

S U S C E P T I B L E T O V A R I E T Y
Susceptible to variety susceptible to variety
Y T E I R A V O T E J B I T P E C S U S

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What is Gorenje?

The Gorenje Group is the largest Slovene net exporter and one of the eight biggest European manufacturers of household appliances.

Gorenje has a 50-year tradition of producing household appliances and is today a successful international corporation with a diversified network of companies abroad.

Vision

All companies within the Gorenje Group share a clear vision:
»To be the most flexible company in all areas of our activities.«

Mission

Gorenje's basic mission is the production and marketing of high-quality user and environment friendly household appliances.

The Gorenje Group consists of the parent company Gorenje gospodinjski aparati, d.d., referred to in short as Gorenje d.d., and 40 affiliates, members of the group based on mutual stakes in their equity.

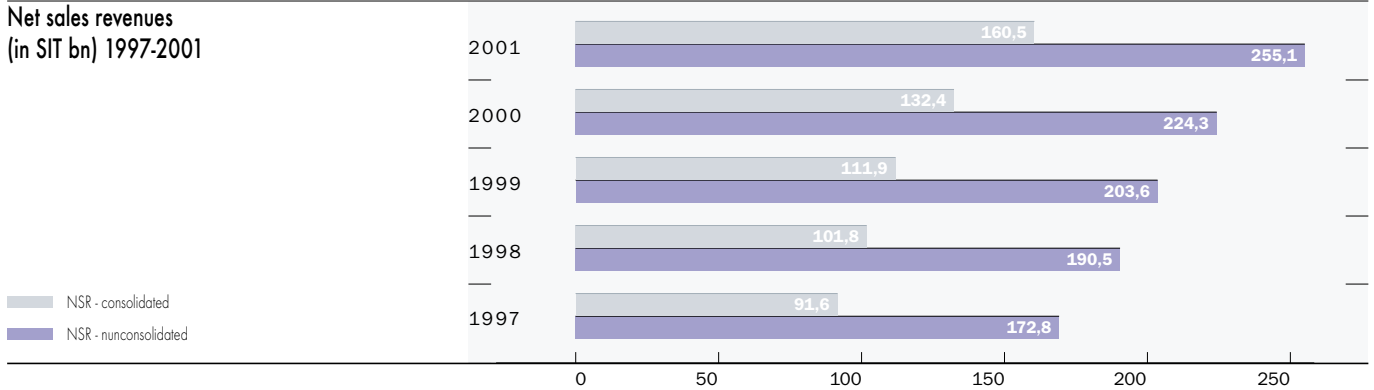
Field of activity

The group is active in the following business fields:

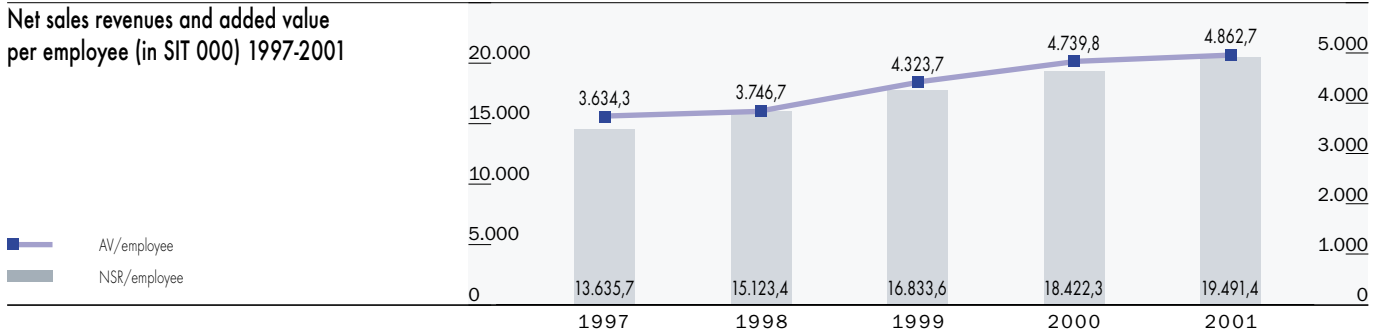
- Manufacture and sale of household appliances, including refrigerators and freezers, gas, electric and combined cookers, washing machines and tumble dryers, water heaters and components for household appliances. This field also includes the sale of supplementary programs such as dishwashers, small household appliances and televisions
- Services such as trading, engineering, distributorship, catering and tourism as well as real-estate management
- Manufacture and sale of kitchen and bathroom furniture, sanitary equipment and ceramic tiles
- Production and sale of tools and industrial equipment.

Business Activity Highlights

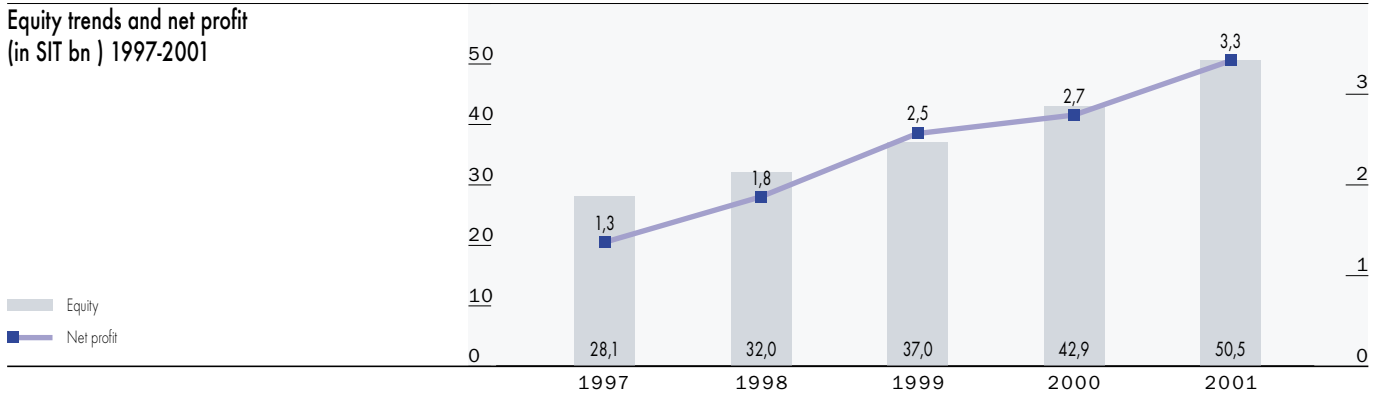
Net sales revenues
(in SIT bn) 1997-2001



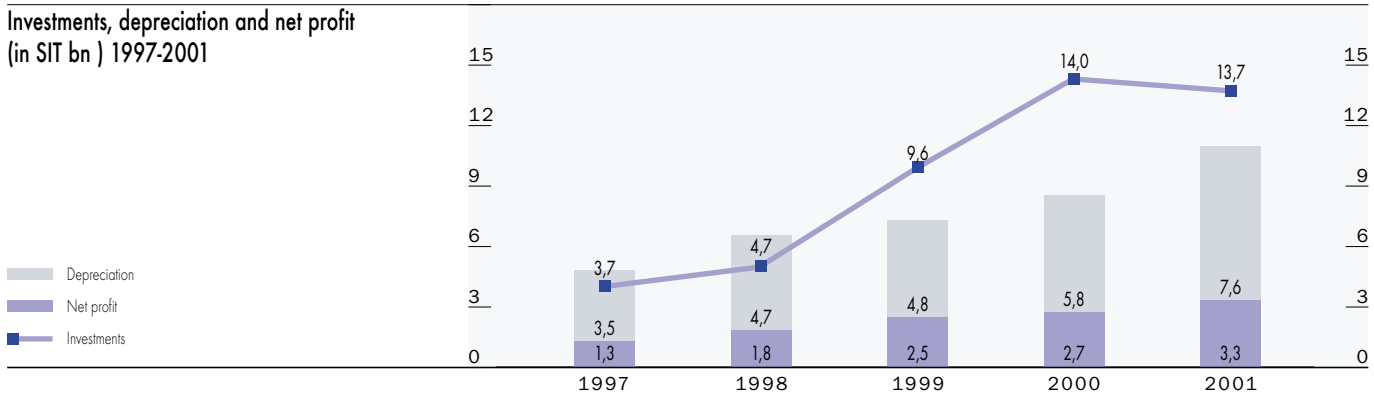
Net sales revenues and added value
per employee (in SIT 000) 1997-2001



Equity trends and net profit
(in SIT bn) 1997-2001



Investments, depreciation and net profit
(in SIT bn) 1997-2001



Performance 1997 - 2001

	in SIT million or as shown				
	1997	1998	1999	2000	2001
From the profit and loss account					
Net sales (consolidated)	91,591	101,826	111,876	132,438	160,531
Added value	24,411	25,226	28,735	34,074	40,049
Net profit	1,303	1,825	2,517	2,736	3,344
Net profit per share (in SIT)	106.8	149.6	206.3	224.3	274.1
Operating profit	3,196	2,807	3,235	3,477	4,766
From the balance sheet					
Assets	64,156	69,133	82,803	102,431	121,984
Capital	28,080	31,987	36,997	42,910	50,512
% of liabilities	43.8%	46.3%	44.7%	41.9%	41.4%
Long terms provisions	3,304	3,583	5,454	7,347	10,149
Output of household appliances (pieces)					
- large household appliances	1,843,126	2,014,158	2,100,981	2,346,284	2,445,334
- water heaters	237,661	248,952	264,639	300,563	313,209
Employees					
Average number of employees	6.717	6.733	6.646	7.189	8.236
Investments					
Investments in tangible assets and intangible long-term assets	3.700	4.711	9.582	13.977	13.674

Average growth rates between 1997 and 2001

	%
Non-consolidated net revenues	13
Consolidated net revenues	17
Net profit	61
Added value	17
Net revenue per employee (cons.)	11
Added value per employee	11



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The Management Board

The management of the company consists of a chairman and members

Jože Stanič *Chairman of the Management Board*

Franjo Bobinac *Member of the Management Board, responsible for sales and marketing*

Marija Miheljak *Member of the Management Board, responsible for finance and economics*

Drago Bahun *Member of the Management Board, responsible for human resources, social and general issues and employee-elected manager*



Drago Bahun

Marija Miheljak

Jože Stanič

Franjo Bobinac

Report by the Chairman of the Management Board

The year 2001 was again a very successful one for Gorenje, which managed to exceed all of the planned goals. The total net sales by the Gorenje Group amounted to 160.5 billion SIT, which was 21.2% more than the previous year and 8% over target. Gorenje, d.d. managed to generate 3.2 billion SIT of net profit, exceeding targets by 13%. Already In 2001 Gorenje met the goals laid out in the strategic plan up to 2003.

Gorenje, whose basic activity in 2001 was the production and sale of large household appliances with a share of exports totalling 93% of its turnover, had to cope with slower growth and tougher battle for market share in its major markets. Therefore during last year we stepped up efforts in the markets of East and Southeast Europe, where growth rates are higher, while on the EU market we managed to improve the sold product mix. This success was achieved particularly thanks to products, which by their enhanced features and improved design moved Gorenje into the more profitable market segments. Resulting sales in some of the most demanding markets are evidence that Gorenje took the right decision to make investments into product development by introducing new technological solutions, which comply completely to ever more stringent environment standards.

2001 we continued to expand the complete product range »EVERYTHING FOR THE HOME«, through the purchase of a majority stake in the company Gorenje Notranja oprema. Gorenje made a decisive step into the field of manufacturing kitchen furniture and bathroom equipment. The existing companies in Austria and the Czech Republic were joined by two new ones in Slovenia, Marles from Maribor and Notranja oprema from Velenje. This provides a solid basis for expanding this program into the markets Southeast Europe.

A part of Gorenje's production program includes the manufacture of water heaters and radiators, while the sales program is rounded off by other products such as televisions, small kitchen appliances, air conditioning units etc. Sales of these products are strongest on markets where Gorenje maintains a distinctive brand name and runs its own sales network. This creates synergy between the different programs and makes Gorenje a universal manufacturer of products for the home.


One of the strategic goals pursued by the Gorenje Group is the fast development of its other activities, in particular that of machine building and tool-making. In 2001, this development was strongly connected to the investment needs of the parent company, while at the same time expanding co-operation with the automotive industry and other partners.

Gorenje is increasingly involved in the service sector. Special emphasis is given to trade and distribution of foreign producers of building and agricultural machinery, medical equipment as well as the sale of cars. Gorenje is becoming an increasingly important provider of major energy management and environment protection projects.

Last year, overall investments by the Gorenje Group amounted to 13.7 billion SIT, with 10.9 billion SIT invested into the core businesses alone. The plant for fridge-freezers was completed and a new galvanisation plant was set up. Some new production lines were upgraded; the production capacity at the cookers plant was both upgraded and expanded. New land was acquired in Šoštanj, providing the basis for further development of our business activities. The construction of a kitchen furniture plant and the expansion of our management and warehousing facility in Sarajevo got underway, as did the process of upgrading production lines for ceramic tiles at the Gorenje Notranja oprema company, which will be completed in the first half of this year.

At the end of 2001, after almost two years of preparations, the introduction of SAP software as standard software for the support of business processes within the Gorenje Group began. Already in 2000 all business processes and their existing information support were analysed. By implementing this project, which will take several years, a transparent, consistent and user-friendly information environment for the whole Gorenje Group will be created. This will, at the same time, improve business processes and cut costs.

To conclude let us have a look at what lies ahead for 2002. The tasks the Gorenje Group will have to face will be equally as challenging as in recent years. Excellent cost management, management of our own brand names, expanding market share and proving our vision "to be the most flexible company in all areas of our activities " will continue to be some of the most important tasks. We are aware that we are operating in what may be considered a mature business, where winning is only possible by knowledge, inventiveness, collaboration with universities and institutes as well as co-operation with a dedicated team of creative staff.



Jože Stanič
Chairman of the Management Board

Report by the Supervisory Board

The supervisory board

• representatives of the shareholders

Marko Voljč, M. Sc. Chairman
Chairman of NLB, d.d.,
Ljubljana Management Board

Tomaž Kuntarič, M. Sc. Member
Deputy chairman of the Kapitalska družba, d.d.
Management Board for legal issues

Anton Majzelj Member
General manager of Mobitel, Ljubljana

Branko Pavlin, M. Sc. Member
Chairman of the Dnevnik, Ljubljana

Alojz Sočan, Ph. D. Member
University professor

• representatives of the employees

Ivan Atelšek Deputy Chairman
Retired Gorenje general manager

Irena Brložnik Member
Consultant at the department for ecology
and analytical chemistry

Peter Kobal Member
Maintenance manager, Gorenje, d.d.

Drago Krenker Member
Production manager of the refrigerators
and freezers programme, Gorenje, d.d.

Emil Rojc, Ph. D. Member
Secretary to the Management board, Gorenje, d.d.

To the shareholders

In accordance with its responsibility the Supervisory Board has been continuously following up the business performance of Gorenje d.d. and the Gorenje Group. In 2001, the Board convened 5 times; present at the meetings were members of the Management Board and the executive director in charge of operations abroad.

The Supervisory Board has monitored the business performance of the Gorenje Group and the implementation of the annual business plan by quarters based on the written reports of the Management Board. Considerable attention was paid to conditions, which shaped the business performance of Gorenje in the past year, particularly in the light of anticipated lower growth rates in 2001 and the additional volatility of markets, caused by the events of September 11th in the United States.

The slowdown of economic growth, which in some markets turned into a recession has worsened the economic situation in the household appliances business. Despite this slowdown Gorenje managed to exceed its planned growth rate, sales grew by 21.2 % compared to the previous year thus carrying on the positive trends of the last 8 years. Gorenje managed to make up for slower sales in markets of Central Europe by sales in markets of Southeast Europe and Scandinavia. A very important factor is the much faster growth in terms of the value of products versus quantity, which was a result of a much improved structure within the sales program, higher sales of more profitable cookers and fridge-freezers as well as the increase in exchange rates. Internal cost cutting can also be counted as a factor in the positive results.

According to the adopted strategy other activities led to even higher growth rates than in the household appliances sector. In 2001 Gorenje gained a considerable market share in the furniture sector, through the integration of the company Gorenje Notranja oprema into the Gorenje Group.

The Supervisory Board shares the opinion that the achieved overall business results are good. This shows that the correct decision was taken by the Management to adopt the strategy of investing into development and developing markets. This was particularly evident in the expansion of production capacity by building a new fridge-freezers plant and a new galvanisation plant, and upgrading products and product lines that are attractive, user and environment friendly. Gorenje's brand name is well positioned in markets with growing spending power, the company has allocated funds for overcoming inevitable major difficulties and has developed an important capability to adapt to market conditions. Great advantage is the employees with a knowledge and experiences as well as with exceptional loyalty to the company, being observed on all levels. This represents a solid basis for business performance in the future.

The Management Board also assessed the business performance of Gorenje by comparing it with similar companies in Europe. The comparison has shown that Gorenje has great potential for increasing added value by putting higher pressure on cost cutting, optimising asset management, tax incentives and achieving growth using the existing amount of capital.

