

# S U M M A R Y

## AUDITED ANNUAL REPORT OF THE COMPANY GORENJE, D.D., AND OF THE GORENJE GROUP FOR THE BUSINESS YEAR 2007



Velenje, Slovenia, April 2007

Contents	Page
GENERAL INFORMATION'S	3
AUDIT AND AUDITOR'S REPORT	3
CONSOLIDATED FINANCIAL STATEMENTS	3
BUSINESS ENVIRONMENT IN THE YEAR 2007	6
RISK MANAGEMENT	7
PRINCIPLES APPLIED IN THE PREPARATION OF FINANCIAL STATEMENTS AND IMPORTANT NOTES TO FINANCIAL STATEMENTS	8
THE MAIN COMPANY GORENJE, D.D.	8
PERFORMANCE ANALYSIS OF THE GORENJE GROUP	9
MAJOR EVENTS FOLLOWING THE BALANCE SHEET DATE	10
OWNERSHIP AND SHARE DATA	10
REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, AND OF THE EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT CONTRACTS FOR 2007 (PARENT COMPANY)	13
SUMMARY OF THE REPORT OF THE SUPERVISORY BOARD OF GORENJE, d.d. ON THE REVIEW OF THE 2007 ANNUAL REPORT	14
AUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS OF GORENJE, D.D., FOR THE YEAR 2007, IN ACCORDANCE WITH THE IFRS	16
AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF GORENJE GROUP, FOR THE YEAR 2007, IN ACCORDANCE WITH THE IFRS	21
PLANS AND CONDITIONS OF OPERATION IN THE YEAR 2008	27

For any further information's, please contact:

Gorenje, d.d.

Investor Relations

Mrs. Bojana Rojc, IRO

Partizanska 12

SI-3503 Velenje, Slovenia

Telephone: +386 3 899 1345

Facsimile: +386 3 899 2527

## GENERAL INFORMATION'S

The published **Summary of the Audited Annual Report of Gorenje, d.d., and the Consolidated Annual Report of the Gorenje Group for 2007** complies with the Regulations of the Ljubljana Stock Exchange (Ljubljanska borza, d.d., Ljubljana) (Article 35) and the Securities Market Act.

Gorenje, d.d., has headquarters at Partizanska 12, Si-3503 Velenje. Major changes of information provided in the stock exchange listing prospectus are duly and regularly published on the Ljubljana Stock Exchange electronic information system SEOnet, in the Delo newspaper, as provided by the law, and on the company website at [www.gorenje.com](http://www.gorenje.com).

The 2007 Audited Annual Report of Gorenje, d.d., and of the Gorenje Group was discussed and adopted by the company Supervisory Board at its 18<sup>th</sup> regular meeting on 24 April 2008.

The complete Annual Report can be viewed at the company headquarters every business day between 8 am and 1 pm. The 2007 Audited Annual Report of the parent company and the Group, along with the Auditor's Report, will be forwarded to the national Agency for Public-Legal Records and Related Services, in accordance with applicable regulations.

## AUDIT AND AUDITOR'S REPORT

The 2007 Financial Statements of Gorenje, d.d., and of the Gorenje Group have been audited by the authorised auditor KPMG Slovenija, d.o.o., Ljubljana. The Auditor's Report and the Auditor's Report for Public Reporting purposes were received on 15 April 2008. The Authorised Auditor made on 10 April 2008 a positive recommendation in relation to the Annual Report of Gorenje, d.d., and the Gorenje Group.

