subsidiary, net of cash acquired	-2,257,086	-3,013,566
	Acquisition of property, plant and equipment	-7,684,584	-9,469,704
	Other investments	1,225,712	-1,938,955
	Acquisition of intangible fixed assets	-1,507,129	-1,896,473
	Net cash from investing activities	-7,620,504	-11,723,012
C.	CASH FLOWS FROM FINANCING ACTIVITIES		
	Repurchase of own shares	-2,988,835	45,500
	Borrowings	5,798,821	7,616,765
	Dividend payout	-1,171,588	-1,194,863
	Net cash from financing activities	1,638,398	6,467,402
	Net increase in cash and cash equivalents	514	-2,262
	Cash and cash equivalents at 1 January	9,600	11,862
	Cash and cash equivalents at 31 December	10,114	9,600

Non-audited Statement of Changes in Equity of Gorenje, d.d.

In SIT' 000	Share capital	Reserves	Net profit or loss from previous periods	Net profit or loss for the year	Own shares	Revaluation reserves	Total
Balance at 1 January 2005	12,200,000	39,960,272	1,072,375	663,724	-669,903	309,179	53,535,647
Net profit for the year				2,447,378			2,447,378
Special equity revaluation reserves due to the value increase of long and short term investments						227,794	227,794
Formation provisions for termination pays and pensions and deferred tax assets			-1,609,180				-1,609,180
Transfer of net profit for previous periods to other reserves under the resolution adopted by shareholder's assembly meeting		1,255,193	-1,255,193				0
Reversal and transfer of other reserve to net profit or loss for 1999		-2,742,521	2,742,521				0
Transfer of net profit for 2004			663,724	-663,724			0
Dividend payout			-1,171,588				-1,171,588
Own shares acquired					-2,985,835		-2,985,835
Balance at 31 December 2005	12,200,000	38,472,944	442,659	2,447,378	-3,655,738	536,973	50,444,216

In SIT' 000	Share capital	Reserves	Net profit or loss from previous periods	Net profit or loss for the year	Own shares	Revaluation reserves	Total
Balance at 1 January 2004	12,200,000	35,911,744	2,718,456	2,151,832	-707,169	488,388	52,763,251
Net profit for the year				2,152,302			2,152,302
Formation provisions for termination pays and pensions and deferred tax assets			-51,334				-51,334
Appropriation of net profit for 2004 to statutory reserves		270,651		-270,651			0
Transfer of accumulated profit for 2003 to other reserves under the resolution adopted by shareholder's assembly meeting		4,166,101	-4,166,101				0
Appropriation of net profit for 2004 to other reserves under the resolution adopted by the managing board and the supervisory board		1,217,927		-1,217,927			0
Reversal and transfer of other reserves to net profit from previous periods		-1,568,885	1,568,885				0
Transfer of net profit for 2003			2,151,832	-2,151,832			0
Dividend payout			-1,194,863				-1,194,863
Reversal of reserve of own shares		-37,266			37,266		0
Decrease in special equity revaluation adjustments			45,500			-179,209	-133,709
Balance at 31 December 2004	12,200,000	39,960,272	1,072,375	663,724	-669,903	309,179	53,535,647

Important Notes to the Statements

Principles Applied in the Preparation of Financial Statements

The non-audited non-consolidated financial statements of Gorenje, d.d., for 2005 have been prepared in accordance with the provisions of the Corporations Act, the Slovenian Accounting Standards and the International Financial Accounting Standards. The Gorenje, d.d., financial statements, including those for the purposes of consolidated financial statements, have been complying with the provisions of the international financial accounting standards since 1999, hence for 2005 the continuation of their application has been preserved in all vital respects.

In the preparation of financial statements in accordance with the provisions of the international financial accounting standards the corporation complied with the MSRP 1 provisions – First Application of the International Financial Accounting Standards.

Major Events Following the Balance Sheet Date

Major events following the Balance Sheet date 31 December 2005 will be as follows:

- Conceptual and organisational **restructuring of business operation** of subsidiaries **Gorenje Indop, d.o.o.** and **Gorenje Orodjarna, d.o.o.** (centralization of certain corporate functions);
- Conceptual and organisational **restructuring of business operation of Gorenje GTI, d.o.o.** (separation of sales of household appliances from other business operations);
- **Completion of construction of the plant** for the manufacture of household appliances for the **Valjevo refrigerators and freezers division**;
- **Amalgamation of Istrabenz-Gorenje, d.o.o., and IG Prodaja, d.o.o.,** on 1 April 2006.
- **Restructuring of business operations of Biterm, d.o.o.,** (changes in production).
- **Founding of a subsidiary** for the sales of household appliances **in Dubai**, United Arab Emirates;
- On 3 February 2006, Gorenje, d.d. took up the **option for the purchase of 233,075 of own shares** (1.9105 % share in owners' equity) in accordance with the agreement on establishing put and call option signed on 21 June 2004 with Slovenska odškodninska družba, d.d. (the Slovenian Indemnity Fund);
- On 15 January 2006, Gorenje, d.d., paid the purchase price for 32,074 shares in **Surovina, d.d., Maribor**, thereby becoming a 27.6 % shareholder.

Conclusion

In the opinion of the Management Board of Gorenje, d.d., despite unfavourable business conditions planned objectives as regards business performance and asset- and financial objectives of the company were largely achieved in the 2005 financial year.

Gorenje, d.d., Management Board