The Supervisory Board also paid special attention to the implementation of the Law on Financial Operations of Companies regarding capital adequacy, meeting principles of liquid and solvent

operations as well as measures for risk management. Every quarter the Management Board reported to the Supervisory Board on financial operations. Gorenje's long-term sources cover the complete long-term assets and almost a third of the short-term assets and in so doing completely meets the recommended financial criteria.

The Management Board provided the Supervisory Board with indexes of current, accelerated and absolute liquidity, according to which the Supervisory Board monitored movements in liquidity. During the year the indexes showed a less favourable picture due to the intensive use of short-term financial sources to cover the situation of long-term obligations that slightly worsened during the year, however in the last quarter these were back to normal predefined ranges. This was mainly due to a 39% increase in liquid short-term assets and an increase in short-term liquid investments.

Each year the Supervisory Board assesses the implementation of the strategic plan for the Gorenje Group up to 2003, which it actively helped to prepare at the beginning of its four-year term. It was especially pleased to establish that the ambitiously defined growth rates have been met even faster than anticipated, as Gorenje exceeded all its goals defined for 2003 in 2001. This was among other due to extensive investments, which have been supported by the Gorenje owners, who opted for a long-term development logic instead of a short-term divisional attitude.

Business performance was not reflected by the share price. The Gorenje share has been constantly undervalued, which is in particular a consequence of an underdeveloped and insufficiently liquid capital market in Slovenia. The Supervisory Board supported the Management throughout in implementing the basic goal of "creating shareholder value" and in its efforts to support Gorenje Shares in order to show their real value on the stock exchange.

Preparation of the Annual Report

The Annual Report, which was submitted by the Management Board for approval, has been prepared according to the Law on Business Entities (ZGD) and the 2001 Slovene Accounting Standards. Also taken into account were the recent updates in the competency of the Management Board, the Supervisory Board and the annual shareholder's meeting, which deal with the adoption of the Annual Report and the allocation of net profits of the business year as well as the calculated profit.

Based on the business performance by Gorenje d.d., and the Gorenje Group throughout the year, as well as the Auditor's Report on the Annual Report, the Supervisory Board is of the opinion that the Annual Report for the business year 2001 truly and fairly represents the business performance for 2001, possibilities for development, and the situation of companies belonging to the Gorenje Group. Following these assessments the Supervisory Board has adopted the 2001 Annual Report in full as submitted by the Management Board.

The Supervisory Board has taken great care to study in detail the report on auditing the Financial Statements for the year 2001 for Gorenje d.d., and the report on auditing the Consolidated Financial Statement of the Gorenje Group. The audit was also carried out in 35 companies of the Gorenje Group. The report on the proceedings of the audit and its results were presented to the Supervisory Board by the auditors KPMG Slovenija d.o.o. A positive report by the authorised auditors was submitted for all

associated companies being part of the consolidation, therefore the auditors were able to give a positive opinion on the Consolidated Financial Statements. The Supervisory Board upholds the opinion that the report by the Gorenje and the Gorenje Group auditors has been prepared carefully and satisfactorily, providing sufficient disclosures of business performance.

Allocation of calculated profit

Throughout the Supervisory Board has striven that the interest of the shareholders for maximum shareholder value is taken into account while assessing the successful performance of the business. Therefore it has always supported the Management Board in its decisions that the payment of dividends should be postponed in favour of the development concept. Together with the Management Board it took the decision that half of the net profit of the business year 2001 will be allocated to other reserves of the company.

The Management Board along with the Supervisory Board prepared a proposal of allocating the calculated profit, which is based on the long term development strategy and takes into account the expectations and interests of shareholders. The Management and Supervisory Board propose that the calculated profit in the amount of 5,691,479,959.19 SIT, which consists of non-allocated profits from previous years and half of the net profit of 2001 is allocated as follows:

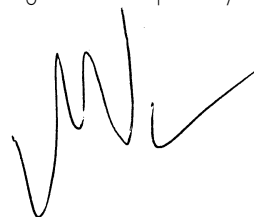
- For the disbursement of dividends to shareholders in the amount of SIT 976.000.000, totalling SIT 80 of gross value per share, to which are entitled the shareholders, who will be entered in the share register as of 28th June 2002. For the payment of dividends to shareholders, a part of balance profit shall be used, represented by a revaluated portion of undistributed profit of the year 1997. Dividend shall be paid in the term of 70 days after the receipt of this conclusion
- payment of bonus to the Management Board in the amount of 31,101,445 SIT,
- payment of bonus to the Supervisory Board in the amount of 18,310,973 SIT,
- other reserves of the company in the amount of 2,333,033,770.59 SIT,
- and non-allocated profit in the amount of 2,333,033,770.59 SIT.

Conclusion

The Supervisory Board opinion is that in 2001, the management was successful in its business conduct thus meeting the expectations of the Supervisory Board, and exceeding some of the defined goals. It demonstrated great care in managing financial operations and met goals defined in the strategic plan way ahead of schedule. Therefore the Supervisory Board:

- accepted the 2001 Annual Report at its 22nd meeting on 6 May, 2002, as submitted by the Management Board of the company,
- prepared in accordance with the Management Board a proposal of allocating the calculated profit,
- and proposes the shareholders, along with the decision on the allocation of calculated profit, also approve the discharge of the Management and Supervisory boards of the company for the conduct of business for the year 2001.

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





S U S C E P T I B L E T O V A R I E T Y



Business report

Sales in 2001

The year 2001 was a very challenging one that demanded swift responses to market developments. The first half of 2001 confirmed that the world economy was slipping into a recession, reaching its lowest point following September 11th, without there being any real levers to boost economic growth and world trade. The anticipated slowdown in economic growth in the European Union particularly Germany was especially painful.

With the exception of Great Britain, Austria, Belgium and the Netherlands, which experienced slight growth, all other markets maintained the same sales volume, while some such as Germany, Italy and Sweden were in a slight decline. Mergers among manufacturers of household appliances are still continuing. In European markets competition from Asian manufacturers is increasing. High street chain stores are expanding into new markets by opening new stores and introducing their own brand names. Due to the slowdown in the international environment demand has already begun to decline, resulting in the gradual fall of export growth rates during the year. On the other hand the atmosphere of the dynamic export activity encouraged exports to markets of the former Yugoslavia and Russia. In most of these countries the economic situation is such that the buying power of the population is not increasing, and the appropriate environment to establish proper market conditions is developing too slowly.

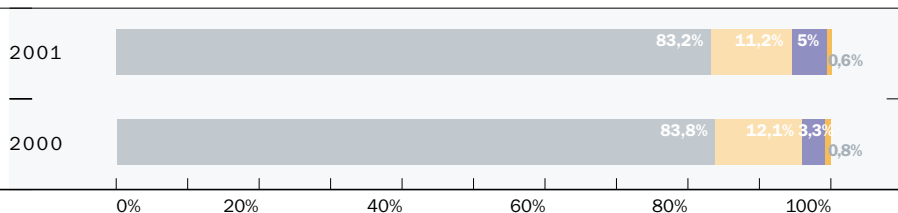
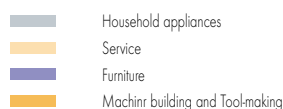
Under such conditions the Gorenje Group in 2001 generated 160,530.6 million SIT of consolidated net sales, which represents an increase of 21.2% compared to 2000.

Sales by business division

	in SIT m	
	2000	2001
Household appliances	110,968.3	133,651.1
Services	16,002.1	17,931.2
Furniture	4,446.9	7,978.0
Machine building and tool-making	1,020.4	970.3
Total	132,437.8	160,530.6

The most important business division remains the household appliances division, which in 2001 generated 133,651.1 million SIT of consolidated net sales, an 83.2% share of overall sales. In the structure of consolidated sales the share of the household appliances division fell by 0.6% due to a faster growth in the field of furniture, while the sales in this field in comparison to the previous year actually increased by 20.4%.

Gorenje Group - Sales structure by business division



The remaining 16.8% share of consolidated net sales grew at the same rate as all other sectors. Thus we accomplished the strategic plan, which anticipated a faster growth of all sectors other than household appliances. The share of furniture increased by 1.7 percent due to the acquisition of the majority stake in Gorenje Notranja oprema, d.d. Lower sales or lower consolidated net sales in the field of machine building and tool-making were due to the increased trading volume within the Group, since the capacities were used to carry out investments in the household appliances division. This division actually increased its sales by 5.9%. The service sector also witnessed a decline in the overall structure although the actual increase compared to the year before was 12%.

Faster growth in terms of value

In 2001 Gorenje sold 2,454,398 household appliances, or 6.3% more than the previous year. The growth in the quantity of sales of household appliances was lower than the increase in terms of value. This is a trend that has been going on for several years. The increase in terms of value was more than 20.4% compared to the year before, and was due to a more favourable structure of sold products, stronger sales in markets with a well-disposed structure and an increase in foreign currency exchange rates.

The highest increase in terms of value was again achieved in the field of cookers (23.7%), followed by the program of fridge-freezers (15.9%), and washing machines and tumble dryers (5.3%). Equally satisfactory is the sales growth in other programs, which round off our own product range. The sale of dishwashers, extractor hoods and audio equipment grew by 30.8% compared to the year before, while the sale of televisions almost doubled. In the structure of sales of household appliances the complementary program holds a share of slightly over 10%.

Gorenje brand names

In 2001 Gorenje sold 70% of its products under its own brand names. The most important brand name is GORENJE, which is present on all markets and throughout all distribution channels. The KÖRTING brand name, popular for some years already in Italy and Greece, became a firm favourite last year in Germany. The brand name GALANT is marketed in Germany through kitchen design studios. The brand name SIDEX on the French market remains a brand name sold in large distribution centres. Almost a third of Gorenje's products is sold under the brand name of its partners, distinguished manufacturing or trade companies.

Gorenje's network of companies abroad

Gorenje sells more than 80% of its products in terms of value through its network of companies abroad. In 2001 this turnover amounted to 115,371.2 million SIT.

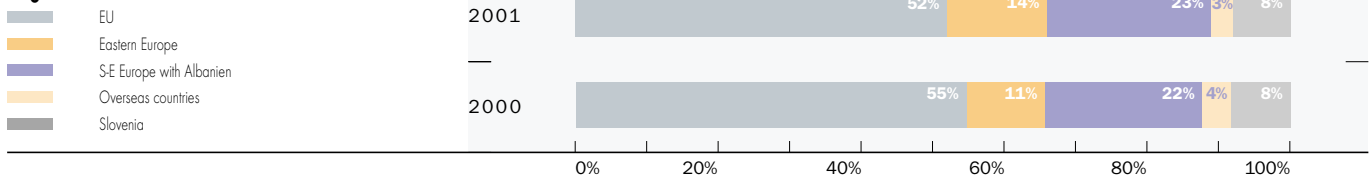
Gorenje started to build its network of companies in foreign markets in 1975, when it founded its first company in Munich, Germany. Today its sales network includes 25 companies with 636 employees and three representative offices. The network was developed in three phases as far as content is concerned and in two phases from the aspect of time.

In the seventies Gorenje established its own distribution network in Western Europe by founding companies in Germany, Austria, France, Denmark, Italy and Australia, followed by companies in Great Britain and the USA in the eighties. The second phase started at the beginning of the nineties by establishing companies in Eastern Europe, more precisely in the Czech Republic, Hungary, Poland, Bulgaria and Slovakia, a move that was facilitated by the political changes leading to developing market economies in those countries. Almost at the same time the third regional sales area was established by founding companies on the territory of the Former Yugoslavia. In the first phase the Gorenje representative offices were transformed into companies, which were quite segregated. This was followed by a period of business integration, so that in Croatia, Serbia, Montenegro, Macedonia and Bosnia there is now only one Gorenje company per country.

Despite the very different conditions for conducting business by companies and representative offices Gorenje is satisfied with the results, which have been achieved thanks to important moves towards expanding market share and positioning the Gorenje brand name across all the specified markets.

Regional structure of sales

Regional structure of sales 2000 and 2001



The largest share in the structure of sales is held by countries of the **European Union**, although compared to the year before the share of this region decreased by 3% mainly due to the growth in shares by East and Southeast Europe. Considering the strong decline in economic growth sales in this area were relatively successful. It is important to point out that Gorenje was able to maintain market positions despite tougher conditions in the market and the trend of falling prices.

The German market was strongly shaped by recession and in particular by difficulties in the construction sector, the kitchen furniture industry and in the production of built-in appliances. Despite strong pressure by the competition along with mergers of chain stores the results achieved in Scandinavia were exceptional, seeing market shares expanding in Denmark, Sweden and Norway. Gorenje also began to expand sales activities to Finland and the Baltic countries. Last year a new marketing strategy was put in place in Austria thus achieving stronger sales, a decrease in inventory and an increase in market share.

In the French market large distributors are constantly keeping the pressure on lowering prices. Despite this we have managed to increase our sales. The increase was noticeably evident for Gorenje's own brand name, a result of new products and increased investments into marketing communications. Sales also grew in Spain and Portugal. In our view the general position of our products in Italy, particularly the Körting brand name is very good. In Greece the long term marketing strategy has resulted in improvements in the structure of sales; the introduction of new features onto the market and positive co-operation by everyone at all levels involved in sales, further boosted sales. The sales in Great Britain grew, but because of the drop in prices the increase in terms of value lagged behind.

Planned sales in the countries of **Southeast Europe** have been exceeded. In the Croatian market anticipated sales were well exceeded, increasing our market share. Factors, which had an impact on our market position in Bosnia were stronger competition, lower prices, evasion of customs duties and taxes. Despite all these factors we have managed to maintain our market share. In Serbia there is a lack of trade infrastructure, and a new structure of buyers is appearing, who will most likely become loyal customers in the long run. There is a lack of corresponding international agreements between the two countries, which could boost trade and facilitate business operations as well as cut costs in this market. The many changes in 2001 certainly brought opportunities, which were used to our advantage. Gorenje managed to return to this market with important and interesting quantities of products, regaining its former market position. The market in Kosovo was a very volatile one due to the decrease in spending power and the intensification of marketing efforts by the competition. Montenegro remains a market with great potential for an organised market presence by Gorenje, while sales in Macedonia were strongly shaped by the state of emergency. Due to the introduction of a war tax and other duties, the conditions for doing business became less favourable. On the Albanian market Italian traders and producers hold a very strong position, but nevertheless Gorenje has managed to penetrate this market. In all of these markets it is very important that along with favourable growth rates the management of commercial and payment risks by using different instruments is kept under strict control.

Sales in **Eastern Europe** grew at the fastest rate, so that the share of this region in the sales structure grew by 3%. Marketing efforts, introducing new generations of cookers and improving energy classes for refrigerators and freezers have brought good results. Sales in terms of value grew faster than quantity, reflecting in an increase of the average sales price in these markets. Slovakia, the Czech Republic, Russia and Ukraine have shown above average results as far as value and quantity are concerned.

Last year, the situation in **overseas markets** was quite volatile, so Gorenje was unable to reach its fairly ambitious anticipated goals. We planned a strong increase in sales in the USA and Canada, but in the second half of the year more stringent energy consumption regulations came into force, resulting in the inability to sell two of the traditionally best sold appliances. This was accompanied by a sharp decline in demand after September 11th. The markets of the Middle and Far East have been strongly shaped by the war, which apart from the fact that our range of refrigerators and freezers on that market is incomplete, resulted in lower sales. The growth in Australia was encouraging particularly thanks to the sale of Generation 500 cookers.

The market situation in **Slovenia** was not favourable. In the last year the market did not grow at all, while competition is very fierce. Apart from that the poor payment behaviour of buyers strongly affected sales.

Marketing communication

By coordinated marketing activities Gorenje intends to encourage the distinction of its own brand names and strengthen the promotion of products throughout all its markets. In 2001 20% more funds were allocated for this purpose compared to the year before, which corresponds to the overall growth of sales by the Gorenje Group. Apart from advertising, sales were promoted with the help of various sales brochures with new brochures being issued for all markets. Gorenje participated at trade fairs, trained salesmen and continued with the program of equipping sales outlets in Eastern and Southeast Europe.

Among the more important fairs Gorenje participated in were the international craftsmen fair in Celje, the technology fair in Belgrade, the autumn fair in Zagreb, the Household Appliance fair in Pesaro, the MOW fair in Germany, the fair in Linz, the furniture fair in Ljubljana and the consumer goods fair in Cairo.

In 2001 Gorenje was one of the first manufacturers of household appliances to provide on-line product information, accessible through the Internet, in accordance with the requirements of CECED (European Association of Producers of Household Appliances). In future, this type of product information should become a standard source of information on any specific product, available to everyone.

New product features

From the aspect of products 2001 was a crucial year for Gorenje, as new market niches had to be identified in response to the forthcoming recession in the most important markets. New products had to measure up to these demanding new times by featuring new designs and functional solutions.