## CONSOLIDATED FINANCIAL STATEMENTS

### GORENJE GROUP STRUCTURE

The changes in the structure of the Gorenje Group in 2007 were as follows:

- On 31 January 2007, Gorenje, d.d., purchased from Probanka, d.d., a 23.4 % share in the company Surovina, d.d., Maribor, that effectively translates into 51 % of all shares in Surovina, d.d. With this transaction the company Gorenje, d.d., became a 51- percentage stakeholder of Surovina, d.d., subsidiaries: RVT tehnologija predelave ostankov, d.o.o., Maribor (58.8%), Slovenia and Sirovina, a.d., Serbia (61.7%).
- On 31 January 2007, the Gorenje company Kemis, d.o.o., Zagreb, Croatia, signed the purchase agreement of 100% share in Termoclean-Zg, d.o.o., Zagreb, Croatia.
- On 8 January 2007 the representative office of Gorenje, d.d., in Kazakhstan was established.
- At the end of March Gorenje, d.d., established the company INDOP, d.o.o.
- In May the sales company Gorenje TOV, Kiev, Ukraine, was established. The 100 % stakeholder of this company is Gorenje Beteiligungs GmbH, Austria.
- In June the company Gorenje, d.d., has with pay-in of the additional stake of 51 % became the owner of the institution ERICO VELENJE, Institute for environmental research.
- At the energy area have been within the company Istrabenz Gorenje, d.o.o, established the following companies: GEN-I d.o.o., Beograd, Serbia (100 % stakeholder GEN-I, d.o.o.), Istrabenz Gorenje inženiring, d.o.o. (100 % stakeholder IGES d.o.o.), Vitales, d.o.o., Bihač, Bosnia and Herzegovina (50 % stakeholder IGES, d.o.o.) in Vitales, d.o.o. Sokolac, Bosnia and Herzegovina (50 % stakeholder IGES, d.o.o.).
- On 16 August 2007 the Austrian energy holding Verbund exercised the option for the purchase

of the subsidiary Austrian Power Vertriebs, GmbH, Austria.

- In October the real estate company ST-Bana Nekeztine, d.o.o., Belgrade, was established, with the major stakeholder Gorenje Beteiligungs GmbH.
- At the beginning of November the company Opte Ptuj, d.o.o., was sold.

In addition to the mother company – Gorenje, d.d., the Consolidated Financial Statements of the Gorenje Group for 2007 also include the following subsidiary companies:

Companies, operating in Slovenia		Ownership share, %	Division
1.	Gorenje I.P.C., d.o.o., Velenje	100.00	HA
2.	Gorenje Tiki, d.o.o., Ljubljana	99.982	HA
3.	Gorenje GTI, d.o.o., Velenje	100.00	TS
4.	Gorenje Notranja oprema, d.o.o., Velenje	99.60	HI
5.	Gorenje Gostinstvo, d.o.o., Velenje	100.00	TS
6.	LINEA SP, d.o.o., Velenje	100.00	TS
7.	Energygor, d.o.o., Velenje	100.00	TS
8.	Kemis d.o.o., Radomlje	100.00	TS
9.	Gorenje Orodjarna, d.o.o., Velenje	100.00	TS
10.	ZEOS, d.o.o., Ljubljana	51.00	TS
11.	Istrabenz Gorenje energetski sistemi, d.o.o., Nova Gorica	49.95	TS
12.	GEN-I, d.o.o., Krško	24.98	TS
13.	Istrabenz investicijski inženiring, d.o.o., Nova Gorica	49.95	TS
14.	Surovina, d.d., Maribor	51.00	TS
15.	RVT d.o.o., Maribor	29.99	TS
16.	INDOP, d.o.o., Velenje	100.00	HA
17.	ERICO, d.o.o., Velenje	51.00	TS
18.	Istrabenz Gorenje inženiring, d.o.o., Ljubljana	49.95	TS

Companies, operating outside Slovenia		Ownership share, %	Division
19.	Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00	HA
20.	Gorenje Austria Handelsgesellschaft m.b.H., Austria	100.00	HA
21.	Gorenje Vertriebsgesellschaft m.b.H., Germany	100.00	HA
22.	Gorenje Körting Italia S.r.l., Italy	100.00	HA
23.	Gorenje France S.A.S., France	100.00	HA
24.	Gorenje BELUX S.a.r.l., Belgium	100.00	HA
25.	Gorenje Espana, S.L., Spain	100.00	HA
26.	Gorenje UK Ltd., Great Britain	100.00	HA
27.	Gorenje Skandinavien A/S, Denmark	100.00	HA
28.	Gorenje AB, Sweden	100.00	HA
29.	Gorenje OY, Finland	100.00	HA
30.	Gorenje AS, Norway	100.00	HA
31.	OÜ Gorenje, Estonia	100.00	HA
32.	SIA Gorenje, Latvia	100.00	HA
33.	Gorenje spol. s r.o., Czech Republic	100.00	HA
34.	Gorenje real spol. s r.o., Czech Republic	100.00	HA
35.	Gorenje Slovakia s. r.o., Slovak Republic	100.00	HA

36.	Gorenje Budapest Kft., Hungary	100.00	HA
37.	Gorenje Polska Sp. z o.o., Poland	100.00	HA
38.	Gorenje Bulgaria EOOD, Bulgaria	100.00	HA
39.	Gorenje Zagreb, d.o.o., Croatia	100.00	HA
40.	Gorenje Skopje, d.o.o., Macedonia	100.00	HA
41.	Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00	HA
42.	Gorenje, d.o.o., Serbia	100.00	HA
43.	Gorenje Podgorica, d.o.o., Montenegro	99.972	HA
44.	Gorenje Romania S.R.L., Romania	100.00	HA
45.	Gorenje aparati za domaćinstvo, d.o.o., Serbia	100.00	HA
46.	Mora Moravia s r.o., Czech Republic	100.00	HA
47.	Gorenje - kuchyne spol. s r.o., Czech Republic	99.60	HI
48.	Gorenje Imobilia, d.o.o., Serbia	100.00	TS
49.	Gorenje Adria Nekretnine, d.o.o., Croatia	100.00	TS
50.	Kemis-Termoclean, d.o.o., Croatia	100.00	TS
51.	Kemis BiH, d.o.o., Bosnia and Herzegovina	100.00	TS
52.	Kemis Valjevo, d.o.o., Serbia	100.00	TS
53.	Gorenje Invest, d.o.o., Serbia	100.00	HA
54.	Gorenje Gulf FZE, United Arab Emirates	100.00	HA
55.	Gorenje Tiki, d.o.o., Serbia	99.982	HA
56.	GEN-I, d.o.o., Croatia	24.98	TS
57.	Intrade energija, d.o.o., Bosnia and Herzegovina	25.48	TS
58.	Vitales, d.o.o., Nova Bila, Bosnia and Herzegovina	49.95	TS
59.	Gorenje Istanbul Ltd., Turkey	100.00	HA
60.	Sirovina, a.d., Serbia	44.12	TS
61.	Gorenje TOV, Kiev, Ukraine	100.00	HA
62.	Vitales, d.o.o., Bihač, Bosnia and Herzegovina	24.98%	TS
63.	GEN-I, d.o.o., Serbia	24.98%	TS
64.	Vitales, d.o.o., Sokolac, Bosnia and Herzegovina	24.98%	TS
65.	ST-Bana Nekretnine, d.o.o., Serbia	100.00%	TS

Division HA – Household Appliances Division

Division HI – Home Interior Division

Division TS – Trade and Services Division

Gorenje, d.d. also has the following representative offices abroad, which are instrumental in doing business in certain foreign markets:

#### Representative offices abroad

1.	Moscow, Russia
2.	Krasnojarsk, Russia
3.	Kiev, Ukraine
4.	Athens, Greece
5.	Shanghai, China
6.	Almaty, Kazakhstan

## BUSINESS ENVIRONMENT IN THE YEAR 2007

In accordance with achieved results Gorenje Group finished the business year 2007 with good results. The major planned targets were reached and by the revenue also two-digit growth in comparison with the year 2006 and also surpassed for the year 2007 planned net profit.

**The Household appliances division** was in the year 2007 under strong pressure by **the high price level of commodities and raw materials**, which are above second half 2006 price level. Direct negative impact of higher prices amounted to more than EUR 10 million, and that means that the profitability of the Gorenje Group could be much better, if the prices staid on the year 2006 level and above the planed objectives.