In the redesign of the free standing cookers product range, a new generation of 600 mm cookers has been introduced. The goals of cost saving, design and function for this line have all been fully met. In addition we have extended the range with new products, not previously manufactured by Gorenje. Among them are 600 mm wide gas cookers, cookers with combined glass ceramic hobs, stainless steel cookers and cookers with a curved front design. Gorenje currently offers one of the most extensive product ranges of 600mm wide cookers on the market.

Looking at built-in appliances, ceramic, combined and electric cookers as well as wider ceramic cookers have been developed and brought onto the market.

Built-in ovens were given a new full aluminium front, reflecting the latest trend in kitchen equipment. Aluminium surfaces are also very easy to clean. These high quality products will be sold until the introduction of the next generation of built-in ovens.

Regarding washing and drying technology Gorenje has redesigned a line of tumble dryers which feature condensation technology that in terms of reliability and energy efficiency measure up to products by leading manufacturers. The new design of washing machines and tumble dryers, with doors that give the impression of being wider than they actually are and totally modern design will take Gorenje up to the next generation of completely redesigned washing machines.

Developments in the field of refrigerators and freezers were very intensive as far as built-in appliances are concerned. A new "Concept line" has been developed and introduced to the market, representing an upgrade to our existing built-in appliances program, along with completely new products with scissors-like hinges, which are intended for a higher price range of kitchen. Apart from a number of very functional details, the complete line is rated energy class A.

In the field of independent refrigerators and freezers Gorenje has redesigned its whole range and started to sell new products such as 1850mm tall appliances and glass doors for professional use introducing Gorenje into the field of commercial cooling.

Service Division

The service sector is very versatile due to its content and has in recent years experienced rapid growth, with business volume more than tripling in the past four years. Sales within the service sector grew in comparison to 2000 by 12%. The largest share of 57% within the business division is claimed by the company Gorenje GTI d.o.o. This share includes the sale of air-conditioning units, transport mechanisation (Clark fork-lifts), agricultural machinery, sale of consumer goods, sale of large and small household appliances, furniture and other technology as well as equipment for the power industry and medical equipment. The sale of Hyundai cars represented almost 39% of sales of this business division, while catering and tourism along with real estate management accounted for less than 4%.

The sector generated most of its revenues on the domestic market, while the importance of markets in Southeast Europe is constantly growing.

In 2001 the sale of Hyundai cars was the most successful activity within the business division. The company, seated in Zagreb, is the general importer of Hyundai cars in Croatia. The goal of the company is to ensure its presence throughout Croatia with Hyundai sales and service centres providing high quality service not only in sales but also servicing, in order to secure a permanent place among the top ten best sold car brands in Croatia.

One of the more successful programs was the sale of air-conditioning units in Slovenia and in the markets of Southeast Europe. After only two years of trading Gorenje GTI secured a strong position in the Slovene, Croatian, Bosnian and Macedonian markets and made a successful breakthrough onto the markets of Serbia and Montenegro by selling air-conditioning units under the Gorenje brand name.

The transport mechanisation division continued its successful sales of CLARK and BT Industries forklifts on the Slovene, Croatian and Serbian markets. Essential to the expansion of this program was the acquisition of the exclusive distribution rights for the Spanish machine manufacturer AUSA.

In the Energy segment, which provides various items of machinery and their related equipment for coal mines and power supply systems, the successful completion of the project for power stations on the Soča river (synchronisation of the hydro-electric power plant Plave II) as well as the signing of the first turnkey projects in Bosnia, Serbia and Montenegro can be counted among the important results for 2001.

The medical equipment division failed to meet expectations in 2001 in generating business for equipping large hospitals. The signing of a dealership contract with Philips Medical Systems should provide new opportunities for securing larger projects not requiring public tenders, as well as in direct sales.

Catering and tourism are limited to the valley Šaleška dolina, where Gorenje managed to increase its market share by providing quality service and introducing new activities thus slowly lowering the percentage of sales within the Gorenje Group. Last year Gorenje managed to expand its business and conference facilities at the Hotel Paka in Velenje and in so doing provide the setting for ambitious growth.

The activities of managing business and residential facilities have been accompanied by complementary activities linked to the business of real estate.

Furniture Division

By acquiring the majority stake in Gorenje Notranja oprema, d.d., one of the largest Slovene producers and exporters of furniture, Gorenje started to implement its strategic plan aiming towards the growth of other activities, generating synergy within the Group. The production of kitchen furniture takes place in three countries: Velenje, Maribor (Marles) and Austria as well as in the Czech Republic.

Apart from kitchen furniture the program of complete interior furnishings also includes bathrooms, ceramic tiles, engineering and other services, which are either directly or indirectly linked to residential interior furnishings.

In 2001 the sales of this business division grew by 79.4%. The majority of this increase comes from the acquisition of Gorenje Notranja oprema, and a part from actual internal growth (11%).

This sector is export-oriented, selling 70% of products abroad, 55% of which to countries of the European Union. On these markets it uses specific products to meet demand in market niches, in other words our competitive advantage. An important share of sales was generated in the markets of Southeast Europe (10%) and Slovenia (30%), where Gorenje sees opportunities for growth and a decrease in risk according to the market. This will be achieved by a more aggressive approach towards our domestic market and direct investments into the construction of production units in Southeast Europe. In 2002 an assembly line will begin to operate in Bosnia. East European markets account for the rest of sales (5%).

Gorenje has three brand names of kitchen furniture on the market: Gorenje Kuhinje, Optigor and Marles.

For bathroom equipment and furniture Gorenje uses the brand name Gorenje Kopalnice, and for ceramic products, Gorenje Keramika.

The strongest of all programs is the kitchen and bathroom furniture program, which holds a more than 70% share of sales volume. Ceramic tiles account for 10% of sales in the structure of this business field. By investing into doubling capacity in the ceramic tiles sector we are determined to become a major player among ceramic tile producers in Southeast Europe. The main advantages will be quality, quick response, variety within the sales program, and customer satisfaction.

Complementary products and the introduction of services (engineering and other consulting services) should boost sales of existing interior furnishing products, improve the visibility of the sales program on the market and last but not least improve profitability.

In 2001 the range of kitchens grew with the inclusion of the Delta program, while bathroom furniture by the addition of small bathroom units. Investments into the production of foil-coated fronts, have enabled us to develop new fronts, modernise our product range and provide enhanced flexibility. The production program has been extended to include the production of kitchen sinks and working surfaces. Gorenje also expanded its selection of ceramic tiles with internal wall tiles.

In 2001 all furniture factories within the Gorenje Group started to integrate their activities in order to define single supply sources, internal production co-operation and specialisation as well as other synergies.

Machine Building and Tool-Making Division

The machine building and tool-making division strongly relies on business from within the Gorenje Group. Due to the extensive investment cycle in household appliances, capacities were reserved for this purpose. For this reason the structure of consolidated net sales of the Gorenje Group shows the division's share smaller than the year before decreasing from 0.8 to 0.6%. In real terms revenues grew by 5.9%.

Machine building holds a share of 56% in this sector, tool-making 40% and measurement systems 4%.

In the first half of the year Gorenje Indop finished the equipment for the new fridge-freezers plant. In addition to which they produced three high output production lines for the completely automated production of nets for the galvanisation plant. They also completed two major hydraulic press projects for the cooking appliance program; one of which a fully automated 1000-ton press as well as a transfer line for sheet metal processing featuring four 315-ton presses.

Through quality products and services Gorenje Indop and Gorenje Orodjarna have gained top references in the automotive industry. In regard to tool making for the automotive industry co-operation with the concern Magna should be mentioned, as well as co-operation with Revoz for machine building. In this way the strategic goal of looking for business opportunities in sectors outside that of household appliances is being implemented.

Faster development and skills acquisition for new products and materials must be closely followed by the tool-making industry by taking advantage of new technologies and organisational measures, brought about by the constant expansion of knowledge, search for new solutions and the modernisation of technological equipment. All around the world there is an enormous demand for experts in the field of development and similarly in tool making. This has caused demand to shift from larger industrialised countries to less developed ones. The basic features of the tool-making market are globalisation and specialisation. Slovenia responded to this move in the same way as some other countries. In 2001 the basis for co-operation between Slovene toolmakers was defined within the Slovene tool-making group. Gorenje Orodjarna is a member of this group.

For its achievements in generated sales Gorenje Indop met the requirements of the Slovene Chamber of Commerce to be awarded the title of "GAZELLE" as one of the fastest growing Slovene companies.

Understanding customers' requirements

Gorenje's plans for future development anticipate the emergence of new global, social and economic conditions and with this vision we are very similar to our competitors. Values that will shape future developments are, globalisation and the internet economy, environmental awareness, intelligent products, personal integrity, society, friends, a caring attitude towards property, concern for the vitality of the continually ageing population in the industrialised world and its interactivity in everyday life, and last but not least, fun.

The success of companies will depend on the prompt identification of customer requirements and needs. They will have to be inventive, use modern technologies, successfully manage markets and brand names, be excellent in their business processes, protect the environment, build web links and understand how to use the power of the media. The development of the Gorenje business system is based on clearly defined goals, following the strategy "to be the most flexible company in all areas of our activities."

By developing creative solutions Gorenje will make life more pleasant. The pace of modern life is becoming increasingly faster and more complicated, new forms of family are evolving redefining roles and responsibilities and their understanding of the quality of life. In co-operation with Universities of Slovenia, Gorenje is studying and analysing contemporary trends, which inspire the development of innovative products, using this information to adapt to the desires and requirements of the end user. Well considered ergonomic solutions for appliances and intelligent technology that thinks for us, can lighten the load of everyday kitchen chores. Knowing how to listen to the market has enabled Gorenje to develop a wide range of appliances made from various materials, to meet all tastes, that bring a distinctive touch to our kitchens and living environment.

Into its future vision Gorenje integrated the demands of the "home of the future". The high level of knowledge integration into products, which will be user-friendly companions in everyday life, as well as the flexibility of the manufacturer to adapt, will increasingly become an advantage. Therefore Gorenje faces another challenge: to integrate its intellectual potential in order to achieve a critical mass of knowledge for generating new ideas along with identifying new opportunities, that will bring about new wealth or higher added value. Gorenje is constantly strengthening and promoting its innovation momentum by using different tools for acquiring knowledge, in order to generate and develop new ideas.

Improving the ability to compete

To improve the ability to compete Gorenje has initiated various methods of operation designed to provide a systematic way of monitoring the path towards reaching planned targets, checking along the way if the results meet expectations and lead to the defined goals.

In 2001 Gorenje paid particular attention to:

- restructuring of business processes and upgrading of information systems as a way of radical transformation of business processes and the implementation of standard software;
- »20 key« method for assessing the competitive position of the company on a global scale, and constant improvements, which provide survival and progress in a world of new competition. The method integrates different methods of transforming a company, which can be used rationally and effectively, into a closely linked entity;
- decrease of time between order and the delivery of products to customers, including methods for improving flexibility and the capability of the company to respond to the customers' requirements (OTD process);
- process of simultaneous development, the main feature of which is simultaneous performance of development activities in different expert fields in the process of bringing new products from idea to serial production, and
- e-commerce.

Updating of business processes and information systems

In October 2001 a decision was taken to introduce standard SAP software to support business processes throughout the Gorenje Group. Taking this decision was the final action in an almost two year long preparatory process. In 2000 all business processes were identified and all existing information technology for these processes were listed at the parent Gorenje company. The conclusions of this part of the project have highlighted several improvements for business processes that will lead to a reduction in costs. Apart from positive synergy effects, which are expected by introducing the SAP software, Gorenje also expects to get a technologically up-to-date, efficient and user-friendly tool for the support of business processes. At the same time activities are taking place to upgrade existing hardware and to provide secure and efficient communications.

The introduction of standard software will be gradual over several years. Gorenje will begin with its sales processes, purchasing, production and logistics, and continue with the processes of financial management, controlling and accounting. Gorenje will introduce a standard software for all the development, quality management and after sales support processes. The first phase will include the household appliance division, which will apart from the parent company also include companies abroad. In the following phases the information systems will also be introduced to other divisions of the Gorenje Group (furniture, machine building and tool-making as well as the service sector) as support for business processes.

Quality management

The high quality of products, compatible and effective processes, as well as a high skill level of employees are the main factors to our successful business operation. The quality policy is based on the principles of total quality management. It serves as a guideline for each individual within the company and is our commitment to our business partners. All our activities are focused on meeting the needs of customers, therefore we strive to supply products and perform services error-free and on time. Gorenje makes every effort to understand the current and future needs of customers and meet their growing requirements and expectations.

By target management and the constant training of employees Gorenje increases its awareness for improving not only the quality of the products but also of the working culture within the company. The results are the improved flexibility of employees and improved results of important quality factors. Working in teams, where individuals combine their ideas, contributed to a constant improvement of key processes and company results.

The quality management system is based on the principles of the ISO 9001 standard. In the second half of the year the quality management system began a period of adaptation to meet stipulations by the updated ISO 9001/2000 standard. This standard is based on the satisfaction of customers, constant improvements and constant progress.

The company is introducing a system for the constant improvement of all employees and all the business functions. Market oriented quality criteria for each function are guidelines for continual improvements and progress. The overall concept of constant improvements and continual progress is being implemented using the 20 key project, throughout 2002.

The conformity of our quality assurance system is verified annually by external auditors of certification bodies, inspectors and business partners. The successfully completed audits by business partners and inspectors allow us to proceed with existing business operations and open opportunities for new cooperation.

Environment protection

The highest priority task laid out in the strategic plan of the Gorenje Group is that of improving the quality of life in both the local and wider environments. Such a commitment demands of us constant improvement, development of products as well as an excellent knowledge of technological processes on both a company and global level. Impacts on the environment of spent products must also be taken into consideration.

Gorenje has integrated the principle of sustainable development into all its plans and decisions. Throughout 2001 the established trend of reducing usage of natural resources leading to more cost-effective products has continued. We are pleased that Slovenia has also adopted the legislation governing the classification of household appliances into energy efficiency classes along with standard coding, in addition to which placing limits on the production and sale of less energy efficient appliances. Gorenje's program of refrigerators and freezers first met such requirements back in 1994, leading us to anticipate that conformity to such requirements will be successful on the local market too. Gorenje is striving to produce energy efficient appliances, a matter of extreme importance to the protection of the environment.

In 2001, according to the environment management policy adopted by Gorenje, the following results were achieved in the production of household appliances:

- reduction in the quantity of hazardous waste by 17% per product,
- reduction in the quantity of waste for disposal by 26% per product,
- decrease in the use of the wastewater treatment plant (lower input) by 60%,
- reduction of water consumption by 30% per product,
- reduction of natural gas consumption by 6% per product.

One of the strategic goals of the Gorenje Group is to obtain the environment management certificate in accordance with the ISO 14001 standard. To date this certificate has been awarded to: Gorenje, d.d., Gorenje GTI, d.o.o., Gorenje Indop, d.o.o., Gorenje Orodjarna, d.o.o. and Bitern, d.o.o.

The Slovene magazine 'Gospodarski vestnik' (Economic Herald) and the Environmental Development Fund of the Republic of Slovenia, this year for the first time awarded prizes to the most environment friendly companies. The team of experts studied actions implemented by companies to reduce environmental pollution and to produce more environmentally friendly products. They also examined how environment protection is integrated into a company's development strategy. Gorenje is proud to have been awarded the title of 'Environment Friendly Company' for 2001.

In the coming years Gorenje will face the challenge of how to actively manage the problem of waste generated by the production and sale of appliances. This is also one of the requirements of the European directive, coming into force in Slovenia in 2004.

Employees

In 2001 the average number of employees of the Gorenje Group was 8,236. The acquisition of the company Gorenje Notranja oprema led to an increase in the total number of staff in the Gorenje Group by more than 14%.

The trend of improving the educational structure of employees has continued. The year on year changes are not significant, but they are constant. The modernisation of production technology and business operations requires a high level of professional knowledge. Gorenje gives priority to job candidates with a higher level of education, even when recruiting for positions requiring fewer qualifications.

The fluctuation in the number of staff was less than the year before. Taking on and releasing staff depended almost totally on the number of required staff corresponding to the fluctuation in production output. The new changes regarding pension insurance has brought a sharp drop in the number of people opting for early retirement.

Business sector	2000		2001	
	Number of employees as at 31.12	Average number of employees	Number of employees as at 31.12.	Average number of employees
Household appliances	6.492	6.310	6.470	6.536
Services	324	320	302	295
Furniture	241	239	1.076	1.069
Machine building and tool-making	329	320	338	336
Gorenje total	7.386	7.189	8.186	8.236

Additional pension insurance

In 2001 Gorenje successfully completed activities for providing the possibility for employees to join the company additional pension insurance scheme. For this purpose the project group analysed options available on the market. They took great care in informing all employees of changes in retirement legislation. They prepared materials for selecting an insurance provider for the scheme, they also prepared the contents of the contract on forming a pension scheme, as well as a contract entering into the pension scheme. Greatest attention was paid to financing the scheme, where two goals were pursued:

- to achieve optimum effects in regard of tax incentives to benefit premiums of the insured individuals,
- to achieve a majority participation by employees.