In the majority, for sales of household appliances important European markets, the **moderate growth of sales** was recorded. **The strongest growth in sales was recorded by the refrigerator and freezer program and by the cooking appliances**, while the sales of washing machines and dryers dropped. In spite of the growth, **supply, due to the overcapacity and entering of the new – price aggressive competitors, surpassed the demand** of household appliances. The result of this was a **price pressure**. Additional price pressures were followed by the **concentration of the major retailers with the global brands**, which are present on the different markets.

The implementation of the **European directive on the recycling of electronic and electrical waste (WEEE)** has on some markets additional increased the producers costs, due to the obligation for the recycling and removal of old household appliances.

In such a circumstances **some of the European manufacturers from the industry, already making losses**. Gorenje Group has the major part of the negative impact within the household appliances division neutralized by:

- **Larger extent of business activities**, which is very important, due to the relatively large part of the fixed costs, what is characteristic of the white goods industry,
- **Development and introduction of the new products**, followed by improved sales structure and by increased stake of the appliances with higher margins,
- Continued **optimisation of the supply chain** and seeking alternative and/or new sources of global supply in Far East and in the countries of Eastern Europe and South Eastern Europe,
- **Development of all for home business activities** - complementary, supplementary and heating program (opening of the new production capacity for heating program in Stara Pazova, Serbia).

Partly we managed to neutralize the negative pressure also by the **increase of prices**. By such activities, due to the supply surplus in most of the markets, the selective accession to price increase is need it.

**Management of the inventory level, trade receivables and trade payables**, was also our focus. In the mid-year we started with the project of cutting down the current assets within the whole Group. Our attention was very much dedicated to the **control of the general business costs**.

**The home interior division** was in the year 2007 marked by the **fire of the production facility in the factory in Czech Republic**. In spite of this fire, we managed, with a **good organization of production activities** at other locations of division, to **neutralize the shifts in the production**. Additional impact on the division performance was also the **economic situation of the production facility in Austria**, where we decided to **transfer this production to Maribor, Slovenia**. The positive effect of this transfer will be seen in the year 2008.

The negative pressures by both above mentioned divisions, we have partly managed to neutralized

by the development of the **new activities in the trade and services division, with higher revenue growth potential and profitability.**

In January this year we became a **51 % owner of the company Surovina**, which together with the companies **Kemis in Slovenia, in Croatia and Bosnia, are the holder of the future development on the area of environmental protection** and of hazardous waste. To the company Kemis Zagreb, Croatia, we merged with success the company Termoclean Zagreb, Croatia.

Further on we have proceeded with the development of the energetic business, which is performing by the companies of Istrabenz Gorenje. The company Istrabenz Gorenje has in the August 2007 **sold the company for trading of power supply Austrian Power Vertriebs GmbH**, which had relatively high share of the revenue. The planned revenue is due to this lower, but we don't plan lower profitability of the company Istrabenz Gorenja for the next year.

## RISK MANAGEMENT

The growing internationalisation of the Gorenje Group, primarily in relation to manufacturing, had a major effect on the rise of the rate of risk exposure for different types of risk. This has brought risk management to the forefront of our concerns. The key to the management of the abovementioned risks, however, is a systematic approach, which at the level of the Group is being achieved by the operation of the Risk Management Board four years already.

Core activities, performed by individual bodies, are aimed at achieving acceptable i.e. expected exposure to various types of risk in order to improve the probability of the planned business goals of the Gorenje Group being accomplished.

### BUSINESS RISKS

The following major types of business risks for the Gorenje Group have been identified: external risks, sales risks, purchasing risks, product risks, investment risks, HR business risks and loss of property risks.

**The Management Board of the Gorenje Group believe the exposure to business risks to be moderate, but high owing to high purchasing (mainly price-related) risks inherent in our key supply markets.**

### FINANCIAL RISKS

The following key financial risks for the Group have been identified: credit risks, currency risks, interest risks and liquidity risks.

**The Management Board of the Gorenje Group believes that inspite given the safeguards and hedging mechanisms in place, exposure to financial risks – interest and currency risks is high.**

### OPERATING RISKS

The following major types of operating risks for the Gorenje Group have been identified: production risks, information system risks, legislation related risks, fire risks.

**The Management Board of the Gorenje Group believe the exposure to operating risks to be moderate, with the exception of high exposure to the information system risks.**

## PRINCIPLES APPLIED IN THE PREPARATION OF FINANCIAL STATEMENTS AND IMPORTANT NOTES TO FINANCIAL STATEMENTS

The audited consolidated financial statements of the Gorenje Group for the year 2007 have been prepared in accordance with the provisions of the Corporations Act and the International Financial Reporting Standards (IFRS) published by the International Accounting Standards Board (IASB), and the interpretations of the International Financial Reports Interpretation Committee (IFRIC) as adopted by the European Union.

The audited financial statements of the company Gorenje, d.d., for the year 2007 have been prepared in accordance with the provisions of the Corporations Act and the International Financial Reporting Standards (IFRS). For comparison purposes, all equivalent financial statements of Gorenje, d.d., for the period January – December 2006 and as at 31 December 2006 have been prepared in accordance with the provisions of the Corporations Act and the IFRS. Also included in the audited financial statements of Gorenje, d.d., are the operations of its subsidiary Gorenje Indop, d.o.o.

Comparable data's for the year 2006 were recalculated from SIT to EUR, in accordance with instruction of the Slovenian Institute of Auditing – the official exchange rate Bank of Slovenia at the end of the comparable period (SIT 239.64).

**The audited financial statements and the non-audited financial statements are virtually identical.**

### THE MAIN COMPANY GORENJE, D.D.

#### Summary of Business Performance in Figures

in EUR thousand	2007	Plan 2007	2006	2007/ Plan 2007	2007/ 2006
Revenue	831,273	842,264	731,761	98.7	113.6
Gross Operating Yield	847,731	852,825	742,027	99.4	114.2
EBITDA	53,724	58,614	50,074	91.7	107.3
Profit before tax (PBT)	15,339	19,303	13,539	79.5	113.3
Net Profit	13,212	15,403	12,113	85.8	109.1
Average Number of Employees	5,593	5,575	5,591	100.3	100.0

**Revenue:** The achieved growth of revenue is in comparison with the year 2006 exceeded by 13.6 % to EUR 831.3 million and, to a large extent, a result of more favourable pricing of products, goods and services sold, and a favourable geographic sales structure.

**EBITDA:** Earnings before interest, tax, and amortization are higher than in 2006 for 7.3 %. EBITDA growth was due to the increase of costs of raw materials slower than of the growth of business activities.

**Profit before tax (PBT):** The increase in PBT by 13.3 % is connected with the slower dynamics of business activities in comparison with the raw material costs growth by 0.5-percentage points.

**Net profit:** In spite of the increase in income tax actually charged in comparison with the previous year, net profit for the accounting period exceeded by 9.1 %.



## PERFORMANCE ANALYSIS OF THE GORENJE GROUP

## Summary of Business Performance in Figures

in EUR thousand	2007	Plan 2007	2006	2007/ Plan 2007	2007/ 2006
Consolidated Revenue	<b>1,293,438</b>	1,201,170	1,111,035	107.7	116.4
Gross Operating Yield	<b>1,323,973</b>	1,223,415	1,134,076	108.2	116.7
EBITDA	<b>89,444</b>	97,230	80,404	92.0	111.2
Profit before tax (PBT)	<b>29,400</b>	29,559	27,843	99.5	105.6
Net Profit	<b>23,664</b>	23,035	22,316	102.7	106.0
Average Number of Employees	<b>11,456</b>	10,736	10,556	106.7	108.5

**Consolidated Revenue:** In 2007, the Gorenje Group achieved a significant growth in business operations with revenue of EUR 1.3 billion, which is 16.4 % more than in 2006 and 7.7. % above plan.