An understanding was reached with the trade unions, that the employer will pay premiums, while the employees agree that the premium is paid out of their gross salary (differentiated regarding gross salary).

The prompt and thorough flow of information to the employees regarding changes in pension legislation and the model agreed upon with trade unions, contributed to the decision by more than 75 % of all employees to join this scheme.

Staff education and development

In the year 2001 there was an increase in the number of our employees who attended various educational and training courses. The courses were carried out in co-operation with both local and foreign experts. While they covered different topics, the general focus of all the courses was to help our employees accept and react to the speed of change and development in the modern world.

Apart from a number of traditional forms of education special emphasis was given to training employees moving to the new plant for fridge-freezers. The content of the training courses was selected to facilitate the easier transition of the employees to new technologies and a new working environment. Great care was taken to train new employees and their instructors concerning the introduction to the workplace. The funds allocated to professional training and education of employees

represents almost half of the education budget, demonstrating that we are following global trends in the field of acquiring new knowledge.

Managers in their everyday work with their teams are, increasingly using the tools and concepts developed in recent years in the field of staff development. The positive results of a systematic assessment of the personal development of staff have enabled us to create our own base of people with potential. This information allows us to successfully meet our needs in placing the right people in the most crucial positions. Also in this year the process of introducing a new generation of managers in our companies abroad was carried out.

We celebrated the 10th anniversary of the Managers' Academy with a get-together of all the Academy's participants and with a special publication. The Managers' Academy has become an instrumental factor in the strategic development of the company. Over the years its development contributed to the expansion of the knowledge base, with each academy's participants building on the knowledge and experience of their predecessors. During the past ten years many business plans and projects have been developed through the Academy, which have been implemented in practice. The most important fact is probably that it helped create an important pool of knowledge, experience and sense of belonging to Gorenje, while promoting a positive attitude to investing into one's own knowledge and personal development.

Health and safety in the workplace

The lead project in the area of occupational health and safety last year was the preparation of risk analysis for individual workplaces or working environments. The risk assessment was performed using our own expertise and staff. Using the results of this analysis we introduced our own system of managing safety and maintaining health in the workplace, ensuring constant improvements in making the workplace more people-friendly. We have intensified our efforts in prevention of accidents through hands-on training. Maintaining the physical and mental condition of employees has been carried out by expert guided medical prevention activities in the Topolšica spa. This included more than 600 employees from assembly lines and working environments where potential work-related health risks have been identified.

In the field of fire prevention Gorenje has prepared a fire hazard assessment for each individual facility. The assessment was an expert basis on which to decide on the most appropriate active fire prevention measures. In the fridge-freezers plant, the new galvanisation plant and the prototype workshop, fire alarm systems have already been installed. In 2002 the installation of such systems will continue in the program of washing machines, cookers and the maintenance department. We also purchased a fire engine for our professional fire-fighting unit, enabling the mobility of operative and technical equipment.

Raising the quality of life of our employees

The Gorenje Cultural Society was founded with the aim of boosting interest in the business system - the tough and realistic world of economy - by deepening awareness of cultural values, creativity, diversity, caring relations and the challenges of contemporary society. Although seemingly incompatible, culture (in its broadest sense) and economy, facilitates and gives meaning to our efforts and work.

The Gorenje Cultural Society was actively involved in preparing meetings, exhibitions and various educational courses. The Society also includes a club for promoting the reading of cultural works, a traveller's club and a manager's club.

Communicating with employees

Gorenje encourages good relations both within the company and the surroundings. Setting up good relations with strategic sectors of the public increases the autonomy of the organisation in meeting its goals. In order to achieve this two of our activities are the publication of the Črno na belem (Black on White) weekly and the Pika na G (Dot on G) periodical newspaper.

Last year for the first time a competition for best in-house magazine Zlato pero 2000-2001 (Golden Quill) was held in Slovenia. In the newspaper category 'Črno na belem' came first making it eligible for the international competition, organised by the European Federation of editors of in-house magazines. We also celebrated the 35th anniversary of the publication of the first paper called 'Informacije članom kolektiva', the predecessor of the former 'Informator' and current 'Črno na belem' magazine.

Gorenje in society

As in previous years Gorenje has built into its development plans, concern for, and co-operation with the social/cultural environment. Preference was given to activities, societies and organisations, featuring programs that contribute to the cultural and educational development as well as healthy and creative attitude of employees. We also responded to some initiatives and projects on a wider national scale by giving donations and sponsorships to individual institutions in Slovenia. Gorenje financially supported some cultural and artistic projects, so that Slovene cultural institutions were able to participate at events abroad, specifically in regions important for Gorenje's marketing activity.

At Gorenje we are convinced that culture and business can go hand in hand, comfortably and effectively promoting each other and the recognition of Slovenia. In our commitment to this end in 2001 Gorenje participated many projects. Here are some of them: International Graphic Biennial in Ljubljana, an appearance by the Slovene Youth Theatre in Belgrade, a humanitarian concert for children in Macedonia, an appearance by the Gorenje Mixed choir in Berlin, sponsorship of the Tisnikar - Begič exhibition in Berlin, concert performance by the world famous Philharmonic Orchestra from Dresden in Cankarjev dom in Ljubljana.

In respect of health and social welfare, Gorenje gave aid in the form of funds and household appliances to neighbouring hospitals, day-care centres for youths with special needs as well as providing furnishings for the foundation "Safe House".

Co-operation continued with both Slovene universities and research institutions connected to the program of common development activities.

Investments

In 2001 the Gorenje Group allocated 14,350.3 million SIT for investments, 13,506.3 million SIT for tangible assets and 167.7 million SIT for long term intangible assets as well as 676.3 million SIT for long-term financial assets.

Overview of investments by the Gorenje Group by type

	in million SIT	
	2000	2001
Intangible long-term assets	228	167.7
Tangible assets	13,749	13,506.3
Land	406	185.5
Buildings	1,004	101.1
Equipment	12,262	13,047.8
Advance payments	77	171.9
Long-term financial assets	1,003	676.3
Total investments	14,980	14,350.3

The main investments by the Gorenje Group in 2001 were connected to the completion of the biggest project and investment cycle in the past five years, which was that of the new plant for fridge-freezers. The new galvanisation plant for the production of mechanical components was completed, with funds allocated mainly to the acquisition of new equipment. Increased investment activity also took place in the reconstruction of tools, technical equipment and manufacturing machines for the new generation of "NG 602" cookers and "ATAG" fridge-freezers, as well as in assuring the production of popular appliances.

Considerable investments were made in infrastructure development. A warehouse facility in Prague was completed, the second phase of constructing a management and warehousing complex in Sarajevo and the building of a management and warehousing centre in Zagreb, were started. An important act completed in autumn 2001 was the relocation and concentration of business to a new location in Warsaw, Poland. Land was purchased and construction works started for a new management and service centre for 'Hyundai avto Zagreb'. In the furniture division Gorenje invested into a production line for foil-application to doors and began reconstruction works to increase output and extend the product range of ceramic tiles.

An overview of investments into intangible long-term assets and tangible assets by business sector

	in million SIT	
	2000	2001
Household appliances	13,110.9	11,916.0
Service	100.3	586.7
Furniture	306.3	798.7
Machine building and tool-making	459.5	372.6
Total	13,977.0	13,674.0

Long-term financial assets

The Gorenje Group increased long-term financial assets by 676.3 million SIT. The increase is due to investments into shares and stakes in the amount of 454.8 million SIT, long-term loans in the amount of 106.2 million SIT along with an increase in long-term deposits totalling 115.3 million SIT.

The increase of investments into shares and stakes reflects the subscription of additional capital for Telemach d.o.o., Gorenje GTI d.o.o. and the establishment of the Gorenje Real Spol s r.o company, part of the Gorenje Beteiligungs GmbH.

Outlook for 2002

In 2002 the Gorenje Group plans to generate net sales of 173.464 billion SIT and 3.888 billion SIT of net profit. In comparison to 2001 the anticipated growth rate of sales is 8%, while planned net profit should be 16% higher. The anticipated growth rates will be achieved by growth in sales on the markets of East and Southeast Europe as well as maintaining sales levels on markets of Western and Central Europe. Considerable growth rates are also planned for all other activities in the revenue structure of the Gorenje Group.

After several years of intensive investment activity into household appliances, investments in this field will be more settled. Investments into other business fields are likely to increase. The Gorenje Group will allocate 12,658 million SIT for investments, out of which 7,366 million SIT for household appliances. The most important investments will be an automated warehousing facility, warehousing and distribution centres in Southeast Europe, a furniture assembly line in Bosnia, environmental projects and information technology.

To reach these goals the activities in the field of household appliances will focus on marketing products under Gorenje's own brand name and improving product features in order to generate higher profit margins. Emphasis will be given to the range of new generation products. We will make better use of synergies with other activities that will widen the range. Gorenje will use the diversification of markets as an advantage, to reduce sales risks in the light of anticipated slow growth rate conditions. In the furniture sector Gorenje will extend its product range to complete interior furnishings and design activities with the aim of becoming a universal European provider of interior furnishings. Machine building and tool manufacturing will be directed more extensively towards domestic and foreign markets, while the service sector will expand its range and sphere of business by using synergies within Gorenje.

Gorenje will optimise its logistics costs by developing its own distribution system and centralised management of key customers. Effective planning and information support will enable better stock control. Using its financial policy Gorenje will manage currency and commercial risks, optimise liquidity and the structure of finance sources. The service sector will focus on comprehensive management across all markets and provide uniform standards of servicing. More emphasis will be given to the role of the internal audit.

By introducing the project of modernising information processes within the Gorenje Group through purchasing standard SAP software, Gorenje will optimise its business processes. The results will be seen in 2003. This will affect the processes of production and sales, purchasing, logistics, financial management as well as controlling and bookkeeping.

The number of staff will be maintained at the present level, focusing particularly on the education and training of employees working with new technologies, optimising workplaces and the internal restructuring of staff.

Entering 2002 will be a step into a year presenting the most insecurity to date. Despite this fact Gorenje plans ambitious growth rates. In 2001 all key goals of the strategic plan were met, therefore 2002 will be a year for carefully considering the continued development of the core business along with the other activities of the Gorenje Group.

Shares on the stock market

Share prices and trading

After the successful completion of ownership restructuring Gorenje became a joint stock company issuing 12,200,000 ordinary registered shares at the end of 1997. The shares of Gorenje d.d. were first traded on the stock exchange in 1998, when Gorenje listed its shares on the OTC market at the Ljubljana stock exchange. Gorenje shares traded under the name 'GRVG' made their first appearance on the stock exchange on November 10th, 2000.

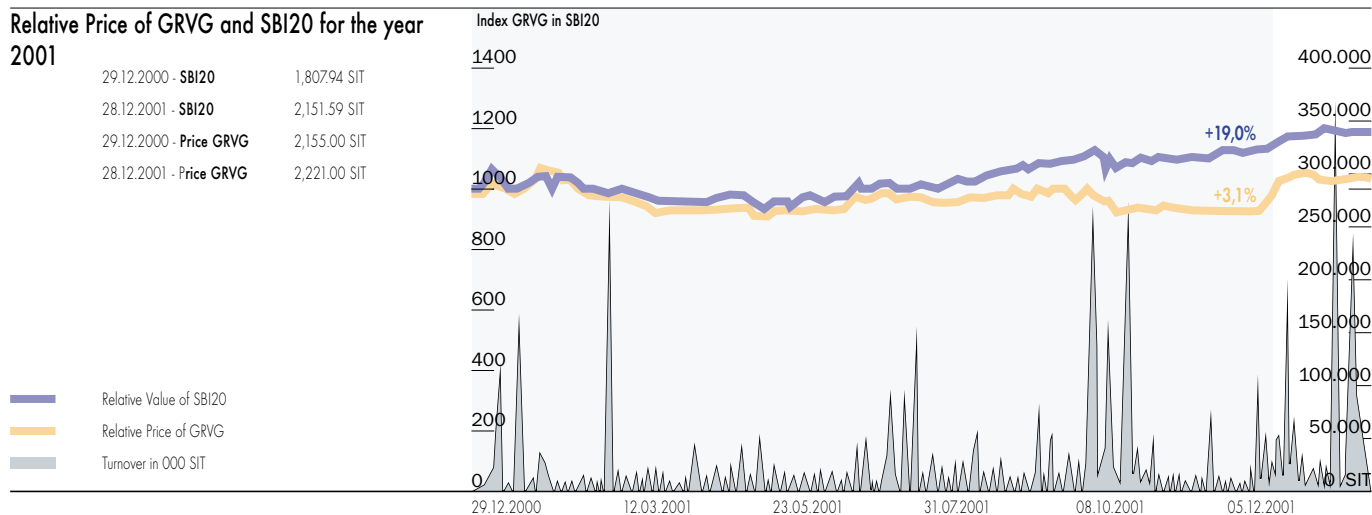
The Gorenje shares rank eighth on the Ljubljana stock exchange not only by trading volume but also by market capitalisation and are part of the SBI20.

The share price was still influenced by the fire at the galvanisation plant in September 2000, although at the beginning of the year it started rising reaching its highest value for the year at 2,303 SIT. In April the price began to slip back again and fell below the 2,000 SIT per share mark lingering around this figure for the rest of the year. It was only at the year-end that the share price exceeded 2,000 SIT. On the last day of trading the price was set at 2,221 SIT. A share generated an earning of 3.1%.

The low share price also affected overall turnover in 2001, with it being down 12% compared to the year before. Comparisons with 2000 are not realistic, because B and D type shares have been released for trading thus bringing to light in just the first three months all turnover from future contracts concluded during the last years.

Relative Price of GRVG and SBI20 for the year 2001

29.12.2000 - SBI20	1,807.94 SIT
28.12.2001 - SBI20	2,151.59 SIT
29.12.2000 - Price GRVG	2,155.00 SIT
28.12.2001 - Price GRVG	2,221.00 SIT



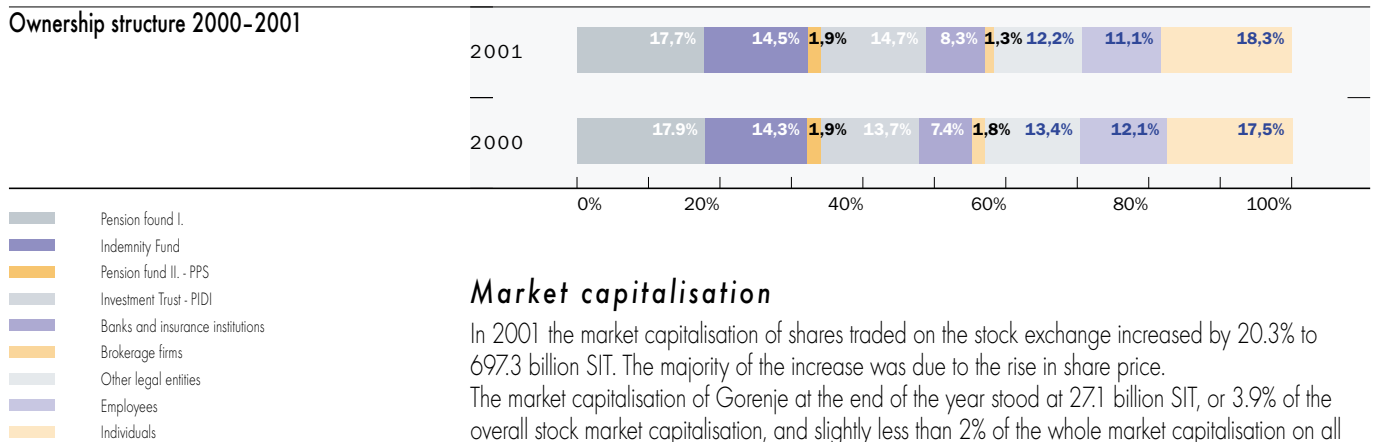
Trends in the ownership structure

In the period following the privatisation process the number of shareholders fell by almost half, but in 2001 the number of shareholders did not change significantly. At the end of 2001 Gorenje had 13,598 shareholders or 1,032 shareholders less than the year before.

Compared to the previous year, the decrease in the number of shareholders in 2001 did not bring major changes in the ownership structure. Following the completion of ownership restructuring the number of natural persons dropped significantly from 48% to 29.4%. This was particularly due to the sale of shares acquired during the internal distribution and internal acquisition process as well as through the public offering. The trend in the changes of the ownership structure is moving towards institutional investors.

In 2001 both state owned companies did not increase their share, causing a slight decrease, while other institutional investors, among whom authorised investment companies, investment companies, mutual funds, banks, insurance companies and Slovene companies increased their share by 0.2%.

Ownership structure 2000-2001



Market capitalisation

In 2001 the market capitalisation of shares traded on the stock exchange increased by 20.3% to 697.3 billion SIT. The majority of the increase was due to the rise in share price.

The market capitalisation of Gorenje at the end of the year stood at 271 billion SIT, or 3.9% of the overall stock market capitalisation, and slightly less than 2% of the whole market capitalisation on all markets.

The market capitalisation of Gorenje increased by 3.1%, a total consequence of the rise in stock price, while the average market capitalisation is lower compared to 2000.

Dividend policy and the distribution of dividends

Gorenje allowed the profit sharing policy to be shaped by investment needs and the capital structure policy, however it did not neglect the expectations and interests of shareholders. The adopted strategic plan anticipates that Gorenje will allocate up to a third of total net profits for dividends for the period of the accepted strategic plan up to 2003.

In 2001, according to its policy, Gorenje paid dividends for the first time in the gross amount of 70 SIT per share. The total amount of paid out dividends in 2001 was 854 million SIT.

Trading trends

	2000	2001
Number of shares on the market	12,200,000	12,200,000
Turnover (in millions of SIT)	7,250	6,416
Average market capitalisation (in millions of SIT)	26,283	26,266
Value turnover (turnover/average capital.)	0.28	0.25
Book value of share in SIT (Gorenje d.d. equity/number of shares)	3,508	3,939.2
Net profit per share (in SIT)	224.3	274.1
Gross dividend per share (in SIT)	-	70
Profitability of share		
- by capital gain in %	-9.1	3.10
- by dividend in %	0	3.25
- overall in %	-9.1	6.35
P/E ratio (market price of share/earnings per share)	9.11	8.53

Proposal for the allocation of calculated profit

The financial statements were prepared according to old bookkeeping standards taking into account stipulations of the amended Law on Business Entities (ZGD). According to Article 228 of the Law on Business Entities the management and the Supervisory Board allocated half of the net profit in the amount of 1,603,877,653.59 SIT to the reserves of the company. The shareholders' meeting will decide on the allocation of the calculated profit.

According to the seventh chapter of the updated Law on Business Companies the initial balance of capital items in 2002 is as follows:

		in SIT m
I.	Subscribed capital	12,200.0
1.	Nominal capital	12,200.0
2.	Non called-up capital (as a deductible item)	0
II.	Capital reserves	0
III.	Provisions from profit	11,463.6
1.	Legal provisions	3,090.3
2.	Provisions for own stakes	0
3.	Statutory provisions	0
4.	Other reserves from profits	8,373.3
IV.	Deferred net profit / loss	4,087.6
V.	Net profit / loss for the business year	1,603.9
VI.	Change in value of nominal capital elements	18,703.3

The calculated profit, consists of deferred net profits from previous years in the amount of 4,087,602,305.60 SIT and a non-allocated part of the profit of the 2001 in the amount of 1,603,877,653.59 SIT, together totalling **5,691,479,959.19 SIT**. The management of the company and the Supervisory Board will propose at the shareholders' meeting to be held in June, the following allocation of the calculated profit:

- for the payment of dividends to shareholders in the amount of SIT 976.000.000, totalling SIT 80 of gross value per share, to which are entitled the shareholders, who will be entered in the share register as of 28th June 2002. For the payment of dividends to shareholders, a part of balance profit shall be used, represented by a revaluated portion of undistributed profit of the year 1997. Dividend shall be paid in the term of 70 days after the receipt of this conclusion;
- payment of bonus to the Management Board in the amount of 31,101,445 SIT
- payment of bonus to the Supervisory Board in the amount of 18,310,973 SIT,
- other reserves of the company in the amount of 2,333,033,770.59 SIT,
- and non-located profits in the amount of 2,333,033,770.59 SIT.

Insuring people and property

In 2001, there were no major changes in the content of the insurance policies for people and property. We continued to pursue our goal of maximum cover for all risks and controlling costs regarding insurance. The insurance policies include fire insurance, car insurance, civil liability insurance, transport insurance, product insurance, and personal accident insurance. In 2002, Gorenje will draw an insurance policy against production stoppages and continue activities for further improvements concerning occupational safety and maintenance.

Currency risk

Gorenje faces currency risks with both purchases and sales as well as when endorsing and taking out foreign currency loans.

Sales and purchases on the same markets or in the same currency balance out a part of the credit risk. In 2001, 51% of the total sales in markets of Central and Southeast Europe, as well as the majority of purchases, representing 64% of total purchases were made in markets of the so called "Euro" zone.

The actual currency risks are generated by sales to customers in individual countries of East and Southeast Europe. The Gorenje Group manages a part of this type of risk in Poland and the Czech Republic by signing future contracts for "soft currencies". In 2002 Gorenje will continue to seek adequate methods of minimising risk involving other "soft currencies", in particular the Croatian Kuna and the Hungarian Forint.

Interest rate risk

A part of the loans taken by Gorenje have a fixed interest rate, while Gorenje closely monitors the actual interest rates in individual markets and the total cost of fixing interest rates. For loans with floating interest rates the company works with individual banks that are offering instruments for managing interest rate risks.

Credit risk

A credit risk is a risk that a party, involved in the contract on the financial instrument will not honour its obligations and will make the other party suffer a financial loss. Gorenje constantly monitors the honouring of obligations by contractual partners and assesses their credit worthiness.

Gorenje, d.d. has taken out an insurance policy with the Slovene Export Company (Slovenska izvozna družba d.d.) for the outstanding debts of 23 clients. All other companies from the Gorenje Group, with the exception of Gorenje Vertriebs, Gorenje France and Gorenje Budapest, which are using other insurance companies, have insured their outstanding debts toward third parties with the Slovene Export Company.

A part of outstanding debts in Slovenia is insured by mortgages and bank guarantees. In connection with the more explicit exposure of the Slovene market to credit risks, talks with the Slovene Export Company are under way regarding conditions and possibilities of insuring outstanding debt in the domestic market in 2002.

Solvency risk

The solvency risk is a risk that the company will encounter difficulties in gathering financial means, required for honouring its liabilities.

Due to its good credit rating the Gorenje Group currently faces no difficulties in accessing financial means, it can make use of short term overdrafts with banks, and uses them according to its current liquidity situation thus increasing the flexibility of the business activity. The unexploited short-term overdraft limits amount to approximately 25% of total loans.



D O V Z E T N I Z A R A Z L I Č N O S T



Financial report

Business performance analysis **Business performance in 2001 compared with 2000**

14% increase in nonconsolidated net sales revenues
21% increase in consolidated net sales revenues
22% increase in net profit
18% increase in added value
6% increase in net sales revenues per employee (cons.)
3% increase in added value per employee
SIT 13.7 bn of investments, 2.2 % decrease compared with 2000

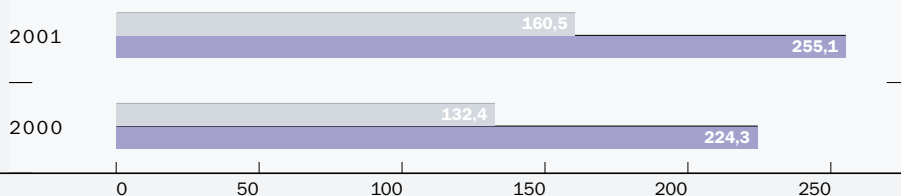
Revenues

Sales of household appliances (principal activity), water heaters, furniture, machines and tools and services generated SIT 160,530.6 million of consolidated net sales revenues in 2001. This was a 21.2% increase over the year 2000. Slower growth in unconsolidated sales (13.7% compared with 2000) continued also in 2001 as a reflection of the implementation of strategic objectives aimed at reducing indirect supplies of materials and component parts from subsidiary companies abroad.

Other operating revenues generated additional SIT 2,144.2 million. Gross operating yield amounted to SIT 163,103.9 million, an increase of 19 % over the previous year.

Net sales revenues of the gorenje Group (in SIT bn)

NSR - consolidated
NSR -nonconsolidated



Costs (expenses)

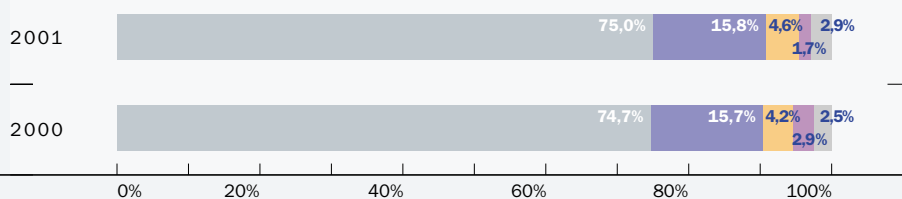
Costs of goods, materials and services represent the highest share - 75% of gross operating yield. They amounted to SIT 122,329.1 million, 19.5% over the year 2000.

The reasons for the rise were increased volume of production and changes in product range, and real increase in input prices in the second half of 2000, which continued throughout the first quarter of 2001. In the second quarter of 2001 input prices started falling compared with the last quarter of 2000, in line with the world trends of the period.

Costs of goods, materials and services grew slower than net sales revenues, which increased by 21.2% compared with 2000 as a result of good cost control and changed structure on account of inclusion of the company Gorenje Notranja oprema, d.d. in the Gorenje Group.

Labour costs, representing 15.8% of gross yield, increased by 19.7% compared with 2000 and maintained approximately the same share in the total gross yield as in 2000. Their growth was significantly influenced by the company Gorenje Notranja oprema, d.d. (whose labour costs represent 6.6% of the Group's labour costs), which in 2001 started operating within the Gorenje Group. The growth was also due to indexation and higher number of employees on average and of overtime on account of increased production of household appliances in the parent company.

Gorenje Group – shares of major categories in gross operating yield



- Costs of goods, materials, services
- Labour costs
- Depreciation
- Other
- Operating profit

Depreciation, whose share in gross operating yield has been steadily increasing, was SIT 1,741 million higher than in 2000 as a result of high volume of capitalised investments in 2001 in the parent company Gorenje, d.d.

In 2001 additional **provisions** of SIT 1,276.9 million were set up against the costs and SIT 1,379 million against sales revenues (warranties). In 2000 provisions for costs amounted to SIT 2,410.1 million. The major part amounting to SIT 1,706.5 million refers to the parent company, where provisions in this amount were set up for planned repair work and rehabilitation of buildings and equipment of the Galvana plant which had been destroyed and damaged by fire. The source of these provisions was the collected fire insurance .

Operating profit

Operating profit amounted to SIT 4,766.1 million, which was an increase of 37.1% over the previous year. Compared with 2000 its share in gross operating yield rose from 2.5% to 2.9%, evidencing efficient operating costs control.

Financial items

In 2001 the negative balance of financial items increased compared to 2000 by SIT 253.2 million and amounted to SIT 1,635.2 million. It represents 1% of gross operating yield. The negative balance of interest account rose significantly (by SIT 366.9 million) due to increased borrowing intended for investment financing and increased short-term borrowing for financing receivables. SIT 995.3 million of revaluation deficit represented an important part of financial expenses also in 2001, which had a positive impact on the Company's cash flow and liquidity being a non-cash expense.

Extraordinary items

In 2001 the balance of extraordinary items was positive and amounted to SIT 620.5 million. It was lower by SIT 303 million compared with the previous year. Compared with 2000 both extraordinary revenues and extraordinary expenses were lower because in 2001 extraordinary revenues included the collected fire insurance and within extraordinary expenses fixed assets were excluded due to fire in the Galvana plant of the parent company.

Tax on profits

Tax on profits amounted to SIT 407.9 million, a rise of 44.6% over the year 2000. It represented 0.3% of gross operating yield.

On the level of individual companies we optimised the tax on profits and made use of tax allowances on account of high investments, employment of disabled persons and additional employment.

Consolidated net profit

Consolidated net profit of the Gorenje Group for the financial year 2001 amounted to SIT 3,343.5 million, which was an increase of 22.2 % over the 2000 figure. It includes the profit of minority shareholders in the amount of SIT 101.5 million.

Changes in balance sheet structure

As at 31 December 2001 the **balance sheet total** of the Gorenje Group amounted to SIT 121,983.7 million, an increase of 19.1% over end of 2000. The increase was due to the inclusion of the company Gorenje Notranja oprema, d.d. (the company's balance sheet total represents 4.9 % of the Gorenje Group's balance sheet total) in the Gorenje Group, of higher volume of business and extensive investments.

Fixed assets rose by 23.4% and current assets by 15.6%. The share of fixed assets in the balance sheet structure rose from 44.1% to 45.7%, while the share of current assets fell from 55.9% to 54.3%.

The increase in fixed assets was a result of large investments amounting to SIT 13,674 million in 2001. SIT 196.6 million were investments in land, SIT 1,851.6 million investments in buildings, SIT 10,953.8 million in production equipment and other equipment and SIT 672 million in intangible long-term assets.

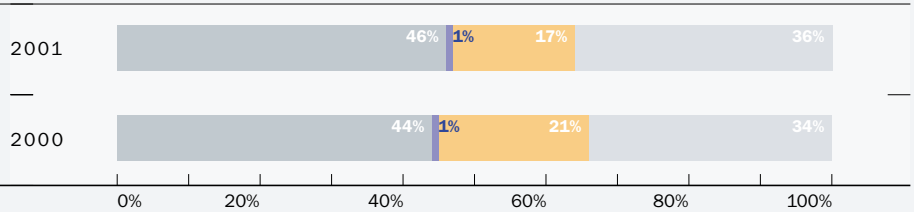
Long-term investments which grew by SIT 805.4 million compared with end of 2000, make up 2.1% of total assets. The increase is a result of the inclusion of the company Gorenje Notranja oprema, d.d. in the Gorenje Group (SIT 775.3 million). Other long-term investments decreased.

Within current assets a slight fall was recorded by **inventories**, which represent 17.5% of total assets. Inventories fell by 0.9% compared with the end of 2000 figure, a decrease of SIT 185.7 million. Inventories of materials fell by SIT 42.4 million, inventories of products and merchandise by SIT 513.9 million while inventories of work in process rose by SIT 426.2 million.

Because growth in inventories lagged behind sales growth the inventory turnover of products improved from 24 days to 21 days in 2001.

Gorenje Group- structure of assets

Fixed assets
 Long-term receivables
 Inventories
 Short-term receivables and other current assets

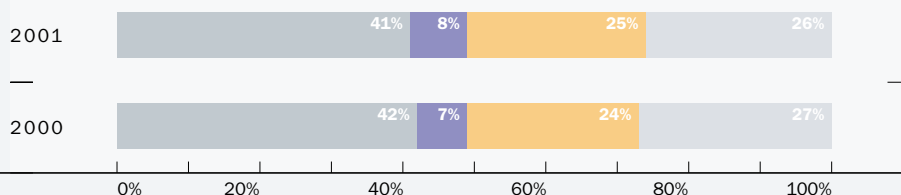


Short-term operating receivables represent 28.5% in the structure of assets of the Gorenje Group. Compared with end of the previous year they increased by SIT 6,746.2 million or 24%, and their share in the balance sheet structure rose by 1.1% due to high sales growth, changed structure of sales markets and increased sales in the markets of South-East Europe.

The most important item of short-term receivables was short-term receivables due from customers, which rose by SIT 5,690.8 million or 23.4% compared with 2000. The receivables turnover in terms of days remained unchanged compared with 2000 (64 days).

Short-term investments were SIT 6,177.1 million at the end of 2001. Compared with end of 2000 they increased by SIT 1,493.7 million. The major part of short-term investments refers to the parent company and its securities held for resale.

Gorenje Group - structure of liabilities



The structure of **liabilities** recorded the following increases compared with end of 2000: capital rose by 17.7%, long-term provisions by 38.1%, long-term liabilities by 58.7% and short-term liabilities by 11.2%. Also in 2001 the favourable coverage of long-term assets with long-term liabilities was retained with long-term liabilities exceeding them by 26.8%. The share of long-term provisions in the balance sheet structure grew steadily to reach 8.3% at end of 2001.

At the end of year 2001 the **capital** in the structure of liabilities to the source of assets represented 41.4% in comparison to the situation at the end of 2000, the capital share in the structure was reduced by 0.5 percentage points. Balance sheet total increased a little bit faster than the capital. Capital growth was 17.7%, while the balance sheet total increased by 19.1%.

In nominal terms capital increased by SIT 7,602.1 million on account of net profit for the year 2001, capital revaluation and inclusion of the company Gorenje Notranja oprema, d.d. in the Gorenje Group, and decreased by the amount of dividends paid in August 2001.

The structure of capital also changed due to reserves, which grew on account of allocation of profits from previous years to reserves held with the parent company and allocation of half of the net profit of the parent company and the company Gorenje Notranja oprema, d.d. to other reserves from profit (in accordance with Article 228 of the Law on Business Entities).

Long-term provisions increased by SIT 2,801.3 million or 38.1% compared with end of 2000. The increase mainly refers to the parent company (SIT 1,371 million) which set up provisions for warranties, negative goodwill and estimated liabilities deriving from labour disputes. The increase of SIT 325.1 million is a result of inclusion of the company Gorenje Notranja oprema, d.d. in the Gorenje Group. A considerable increase was also recorded by long-term provisions of the companies Gorenje IPC, d.o.o. (by SIT 243.2 million), Gorenje Zagreb, d.o.o. (by SIT 233.8 million) and Gorenje Skandinavien A/S (by 108.2 million).