The revenue for 2007 is not fully comparable with revenue achieved in 2006, due to the inclusion of the companies Istrabenz Gorenje energetski sistemi in the second half of the month July 2006 and Surovina, d.d., into the Gorenje Group at the beginning of 2007. With the comparable data's revenue increased by 9.1 %.

## REVENUE FROM SALES BY DIVISIONS OF THE GORENJE GROUP

in '000 EUR	2007	%	2006	%	07/06
Household Appliances Division	<b>1,022,805</b>	79.1	927,877	83.5	110.2%
Home Interior Division	<b>65,206</b>	5.0	62,603	5.6	104.2%
Trade and Services Division	<b>205,427</b>	15.9	120,555	10.9	170.4%
<b>Consolidated Revenue</b>	<b>1,293,438</b>	<b>100.0</b>	<b>1,111,035</b>	<b>100.0</b>	<b>116.4%</b>

In 2007, Trade and Services Division generated the fastest growth (70.4 %) of consolidated sales. The quality 10.2 % growth was achieved by Household Appliances Division, which in the structural 79.1 % share is staying Gorenje Group core business. Home Interior Division achieved 4.2% YoY. Due to the faster growth of other divisions, the share of this division decreased.

**Cost of goods, materials and services** of the Gorenje Group achieved a share of 75.9 percent in the structure of gross operating yield, which is 0.8 percentage points more than in the year 2006. Their value amounted to EUR 1,004,764 thousand, which is an increase of 18 percent over the year 2006.

The increase in costs discussed was faster than the growth of the gross operating yield and sales which is mainly a result of higher growth of the cost of raw-material and material within the Household Appliances Division. Additional to this the impact on costs was due to the integration of Istrabenz Gorenje energetski sistemi companies into the Gorenje Group (the structure of Cost of goods, materials and services of the companies Istrabenz Gorenje energetski sistemi was 98.3 %). With the comparable data's this cost increased by 10.6 %.

**Added Value** amounted to EUR 305,587 thousand (2 percent over the annual plan), which is a

share of 23.1-percent in the gross yield structure. When compared to the year 2006 it increased by 11.2 percent. Lower growth as from revenue is the result of higher costs of goods, materials and services. **Added Value per employee** amounted to EUR 26,675 thousand, which is an increase of 2.5 percent over the year 2006.

**EBITDA**, calculated as earnings increased by depreciation / amortisation expenses was by 11.1 percent higher than in 2006 in spite of growth of costs of raw materials and materials, mainly due to a favourable increase in operating income and successful management of other operating costs (expenses).

**PBT** or Profit before Tax, amounted to EUR 29,400 thousand, and increased by 5.6 %, what is also the planned level. Due to the postponed capital increase time schedule as planned and due to the higher average level of the indebtedness and higher financial expenses for the interests, the growth of PBT did not follow the growth of EBITDA.

**Net profit:** On account of slower growth of tax rate on profit, the net profit reached growth of 6.0 %, this is above the 2007 plan.

## MAJOR EVENTS FOLLOWING THE BALANCE SHEET DATE

Major events following the Balance Sheet date 31 December 2007 will be as follows:

- On 15 January 2008, Gorenje, d.d., and Publicus, d.o.o., signed a letter of intent on the acquisition of a 51-percent share of the company Publicus.
- Slovenian companies Gorenje, Trimo, Riko and Pristop established on 5 February 2008 at the Founding General Assembly a new company, Gorenje design studio, d. o. o. Gorenje will hold in the new company 52-percent ownership share, the other partners 16- percent each.
- Company Gorenje, d.d., established on 16 January 2008 the company GORES, d.o.o., for the management of the real estate.
- On 16 January 2008 the company GORENJE PROJEKT, inženiring, d.o.o., was established, which 100 % owner is the company Gorenje, d.d.
- On 31 March 2008 the company INGOR, d.o.o, & co., k.d. hold 538,091 shares or 3.8353 % of all GRVG shares of the Gorenje, d.d.