Long-term financial liabilities rose by SIT 4,090.6 million or 58.7%. The increase mainly refers to the parent company (SIT 3,776.6 million) and was earmarked for financing investments. In the second half of the year part of short-term financial liabilities was restructured into long-term liabilities. It is important to mention that on restructuring loans into long-term loans total interest costs did not exceed the increase in loans. The loans maturity was extended and favourable interest rates obtained also for long-term loans.

Short-term financial liabilities rose slower than short-term assets and their share in the structure fell from 16.8% to 15.5%. In nominal terms they rose by SIT 1,701.9 million compared with end of 2000. The increase in short-term financial liabilities is due to higher assets required for the financing of increased receivables of the Gorenje Group.

Short-term operating liabilities rose by SIT 2,748.1 million or 10.4% compared with end of 2000. The major part of the increase refers to the parent company which changed its method of supply and obtained extended payment terms with suppliers.

Short-term operating liabilities grew slower than short-term receivables and inventories combined, the difference was financed by increased short-term financial liabilities.

Turnover ratio of payables to suppliers in terms of days decreased from 71 days in 2000 to 70 days in 2001.

Cash flow statement

Cash flow from operating activity was positive and amounted to SIT 7,244.5 million, which was an increase of 6.7% over the 2000 figure. This is mostly accounted for by depreciation (SIT 7,571.3 million) and net profit (SIT 3,242 million) as well as increased short-term operating liabilities (SIT 2,748.1 million), accrued costs and deferred revenues (SIT 603.1 million) and lower inventories (SIT 185.7 million). On the other hand increased short-term operating receivables (SIT 6,746.2 million) had a significant impact on the cash flow.

Cash flow from investment activity was negative and amounted to SIT 19,660.1 million, which was an increase of 11% over the year 2000. Most of it derives from increased tangible fixed assets and intangible long-term assets due to extensive investments in 2001 and partly on account of mandatory assets revaluation.

Cash flow from financial activity was positive and amounted to SIT 12,953.9 million; compared with 2000 it was higher by 20.2%. Cash flow rose on account of increased own and other financial sources. Due to increased capital, mainly as a result of mandatory revaluation and minority interest, cash flow improved by SIT 4,360.1 million and by SIT 2,801.3 million from increased long-term provisions. On account of high investments which could not be fully financed by own sources, other financial sources were required. SIT 5,792.5 million of cash flow was generated mainly from increased long-term and partly from short-term financial liabilities.

Conclusion

Gorenje again achieved good operating results in 2001. Especially encouraging were its achievements in sales (21.2% increase compared with the previous year). On account of lower costs of goods, materials and services high sales growth favourably reflected in the operating profit (37.1% increase) and net profit (22.2% increase).

The household appliances and furniture markets were both characterised by fierce competition and pressures for lower prices in 2001 together with modest demand for consumer goods as a normal retailers' and consumers' reaction to distressing conditions caused by weak economic growth. In addition manufacturers from Asian countries became significant competitors in the European markets, and concentration of household appliances manufacturers continued. Gorenje rapidly adjusted to changed conditions which was made possible by the wide sales network in European countries and favourable growth in the markets of Eastern and South-east Europe. Gorenje increased its market shares, with greatest success in the markets of Scandinavian countries, Croatia, and some East European countries. In terms of sales volume the key markets remain Germany, France, Austria, countries of the former Yugoslavia, Czech Republic and the domestic, Slovene market, although all market opportunities will be taken advantage of.

The share of other activities in total sales rose steadily, particularly the furniture segment, which was efficiently integrated in the Gorenje Group. The expected synergy between household appliances and the kitchen furniture programme and numerous other products for home produced good results. The recognition of the Gorenje brand name has been growing in numerous markets.

The key performance indicators and ratios remained good, especially added value per employee and

return on equity. Better asset management reflected in improved asset turnover compared with the previous year (21.2% increase in net revenues, 19.1% increase in assets). Liabilities reflect positive structural moves towards higher long-term and lower short-term financial sources and consequently improvement of all liquidity ratios. A good half of inventories of the Gorenje Group was financed by higher quality long-term sources.

Successful performance did not fully reflect in the price of Gorenje's shares on the market last year while we are satisfied with the price growth this year. Gorenje will continue to strive for efficient sales, reduction of costs, renovation of information processes and for investments, which will ensure success in diversity.

Auditors' Opinions



Audit Report

To the Managing Board and the Supervisory Board of
Gorenje, d.d., Velenje

We have audited the financial statements of Gorenje, d.d., Velenje, consisting of the balance sheet as of 31 December 2001, the profit and loss statement and the cash flow statement for the year then ended.

We have audited the accompanying consolidated financial statements of the Gorenje d.d. and its subsidiaries (Gorenje Group), consisting of the consolidated balance sheet as of 31 December 2001, the consolidated profit and loss statement as well as the consolidated cash flow statement for the year then ended.

These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audit in accordance with the fundamental auditing principles and the International Auditing Standards. Those principles and standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to in the first paragraph and the consolidated financial statements of the Gorenje Group referred to in the second paragraph give a true and fair view of the financial position of the Company and the Group as of 31 December 2001, the results of its operations and its cash flow for the year then ended, in conformity with the Slovenian Accounting Standards issued by Slovenian Institute of Auditors.

Vera Menard, B.Sc.Ec.

Partner and Certified Auditor

KPMG SLOVENIJA,

podjetje za revidiranje in poslovno svetovanje, d.o.o.

Marjan Mahnič, B.Sc.Ec.

Managing Director and Certified Auditor

Velenje, 7 and 21 March 2002

Consolidated Profit and Loss Account of the Gorenje Group and Profit and Loss Account of the parent company Gorenje, d.d.

In SIT m	Notes	Gorenje Group		Gorenje, d.d.	
		2001	2000	2001	2000
Net sales revenues		160,530.6	132,437.8	102,378.1	88,011.3
Changes in the value of inventories		-378.2	1,247.9	-374.8	1,149.0
Value of capitalised own products and/or services		807.3	266.2	657.9	201.0
Other operating revenues	1	2,144.2	3,149.2	995.6	2,271.0
Gross operating yield		163,103.9	137,101.1	103,656.8	91,632.3
Costs of goods, materials and services		-122,329.1	-102,390.0	-80,267.9	-69,223.4
Labour costs		-25,765.4	-21,529.2	-14,680.7	-13,211.0
Depreciation		-7,571.3	-5,830.3	-5,474.4	-4,459.4
Current assets write-offs	2	-669.8	-828.2	-182.4	-369.8
Other operating expenses	2	-725.3	-636.7	-221.9	-232.3
Provisions	2	-1,276.9	-2,410.1	-134.8	-1,706.5
Operating profit or loss		4,766.1	3,476.6	2,694.7	2,429.9
Financial revenues		3,228.0	2,801.3	3,076.2	2,780.2
Financial expenses		-4,863.2	-4,183.3	-2,817.4	-2,895.5
Profit or loss from ordinary activities		3,130.9	2,094.6	2,953.5	2,314.6
Extraordinary revenues	3	781.0	1,957.3	384.0	1,632.5
Extraordinary expenses	4	-160.5	-1,033.8	-128.6	-1,061.2
Total profit or loss		3,751.4	3,018.1	3,208.9	2,885.9
Tax on profits	5	-407.9	-282.0	-1.2	-1.1
Net profit or loss for the financial year		3,343.5	2,736.1	3,207.7	2,884.8
Profit of the minority owners		101.5	93.2		
Profit of the majority owners		3,242.0	2,642.9		

Consolidated Balance Sheet of the Gorenje Group and Balance Sheet of the parent company Gorenje, d.d.

in SIT m	Notes	Gorenje Group		Gorenje, d.d.	
		2001	2000	2001	2000
Assets		121,983.7	102,431.3	90,375.8	76,337.1
Fixed assets		55,786.7	45,191.6	51,283.3	41,683.4
Intangible fixed assets		1,498.3	1,275.0	727.2	449.4
Tangible fixed assets	6	51,717.6	42,151.2	36,731.4	30,218.9
Long-term investments	7	2,570.8	1,765.4	13,824.7	11,015.1
Current assets		66,197.0	57,239.7	39,092.5	34,653.7
Inventories	8	21,321.8	21,507.5	9,531.5	10,805.6
Long-term operating receivables		793.6	446.0	299.7	396.5
Short-term operating receivables	9	34,823.4	28,077.2	23,842.1	19,421.3
Short-term investments		6,177.1	4,683.4	5,072.6	3,667.9
Cash		2,688.6	2,150.3	330.5	351.4
Deferred costs and accrued revenues	10	392.5	375.3	16.1	11.0
Liabilities and capital		121,983.7	102,431.3	90,375.8	76,337.1
Capital	11	50,512.3	42,910.2	48,058.5	42,804.8
Share capital		12,200.0	12,200.0	12,200.0	12,200.0
Reserves		10,096.3	6,521.1	8,645.4	5,310.6
Capital revaluation adjustment		22,241.1	19,357.0	22,146.2	19,342.2
Retained net profit from previous years		1,896.0	1,725.4	3,463.0	3,067.1
Undistributed net profit for the year		1,468.3	2,642.9	1,603.9	2,884.8
Minority interest		2,610.6	463.8		
Long-term provisions	12	10,148.5	7,347.2	6,029.8	4,658.8
Long-term liabilities		11,072.1	6,976.2	8,616.9	4,840.7
Long-term financial liabilities	13	11,061.9	6,971.3	8,615.9	4,840.1
Long-term operating liabilities		10.2	4.9	1.0	0.6
Short-term liabilities		47,955.6	43,505.6	26,807.2	23,310.0
Short-term financial liabilities	14	18,872.8	17,170.9	5,719.4	4,751.2
Short-term operating liabilities	15	29,082.8	26,334.7	21,087.8	18,558.8
Accrued costs and deferred revenues	16	2,295.2	1,692.1	863.4	722.8

Consolidated Cash Flow Statement of the Gorenje Group and Cash Flow of the parent company Gorenje, d.d.

in SIT m	Gorenje Group		Gorenje, d.d.	
	2001	2000	2001	2000
Opening balance of cash as at 1 January	2,150.3	2,296.5	351.4	150.7
Cash flow from operating activity				
Net profit	3,242.0	2,642.9	3,207.7	2,884.8
Depreciation	7,571.3	5,830.3	5,474.4	4,459.4
Long-term operating receivables	-347.6	49.3	96.8	-7.7
Short-term operating receivables	-6,746.2	-3,480.3	-4,420.8	-3,709.2
Inventories	185.7	-4,530.1	1,274.0	-3,182.7
Long-term operating liabilities	5.3	-5.6	0.4	-0.1
Short-term operating liabilities	2,748.1	5,743.1	2,529.0	5,358.6
Deferred costs and accrued revenues	-17.2	71.1	-5.1	46.4
Accrued costs and deferred revenues	603.1	470.8	140.7	364.2
Total	7,244.5	6,791.5	8,297.1	6,213.7
Cash flow from investment activity				
Intangible fixed assets	-649.3	-499.8	-470.0	-184.2
Tangible fixed assets	-16,711.7	-15,439.8	-11,794.8	-14,009.9
Long-term investments	-805.4	428.6	-2,809.5	1,755.7
Short-term investments	-1,493.7	-2,204.1	-1,404.7	-1,356.3
Total	-19,660.1	-17,715.1	-16,479.0	-13,794.7
Cash flow from financial activity				
Share capital				
Reserves	1,801.5	1,507.8	1,731.0	1,260.9
Retained profit from previous years	-2,472.3	-1,637.0	-2,489.0	-1,260.9
Capital revaluation adjustment	2,884.1	3,277.3	2,803.9	3,262.5
Minority interest	2,146.8	122.0		
Long-term provisions	2,801.3	1,893.5	1,371.0	1,408.8
Long-term financial liabilities	4,090.6	2,918.1	3,775.9	2,489.7
Short-term financial liabilities	1,701.9	2,695.7	957.2	620.7
Dividends payable			11.0	
Total	12,953.9	10,777.4	8,161.0	7,781.7
Total cash flow	538.3	-146.2	-20.9	200.7
Closing balance of cash as at 31 December	2,688.6	2,150.3	330.5	351.4

Notes to the Financial Statements

The Gorenje Group

In accordance with Slovene Accounting Standards the consolidated financial statements of the Gorenje Group include the financial statements of the parent company Gorenje, d.d., and the financial statements of 35 subsidiary companies operating in Slovenia and abroad:

Subsidiary companies in Slovenia	Equity interest in %
Gorenje Orodjarna, d.o.o., Velenje	100.00
Gorenje Indop, d.o.o., Velenje	100.00
Gorenje IPC, d.o.o., Velenje	100.00
Gorenje GTI, d.o.o., Velenje	100.00
Gorenje Gostinstvo, d.o.o., Velenje	100.00
LINEA, d.o.o., Velenje	87.25
Gorenje Tiki, d.o.o., Ljubljana	51.00
Biterm, d.o.o., Bistrica ob Sotli	75.00
Gorenje Interieri, d.o.o., Maribor	50.28
Gorenje Notranja oprema, d.d., Velenje	50.28

Subsidiary companies abroad	Equity interest in %
Gorenje Beteiligungs G.m.b.H., Austria	100.00
Gorenje Austria Handels G. m.b.H., Austria	100.00
Gorenje Vertriebs GmbH, Germany	100.00
Gorenje Körting Italia S.r.l., Italy	100.00
Gorenje France SA, France	100.00
Gorenje BELUX S.a.r.l., Belgium	100.00
Gorenje UK Ltd., Great Britain	100.00
Gorenje Skandinavien A/S, Denmark	100.00
Gorenje Sverige AB, Sweden	100.00
Gorenje Pacific Pty. Ltd., Australia	100.00
Gorenje USA Inc., USA	100.00
Gorenje Spol s r.o., Czech Republic	100.00
Gorenje Kuchyne Spol s r.o., Czech Republic	100.00
Gorenje Slovakia Spol s r.o., Slovakia	100.00
Gorenje Budapest Kft., Hungary	100.00
Gorenje Polska sp. z o.o., Poland	100.00
Gorenje Bulgaria EOOD, Bulgaria	100.00
Gorenje Zagreb, d.o.o., Croatia	100.00
Hyundai auto d.o.o., Zagreb, Croatia	100.00
Gorenje DOOEL Skopje, Macedonia	100.00
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00
Goretrade Beograd, d.o.o., Serbia	100.00
Gorenje Podgorica, d.o.o., Montenegro	80.00
Gorenje Real Kft., Hungary	100.00
Gorenje OY, Finland	100.00

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

Principal Accounting Policies

The consolidated balance sheet as at 31 December 2001 and the consolidated profit and loss account for the year 2001 have been prepared in accordance with Slovene Accounting Standards, with emphasis on fundamental accounting principles: going concern, consistency and accrual.

Accounting policies of the Gorenje Group

Items in the financial statements are recorded and valued in accordance with the provisions of Slovene Accounting Standards, except for those items that may be, in accordance with the respective standards, accounted for at freely selected methods. In these cases the prudence principle has been observed. In compliance with Slovene Accounting Standards (SAS) the fundamental requirement that the value of capital be recorded in real terms has been met. This provides the general framework and methods of revaluation adjustments of other balance sheet items. Maintenance of real value of capital is ensured through adjustments based on cost-of-living index.

Intangible fixed assets and tangible fixed assets are carried at purchase cost. It comprises the purchase price and all expenditures that are necessary to make the asset ready for its intended use. The straight-line depreciation is applied for each asset separately. Depreciation amounts may be consolidated if the value of a tangible fixed asset is less than ECU 500. The applied depreciation rates are based on the estimated useful life of an asset, where in addition to the expected technical obsolescence the expected economic obsolescence is considered.

Investments are stated at the lower of cost or market value effective at the balance sheet date. Long-term and short-term investments are recorded separately.

Inventories of materials and merchandise are stated at the latest cost of purchase comprising the purchase price, import duties and direct cost of purchase. Inventories of products and work in process are carried at production costs. Production costs comprise direct costs of materials, labour, services, depreciation and general production costs.

Operating receivables are carried at historical amounts recorded in the relevant bookkeeping documents under the assumption that the amounts owed will be collected. Receivables denominated in foreign currency are translated into Slovene Tolars at the middle exchange rate of the Bank of Slovenia ruling on the balance sheet date. Value adjustments of receivables are made on the basis of estimated recovery of individual receivables.

Long-term provisions are charged against related costs or revenues in accordance with planned needs or projections and with growth dynamics. They are set up for a definite period. Provisions for costs are used directly by debiting the costs incurred.

Financial liabilities are carried at originally incurred amounts recorded in the relevant bookkeeping documents. Financial liabilities denominated in foreign currency are translated into Slovene Tolars at the middle exchange rate of the Bank of Slovenia ruling on the date of occurrence and on the balance sheet date. Long-term and short-term financial liabilities are recorded separately.

Both **long-term and short-term operating liabilities** are recorded at historical amounts recorded in the relevant bookkeeping documents. Operating liabilities denominated in foreign currency are translated into Slovene Tolars at the middle exchange rate of the Bank of Slovenia ruling on the date of occurrence and on the balance sheet date.

***Translation of financial statements
of subsidiary companies operating abroad***

The company Gorenje, d.d, Velenje has prepared its financial statements in Slovene Tolars in accordance with Slovene Accounting Standards.

The balance sheet of subsidiary companies operating abroad have been translated from local currencies into Slovene Tolars at the middle exchange rate of the Bank of Slovenia ruling at 31 December 2001 and the profit and loss accounts at the average exchange rate in 2001.

Foreign exchange differences resulting from the translation of financial statements at different exchange rates are accounted for as reserves within capital.

Principles of Consolidation

The financial statements are prepared in accordance with Slovene Accounting Standards which comply with International Accounting Standards (IAS). Intra-group relations between companies within the Gorenje Group have been eliminated.

Consolidation of capital

The parent company's investments in subsidiary companies in the Gorenje Group are stated under the equity method and charged against the proportionate interest in these companies of the Gorenje Group. Investments of Gorenje Beteiligungs GmbH in the Group companies are accounted for by using the purchase method and charged against the proportionate interest of these companies, the difference between the investments and capital is appropriately accounted for within the capital items.

Minority interests

Breakdown of minority interests as at 31 December:

	Stake in %	Minority interest in SITm	Share in net profit/ loss in SIT m
Gorenje Tiki, d.o.o., Ljubljana	49.00	483.4	42.8
Biterm, d.o.o., Bistrica ob Sotli	25.00	61.4	10.7
Linea, d.o.o., Velenje	12.75	5.0	0.1
Gorenje Interieri, d.o.o., Maribor	49.72	-148.0	-38.9
Gorenje Notranja oprema, d.d., Velenje	49.72	2.204.2	84.4
Gorenje Podgorica, d.o.o., Montenegro	17.00	4.6	2.4
Total		2,610.6	101.5

Consolidation of receivables and liabilities

All intra-group receivables and liabilities have been eliminated on consolidation. The main difference between receivables and liabilities results from discrepancies in the recording of transaction dates.

Intra-group receivables and liabilities as at 31 December 2001:

	In SIT m	
	2001	2000
Total receivables	28,402.4	24,769.0
Total liabilities	28,438.2	24,838.7
Difference between eliminated receivables and liabilities	35.8	69.7

The consolidated profit and loss account for the year 2001 has only been affected by the change in the difference between eliminated receivables and liabilities at the beginning and at the end of the year which amounts to:

	In SIT m	
	2001	2000
Balance at beginning of year	69.7	29.0
Balance at end of year	35.8	69.7
Difference	33.9	40.7

The difference between consolidated receivables and liabilities is accounted for in the consolidated profit and loss account. Because the balance at the end of year was lower than at the beginning of year the effect in the amount of SIT 33.9 million is recorded under the item other operating revenues.

Consolidation of inventories and Elimination of Intragroup Profits

Profits resulting from intragroup sales of materials and products that were still included in inventories of individual companies that were still included in the Gorenje Group as of 31 December 2001 are eliminated from the consolidated financial statements.

Inventories of companies in the Gorenje Group as 31 December 2001:

	Inventories before elimination of intra-group profits	Elimination of intra-group profits	In SIT m Inventories after elimination of intra-group profits
Materials	7,505.6	12.9	7,492.7
Work in process	1,627.3	0.0	1,627.3
Products and merchandise	13,628.0	1,674.6	11,953.4
Advances	248.4	0.0	248.4
Total	23,009.3	1,687.5	21,321.8

The consolidated profit and loss account for the year 2001 has only been affected by the change in intra-group profits at the beginning and at the end of the year which amounts to:

	2001	In SIT m 2000
Intra-group profits at beginning of year	1,772.8	1,514.4
Intra-group profits at end of year	1,687.5	1,772.8
Difference	85.3	258.5

Because intra-group profits in inventories at the end of year are lower than at the beginning of year, the difference in the amount of SIT 85.3 million represents a positive effect in the consolidated profit and loss account. The difference is recorded as a decrease in the costs of goods, materials and services.

Upon elimination of intra-group profits, merchandise supplied by companies in the Gorenje Group and recorded within inventories is re-posted to the balance sheet item products. Inventories supplied by companies outside the Gorenje Group are recorded within the item merchandise.

Consolidation of revenues and expenses

Intra-group revenues and expenses in the amount disclosed by individual companies of the Gorenje Group are eliminated from the consolidated profit and loss account. The elimination of intra-group revenues and expenses has no effect on the consolidated results of operation.

Notes to some financial statements items are presented in the next section.

Note 1 - Other operating revenues

SIT 2,144.2 million

	2001	In SIT m 2000
Revenues from leases and rents	208.5	174.4
Revenues from disposal and addition of tangible fixed assets	0.0	0.5
Revenues from use of provisions	586.2	283.6
Difference between consolidated receivables and liabilities	0.0	40.7
Other revenues	1,349.5	2,650.0
Total	2,144.2	3,149.2

Other operating revenues were significantly lower in 2001 compared with the year 2000. This was mainly due to loss recovered from the insurer on account of fire in the Galvana plant of the parent company, which was accounted for within this item.

A major share of other operating revenues refers to revenues from the use of provisions SIT 221.9 million were set up in Gorenje I.P.C., d.o.o. for covering depreciation costs, SIT 197.4 million in Gorenje Zagreb, d.o.o. for warranties and SIT 80 million in Gorenje Notranja oprema, d.d. for assets which had been overvalued upon privatisation.

	SIT 2,672 million	
	In SIT m	
	2001	2000
Adjustments and write-offs of receivables	487.2	512.7
Adjustments and write-offs of inventories	182.5	315.5
Duties independent of the operating result	359.8	225.8
Other operating expenses	331.7	410.9
Difference between consolidated receivables and liabilities	33.9	0.0
Establishing of provisions	1,276.9	2,410.1
Total	2,672.0	3,875.0

Establishing of provisions is the major item included in other operating expenses. The major part of the amount was set up for warranties by Gorenje Zagreb, d.o.o. in the amount of SIT 372.5 million and by Hyundai auto Zagreb, d.o.o. in the amount of SIT 154.9 million. The parent company set up additional SIT 2,499.6 million provisions of which SIT 134.8 million was charged to costs of estimated liabilities deriving from labour disputes, the rest for warranties charged against revenues.

Adjustments and write-offs of receivables were lower compared with the year 2000 by SIT 25.4 million or 5%. A major part of adjustments of receivables refers to the companies Gorenje Vertriebs GmbH in the amount of SIT 88.1 million, Gorenje GTI, d.o.o. in the amount of SIT 60.9 million, Gorenje Commerce, d.o.o. in the amount of SIT 57.8 million, Gorenje Polska Sp.z o.o. in the amount of SIT 57.6 million, Gorenje Spol s.r.o. in the amount of SIT 44.5 million and Gorenje Zagreb, d.o.o. in the amount of SIT 44.8 million.

An important part of adjustments and write-offs refers to unsaleable inventories of materials of the parent company in the amount of SIT 168.4 million.

	SIT 781 million	
	In SIT m	
	2001	2000
Release of provisions	35.7	344.6
Recovered bad debts	56.1	102.9
Profit on disposal of fixed assets	32.6	26.7
Other extraordinary revenues	656.6	1,483.1
Total	781.0	1,957.3

Extraordinary revenues were reduced by 60% compared with the year 2000. This is on account of SIT 963,8 million recovered from the insurer for fire in the Galvana plant being stated within extraordinary revenues.

Note 4 - Extraordinary expenses**SIT 160.5 million**

	In SIT m	
	2001	2000
Extraordinary expenses	160.5	1,033.8

Extraordinary expenses were significantly lower compared with 2000 when the exclusion of fixed assets due to fire in the Galvana plant of the company Gorenje, d.d. was stated within extraordinary expenses.

The major part of extraordinary expenses in the amount of SIT 62.2 million refers to indemnity claims in the company Gorenje Polska sp. z o.o.

Note 5 - Tax on profits**SIT 407.9 million**

	In SIT m	
	2001	2000
Tax on profits	407.9	282.0

In 2001 the realised tax rate was 10.9% and in the previous year 9.3%.

A major share of tax on profits was recorded by companies operating abroad. Growth in the tax structure is a result of increased tax bases in companies operating in the countries with higher tax rates on profits.

Note 6 - Tangible fixed assets**SIT 51,717.6 million**

	In SIT m	
	2001	2000
Land	4,930.3	4,159.5
Buildings	17,650.7	15,490.1
Plant and other equipment	25,740.1	16,990.9
Tangible fixed assets under construction and in process	3,094.0	4,766.0
Advances	302.5	744.7
Total	51,717.6	42,151.2

Tangible fixed assets make up 42.4% of the consolidated balance sheet total. The major part in the amount of SIT 36,731.4 million refers to the company Gorenje, d.d., and represents a 71% share in total tangible fixed assets of the Gorenje Group while tangible fixed assets of the company Gorenje Notranja oprema, d.d., which was included in the Gorenje Group in 2001, represent 6.2% of total assets.

Movements of fixed assets

Item	Net book value as at	Additions	Disposals and write-offs	Effect of revaluation, exchange rate differ. and transf.	Depreciation	Net book value as at
	31 Dec. 2000					31 Dec. 2001
Intangible fixed assets	1,275.0	167.7	30.4	498.9	412.9	1,498.3
Tangible fixed assets	42,151.2	13,506.3	495.5	3,349.2	6,793.6	51,717.6
Long-term investments	1,765.4	676.3	688.4	817.5	0.0	2,570.8
Total fixed assets	45,191.6	14,350.3	1,214.3	4,665.6	7,206.5	55,786.7

In 2001 investments in tangible and intangible fixed assets amounted to a total of SIT 13,674 million and were lower by 2.2% compared with the year 2000.

Tangible fixed assets recorded a significant rise in the segment of buildings and equipment.

The company Gorenje, d.d. was the major contributor with investments in the equipment of the new Galvana plant for production of mechanical components, in the completion of the biggest project in the last few years, the new plant for refrigerators and in a new generation of cookers. In 2001 extensive investments were also recorded by the company Gorenje Zagreb, d.o.o. in the construction of distribution centre, by the company Hyundai auto Zagreb, d.o.o. in the construction of administrative and repair centre and by the company Gorenje Commerce, d.o.o. in the construction of administrative and storage complex. Growth in intangible fixed assets refers mainly to investments in computer software.

	SIT 2,570.8 million	
	In SIT m	
	2001	2000
Shares and stakes	1,635.1	1,270.1
Long-term loans	633.0	394.6
Long-term deposits	302.7	100.7
Total	2,570.8	1,765.4

The major item of long-term investments are investments in shares and stakes. A major part of investments in the amount of SIT 832.6 million refers to the investment of the company Gorenje GTI, d.o.o. in a shareholding of the company Telemach, d.o.o., the remaining part of investments refers to the companies Gorenje, d.d. in the amount of SIT 401.1 million, Gorenje Notranja oprema, d.d. in the amount of SIT 209.6 million and Gorenje Beteiligungs GmbH in the amount of SIT 153.8 million.

Within the item long-term loans SIT 462.1 million refer to the company Gorenje Notranja oprema, d.d. and SIT 98 million to the company Gorenje Beteiligungs GmbH.

	SIT 21,321.8 million	
	In SIT m	
	2001	2000
Materials	7,492.7	7,535.1
Work in process	1,627.3	1,181.1
Products	9,232.9	9,842.3
Merchandise	2,720.5	2,625.0
Advances	248.4	324.0
Total	21,321.8	21,507.5

In 2001 total inventories remained at practically the same level as in 2000 despite high sales growth. Inventories of materials and products decreased while inventories of work in process increased.

Due to decreased value of inventories the intra-group profits of SIT 85.3 million, which were eliminated in the consolidation process, improved the operating result for 2001.

	SIT 34,823.4 million	
	In SIT m	
	2001	2000
Short-term receivables due from customers	30,035.4	24,344.6
Short-term guarantee money	740.4	264.6
Other short-term receivables	2,688.6	2,438.3
Bills receivables	1,359.0	1,029.7
Total	34,823.4	28,077.2

Short-term operating receivables were up by SIT 6,746.2 million, which was a significant increase compared with end of 2000.

The major item under short-term operating receivables refers to short-term receivables due from customers in the amount of SIT 30,035.4 million, an increase of SIT 5,690.8 million or 23.4% compared with end of 2000. The major amounts of short-term receivables due from customers were recorded by the following companies: Gorenje, d.d., Gorenje Vertriebs GmbH, Gorenje Kötting Italia S.r.l., Gorenje Polska Sp.z o.o., Gorenje Spol s r.o. and Gorenje Zagreb, d.o.o.

A major part of other short-term receivables refers to short-term receivables due on account of entry VAT which in the Gorenje Group amounted to SIT 1,445.4 million at the end of 2001.

Note 10 - Deferred costs and accrued revenues

SIT 392.5 million

	In SIT m	
	2001	2000
Short-term deferred costs and expenses	257.9	299.5
Accrued revenues	134.6	75.8
Total	392.5	375.3

An important part of short-term deferred costs and expenses refers to the company Hyundai auto Zagreb, d.o.o. related to the use of the brand name Hyundai.

Most of accrued revenues refer to the company Gorenje GTI, d.o.o. on account of accrued revenues for provision of services.

Note 11 - Capital

SIT 50,512.3 million

	In SIT m	
	2001	2000
Share capital	12,200.0	12,200.0
Reserves	10,096.3	6,521.1
Capital revaluation adjustment	22,241.1	19,357.0
Retained net profit from previous years	1,896.0	1,725.4
Undistributed net profit for the year	1,468.3	2,642.9
Minority interest	2,610.6	463.8
Total	50,512.3	42,910.2

Changes in capital in 2001

	In SIT m			
	As at 31 Dec.2000	Increase	Decrease	As at 31 Dec.2001
Share capital	12,200.0			12,200.0
Reserves	6,521.1	3,575.2		10,096.3
Capital revaluation adjustment	19,357.0	2,884.1		22,241.1
Retained net profit from previous years	1,725.4	2,642.9	2,472.3	1,896.0
Undistributed net profit for the year	2,642.9	1,468.3	2,642.9	1,468.3
Minority interest	463.8	2,146.8		2,610.6
Total	42,910.2	12,717.3	5,115.2	50,512.3

Note 12 - Long-term provisions **SIT 10,148.5 million**

	In SIT m	
	2001	2000
Long-term provisions for warranties	3,833.7	2,778.4
Long-term provisions for major repairs	2,156.3	2,181.8
Long-term provisions for opening up new markets	527.3	591.4
Other long-term provisions	3,631.2	1,795.6
Total	10,148.5	7,347.2

In 2001 long-term provisions were 38.1% over the end of 2000. They represented 8.3% of total liabilities and capital.

Provisions for warranties in the amount of SIT 2,467.1 million refer to the company Gorenje, d.d. Other significant amounts refer to the companies Gorenje Vertriebs GmbH, Gorenje Zagreb, d.o.o., Gorenje Skandinavien A/S and Hyundai auto Zagreb, d.o.o.

Provisions for major repairs of the company Gorenje, d.d. amounted to SIT 1,897.5 million. In accordance with the new Slovene Accounting Standards no additional provisions for major repairs were set up in 2001.

Other long-term provisions include provisions for termination pay, pensions, negative goodwill, salaries in arrears, taxes and other. In terms of value the major part refers to provisions for grants for fixed assets and disposed assets in the amount of SIT 1,209.5 million recorded by Gorenju I.P.C, d.o.o., provisions for negative goodwill in the amount of SIT 981.8 million recorded by the parent company and provisions for termination pay in the amount of SIT 522.6 million.

Note 13 - Long-term financial liabilities **SIT 11,061.9 million**

	In SIT m	
	2001	2000
Long-term bank loans	10,123.0	5,631.7
Other long-term loans	938.9	1,339.6
Total	11,061.9	6,971.3

Compared with end of 2000 long-term loans increased by SIT 4,090.6 million or 58.7% mainly on account of extensive investments in the company Gorenje, d.d. which grew by SIT 3,776.5 million.

Note 14 - Short-term financial liabilities **SIT 18,872.8 million**

	In SIT m	
	2001	2000
Short-term bank loans	18,183.1	16,696.3
Other short-term loans	653.9	382.6
Short-term liabilities from interest payable	35.8	92.0
Total	18,872.8	17,170.9

Short-term bank loans in the Gorenje Group increased by SIT 1,486.8 million or 8.9% compared with the previous year: in the company Gorenje, d.d. by SIT 887.6 million, in the company Gorenje GTI, d.o.o. by SIT 802.4 million, in the company Gorenje Spol. s r.o. by SIT 466 million, in the company Gorenje Beteiligungs GmbH by SIT 256,4 million, in the company Gorenje Körting Italia S.r.l. by SIT 227.7 million and in the company Hyundai auto Zagreb, d.o.o. by SIT 155.7 million.

In the companies Gorenje, d.d., Gorenje GTI, d.o.o., Gorenje Körting Italia S.r.l. and Gorenje Spol. s r.o the rise in short-term bank loans was earmarked for financing increased operating receivables.

Note 15 - Short-term operating liabilities

SIT 29,082.8 million

	In SIT m	
	2001	2000
Short-term payables to suppliers	24,448.0	23,164.7
Short-term liabilities from interest payable	34.1	15.6
Short-term payables to employees	911.1	768.3
Short-term payables to the state	1,369.3	1,196.3
Other short-term liabilities	2,320.3	1,189.7
Total	29,082.8	26,334.6

Short-term operating liabilities increased by SIT 2,748.2 million or 10.4% compared with end of 2000. A significant part of the increase refers to the company Gorenje, d.d., where payables to suppliers rose by SIT 1,765.9 million compared with the previous year and part of the increase is a result of the inclusion of the company Notranja oprema, d.d. in the Gorenje Group (SIT 582.7 million).

Other short-term liabilities include payables for advances, payables relating to issued bills and other short-term liabilities.

Note 16 - Accrued costs and deferred revenues

SIT 2,295.2 million

	In SIT m	
	2001	2000
Short-term deferred revenues	599.9	302.4
Short-term accrued costs	1,695.3	1,389.7
Total	2,295.2	1,692.1

Compared with the year 2000 short-term accrued costs grew by SIT 305.6 million or 22%. They were formed for accrued costs of unsolved complaints related to sales, accrued discounts, accrued costs of insurance premiums, advertising, unused employees' leave and accrued litigation costs. An important part of short-term accrued costs refers to the companies Gorenje, d.d. in the amount of SIT 355.4 million, Gorenje Vertiebs GmbH in the amount of SIT 264.3 million and Gorenje Notranja oprema, d.d. in the amount of SIT 186.8 million.

Deferred revenues mainly refer to interest charged to customers but not yet paid.

Performance Indicators and Ratios

				In SIT m
	2001	2000	Difference	Change
From the Profit and Loss Account				
Net sales revenues (consolidated)	160,530.6	132,437.8	28,092.8	21.2%
Household appliances	133,651.1	110,968.4	22,682.7	20.4%
Services	17,931.2	16,002.1	1,929.1	12.1%
Furniture	7,978.0	4,446.9	3,531.1	79.4%
Machine construction and tool making	970.3	1,020.4	-50.1	-4.9%
Added value	40,049.5	34,074.4	5,975.1	17.5%
Net profit	3,343.5	2,736.1	607.4	22.2%
Earnings per share (in SIT)	274.1	224.3	49.8	22.2%
From the Balance Sheet				
Total assets	121,983.7	102,431.3	19,552.4	19.1%
Capital	50,512.3	42,910.2	7,602.1	17.7%
% in total liabilities and capital	41.4 %	41.9 %		
Net debt	21,069.0	17,308.5	3,760.5	21.7%
Net debt / capital (Gearing in %)	41.7 %	40.3 %		
Employees				
Average number of employees	8,236	7,189	1,047	14.6%
Number of employees as at end of year	8,186	7,386	800	10.8%
Added value/average no. of employees (in SIT 000)	4,862.7	4,739.8	122.9	2.6%
Investments				
Investments in tangible and intangible fixed assets	13,674.0	13,977.0	-303.0	-2.2%
Other ratios				
Assets turnover ratio	1.3	1.3		
Participation rate of current assets (in %)	54.3%	55.9%		
Participation rate of short-term liabilities and accrued costs and deferred revenues (in %)	41.2%	44.1%		
Long-term coverage of long-term assets	1.3	1.3		

Performance Indicators and Ratios

Net debt	Financial liabilities - liquid assets
Added value per employee	Gross operating yield – Costs of materials, goods and services – Other operating expenses (exclusive of depreciation, costs of provisions and current assets write-offs) / Average number of employees
Assets turnover ratio	Net sales revenues / Total assets
Participation rate of current assets	(Current assets / Total assets) * 100
Participation rate of short-term liabilities and accrued costs and deferred revenues	(Short-term financial liabilities + Accrued costs and deferred revenues) / (Total liabilities) * 100
Long-term coverage of long-term assets	(Capital + Long-term provisions + Long-term liabilities) / (Long-term assets)

Note: to calculate the ratios, data from the balance sheet as at year end have been used.

Financial Reports according to IAS

Auditors' Opinion



Audit Report


To the Managing Board and the Supervisory Board of Gorenje, d.d., Velenje


We have audited the accompanying consolidated financial statements of the Gorenje d.d. and its subsidiaries (Gorenje Group), consisting of the consolidated balance sheet as at 31 December 2001, the statement of changes in equity capital and reserves, the consolidated income statement as well as the consolidated cash flow statement for the year then ended. These financial statements are the responsibility of the management of the Company. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with International Auditing Standards issued by International Federation of Accountants. Those standards require that we plan and perform our audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. The audit included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. The audit also included assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above give a true and fair view of the financial position of the Gorenje Group as at 31 December 2001, the results of its operations and its cash flow for the year then ended, in conformity with the International Accounting Standards issued by International Accounting Standards Committee.

KPMG SLOVENIJA d.o.o.,
Podjetje za revidiranje in poslovno svetovanje


Vera Menard, B.Sc.Ec.
Partner and Certified Auditor


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

KPMG Slovenija, d.o.o.

Velenje, 24 April 2002

Consolidated Profit and Loss Account of the Gorenje Group according to IAS

	In SIT m	
	2001	2000
Net sales revenues	160,441.6	132,437.9
Value of capitalised own products or services	807.2	266.2
Change in the value of inventories	-378.2	1,247.9
Other operating revenues	4,715.3	5,113.0
Costs of goods, materials and services	-123,378.7	-102,566.2
Labour costs	-25,778.6	-21,523.6
Depreciation	-6,449.1	-5,084.4
Other operating costs	-2,054.7	-2,647.0
Net financing costs	-1,817.6	-902.4
Revenues from participation in profit	231.5	255.2
Provisions	-2,040.2	-2,700.1
Profit before taxation	4,298.5	3,896.5
Tax on profits	-443.0	-785.1
Profit after taxation	3,855.5	3,111.4
Extraordinary items	0.0	0.0
Net profit for the period	3,855.5	3,111.4
Profit of minority owners	121.2	64.5
Profit of majority owners	3,734.3	3,046.9

Consolidated Balance Sheet of the Gorenje Group as at 31 December according to IAS

	In SIT m	
	2001	2000
Assets	116,715.9	98,983.5
Intangible fixed assets	572.9	673.0
Tangible fixed assets	47,120.0	38,544.1
Other long-term investments	2,737.6	2,027.9
Long-term receivables	476.5	108.7
Total long-term assets	50,907.0	41,353.7
Inventories	21,309.0	21,643.5
Receivables due from customers	31,344.6	25,403.7
Short-term investments	6,169.0	4,646.4
Cash and cash equivalents	2,683.3	2,113.0
Other receivables and other assets	3,951.0	3,772.6
Deferred tax	352.0	50.6
Total short-term assets	65,808.9	57,629.8
Capital and liabilities	116,715.9	98,983.5
Shares	12,200.0	12,200.0
Reserves	24,955.2	21,325.5
Retained net profit	5,466.5	6,112.3
Minority interest	2,513.8	368.3
Total shareholders' equity and reserves	45,135.5	40,006.1
Long-term loans	11,062.0	6,773.0
Other long-term liabilities	10.1	4.9
Deferred revenues	417.6	211.4
Provisions	9,058.5	6,061.1
Deferred tax	1,198.5	1,078.2
Total long-term liabilities	21,746.7	14,128.6
Payables to suppliers	24,566.6	23,189.7
Short-term loans	18,872.8	17,170.9
Other short-term liabilities	5,130.8	3,435.1
Accrued costs	1,263.5	1,053.1
Total short-term liabilities	49,833.7	44,848.8

Statement of Changes in Shareholders' Equity and Reserves in 2001

	In SIT m			
	As at 31 Dec. 2000	Increase	Decrease	As at 31 Dec. 2001
Share capital	12,200.0			12,200.0
Reserves	21,325.5	3,629.7		24,955.2
Retained profit from previous years	3,065.4	3,046.9	2,606.5	3,505.8
Undistributed profit for the year	3,046.9	3,855.6	4,941.8	1,960.7
Minority interest	368.3	2,145.5		2,513.8
Total	40,006.1	12,677.7	7,548.3	45,135.5

Consolidated Funds Flow Statement for 2001

	In SIT m	
	2001	2000
Cash flow from operating activity		
Profit before taxation and extraordinary items	4,298.6	3,961.0
Adjustments for:		
Depreciation	6,449.1	5,084.4
Included deferred revenues and accrued costs	416.6	464.9
Financial expenses	1,586.0	647.2
Increase in long-term provisions	2,997.4	2,270.3
Increase in deferred taxes	120.4	525.9
Operating profit before change in net current assets	15,868.1	12,953.7
Increase in receivables	-6,788.6	-3,232.2
Decrease in inventories	334.5	-4,620.9
Increase in operating liabilities	3,077.9	5,868.0
Assets from operating activity	-3,376.2	-1,985.1
Paid interest and foreign exchange differences	-1,586.0	-647.2
Paid tax on profits	-443.0	-227.5
Cash flow from operating activity	10,462.9	10,093.9
Cash flow from investment activity		
Purchase of stakes and shares in companies	-2,232.4	-2,182.2
Purchase of fixed assets	-14,924.9	-14,062.0
Cash flow from investment activity	-17,157.3	-16,244.2
Cash flow from financial activity		
Long-term loans	4,289.0	2,719.7
Short-term loans	1,701.9	2,695.7
Cash flow from financial activity	5,990.9	5,415.4
Cash flow from exchange rate differences	1,273.8	555.3
Increase (decrease) in cash and cash equivalents	570.3	-179.6
Cash and cash equivalents as at 1 January	2,113.0	2,292.6
Cash and cash equivalents as at 31 December	2,683.3	2,113.0

**Consolidated financial statements
prepared in accordance with
International Accounting Standards**

The companies of the Gorenje Group have prepared their consolidated financial statements for 2001 in accordance with International Accounting Standards (IAS) to ensure comparability of companies operating in various countries and application of uniform accounting standards within the Group.

The accompanying financial statements for the years 2000 and 2001 have been prepared in accordance with IAS, adopted by the International Accounting Standards Committee and pursuant to the explanatory notes issued by the advisory board of the Committee. They are based on the accounting records which the companies keep in accordance with national accounting standards, laws and appropriate adjustments necessary for fair presentation in accordance with IAS. These adjustments are the reason for the difference between the financial statements prepared according to Slovenian Accounting Standards and according to IAS.

The profit and loss accounts of the companies operating abroad are translated in the reporting currency of the Gorenje Group (SIT) at average exchange rates for the year, the balance sheets at exchange rates ruling on 31 December. Exchange rate differences resulting from the translation into the reporting currency are accounted for as a special item of reserves within shareholders' equity.

Foreign exchange transactions of the Group companies are accounted for at the exchange rates ruling at the transaction date. Gains and losses resulting from the settlement of such transactions are recognised in the profit and loss account upon settlement, outstanding gains and losses are recognised in the profit and loss account at year end, unless they are hedged against currency risk. The financial statements have been prepared in accordance with the historical cost principle without taking into account the revaluation effects stipulated by IAS 15.

The consolidated financial statements of the Gorenje Group include the financial statements of the parent company Gorenje, d.d., and of 35 subsidiary companies.

In terms of content the following adjustments to IAS should be mentioned:

Revaluation effects

In adjusting the financial statements of individual companies of the Gorenje Group to IAS, revaluation effects have been eliminated from all items on the assets and liabilities sides of the balance sheet. As a result, due to eliminated revaluation effects stated in the financial statements prepared in accordance with Slovene Accounting Standards, the consolidated net profit of the Gorenje Group has increased.

Long-term provisions

In setting up and stating long-term provisions the IAS 37 was applied, which does not recognise the provisions which can be set up under Slovene Accounting Standards (long-term provisions for major repairs and for opening up new markets). Provisions are only set up when a company has an obligation as a result of past events and it is probable that a reduction of resources will be required to settle the obligation.

Tax on profits

In accordance with IAS 12 calculated tax on profits is accounted for as deferred liability or deferred receivables for taxes. Adjustments of individual items of financial statements to IAS have affected profit and consequently the base for tax on profits.

In comparing the consolidated financial statements prepared in accordance with SAS and IAS, the changes affecting the operating result and the structural changes within individual financial statements, prepared in accordance with IAS, have to be considered.

The principal notes to individual items of the financial statements are presented in the audit report on the Gorenje Group.

Organisational chart

Gorenje Group

		Household appliances		Services	Furniture	Machine constructing and tool-making
Gorenje, d.d. Velenje, Slovenia		Gorenje Zagreb, d.o.o. Croatia	Gorenje Beteiligungs GmbH Austria	Gorenje GTI, d.o.o. Velenje, Slovenia	Gorenje Notranja oprema, d.d.; Velenje, Slo. 50,28%	Gorenje Orodjarna, d.o.o. Velenje, Slovenia
Gorenje Tiki, d.o.o. Ljubljana, Slovenia	51%	Gorenje Novi Sad, d.o.o. Serbia	Gorenje Vertriebs GmbH Germany	Gorentrade, d.o.o. Bosnia and Hercegovina	Gorenje Kuchyne Spol s r.o. Czech Republic	Gorenje Indop, d.o.o. Velenje, Slovenia
Biterm, d.o.o. Bistrica ob Sotli Slovenia	75%	Goretrade, d.o.o. Serbia	Gorenje Austria Handels GmbH, Austria	Gorenje Gostinstvo, d.o.o. Velenje, Slovenia	Gorenje Küchen GmbH Austria	
Gorenje I.P.C., d.o.o. Velenje, Slovenia		Gorenje Podgorica, d.o.o. Montenegro	Gorenje UK Ltd. Great Britain	linea, d.o.o. Velenje, Slovenia 87,25%		
		Gorenje Commerce, d.o.o. Bosnia and Hercegovina	Gorenje Pacific Ltd. Pty. Australia	Elgor, d.o.o. Velenje, Slovenia		
		Gorenje DOOEL Skopje Macedonia	Gorenje Budapest Kft. Hungary	Energygor, d.o.o. Velenje, Slovenia		
			Gorenje Bulgaria EOOD Bulgaria	Hyundai Auto Zagreb, d.o.o. Croatia		
			Gorenje France S.A. France	Gorenje Real Kft. Hungary		
			Gorenje Belux S.a.r.l Belgium	Gorenje Real Spol s r.o. Czech Republik		
			Gorenje Körting Italia S.r.l. Italy			
			Gorenje Skandinavien A/S Denmark			
			Gorenje Sverige AB Sweden			
			Gorenje OY Finland			
			Gorenje Spol s r.o. Czech Republic			
			Gorenje Slovakia Spol s r.o. Slovakia			
			Gorenje Polska Sp.z.o.o. Poland			
			Gorenje USA Inc. USA			

Gorenje Group corporate profile

The Gorenje Group consists of the Gorenje gospodinjski aparati, d.d., in short Gorenje, d.d. parent company and 40 affiliates, members of the group subject to mutual stakes in their equities. The Gorenje, d.d. parent company is also founder of TCL institute, testing and certification laboratory, Velenje and has a stake in Erico, Velenje.

Gorenje has world-wide network of affiliates and representative offices. Companies abroad are commercial companies with own organised network of sales representatives, warehouses, transport and after-sales services. Companies manufacturing kitchen furniture are in Austria and Czech Republic.

In the year 2001 Gorenje underwent the following organisational changes:

- within the implementation of the Strategic Plan in favour to boost the growth of other fields of activities, Gorenje d.d. acquired 50,28 % share of Gorenje Notranja oprema, d.d. company, and sold Gorenje Interieri, d.o.o. company to Gorenje Notranja oprema, d.d.. The latter merged Gorenje Interieri, d.d. at the end of the year;
- in Hungary and Czech Republic two companies were set up with the purpose to administer corporate assets of Gorenje Real Kft in Budapest, and Gorenje Real Spol in Prague;
- Gorenje Beteiligungs GmbH became the majority owner of Gorenje Podgorica, d.o.o. company;
- at the beginning of the year the two companies have merged Gorenje Split, d.o.o. and Gorenje Zagreb, d.o.o.;
- due to commercial reasons Gorenje Skandinavien A/S activated Gorenje OY, the affiliated company in Finland.

Essential data on the Gorenje, d.d. company

Company name	Gorenje, gospodinjski aparati, d.d.
Seat	Partizanska 12, Velenje, Slovenia
Short form of the company name	Gorenje, d.d.
Registry number	5163676
VAT-number	72615320
Court register file number	97/01 044, file no. 1/00461/00
Equity	12,200,000,000 SIT
Nominal value of individual share	1,000 SIT
Trading stock exchange	Ljubljana stock exchange, listed shares
Stock acronym	GRVG

Gorenje Group

Household appliances

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**Machine building and
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