## OWNERSHIP AND SHARE DATA

### GORENJE, D.D., JOINT STOCK COMPANY

It has been ten years already, since the conclusion of the ownership transformation ...

- The main company Gorenje, d.d.: Joint-stock company since 1997, following ownership restructuring
- Nominal value of share capital: EUR 58,546,152.56 (Court register, Celje, No.Srg 2007/02253, 7 November 2007)
- Number of Ordinary no par value Shares: 14,030,000 GRVG shares (Court register, Celje, No.Srg 2007/02253, 7 November 2007)
- Issued GRVG shares: Are of the same class and entitle their holders to proportional management i.e. one vote per share.
- Stock Exchange Listing: GRVG (GRVG (listed on the Prime Quotation of the Ljubljana Stock Exchange since 3 October 2005 and since 3 April 2006 on index SBITOP)
- Own Shares: 1,183,342 shares or 8.4344 % (at 31 December 2007)

- Nominal share value: SIT 1,000 (till 21 December 2006)
- No par value share: 1 no par value share (from 22 December 2006 – date of the registration in the court register)
- There are no provisions in the Articles of Incorporation of Gorenje, d.d., that would invalidate the proportionality of rights arising from share ownership, such as the rights of minority shareholders or restrictions of voting rights.

### Successful 15% capital increase of Gorenje, d.d., securities ...

- 12 December 2006: Issuer's Shareholders' meeting made a decision, and authorized the Management Board, that, in consensus with the Supervisory Board, five years after the recording of the Articles of Association changes in the court register, which were adopted at the Company's 10th Shareholders' meeting, will increase the share capital to 15 percent of the share capital, registered on the date of the decision. The share capital increase shall be affected with the issue of at most 1,830,000 new ordinary, freely transferable, registered shares with no par value.
- 26 June 2007: Notice in Respect of the Public Offer of Gorenje, d.d. Securities
- 29 June 2007: Public-offer Prospectus of ordinary shares Gorenje, d.d. (According to the decision of Agencija za trg vrednostnih papirjev (ATVP-Securities Market Agency) No. 11/356/AG-07-(172) from 23 May 2007, were published the Summary of the Prospectus, the Public-offer Prospectus of Gorenje, d.d., ordinary shares and the Appendix No.1 to the Prospectus.)
- 17 September 2007: Notice and advertisement in respect of the conclusion of the public offer of securities (In the procedure of capital increase, all 1,830,000 shares have been subscribed and paid, from this 76.25 % existing shareholders exercised their priority right and 23.75 % subscribed and paid the company INGOR, d.o.o., owned by the Gorenje Management)
- 9 November 2007: Public notice about changes of share capital, number of shares and of statute (Gorenje, d.d., has based on the finished procedure of subscribed and paid new shares of Gorenje, d.d., received the resolution of the court register, Celje, No. Srg 2007/02253, dated on 7 November 2007. This resolution is relating to the registration of share capital changes from EUR 50,909,697.88 to EUR 58,546,152.56, No. of shares from 12,200,000 to 14,030,000 and changes of statute, related to above quoted changes.)
- 3 December 2007: GRVG shares were entered into the KDD, d.d., central registry
- 4 December 2007: The additional non-par value ordinary GRVG shares were listed on the prime market of the Ljubljana Stock Exchange

### OWNERSHIP STRUCTURE AS AT 31 DECEMBER 2007

Number of Shareholders closed to the number from ten years ... As at 31 December 2007, Gorenje, d.d., had 19,779 shareholders; or 15.2 % increase (17,168).

Shareholder/Number of Shares	31 December 2007	%
KAPITALSKA DRUŽBA, D.D.	3,534,615	25.1933%
GORENJE, D.D. – OWN SHARES	1,183,342	8.4344%
KD GALILEO, VZAJEMNI SKLAD	756,239	5.3902%
RAIFFEISEN ZENTRALBANK OESTERREICH AG	641,207	4.5703%
INGOR, D.O.O., & CO. K.D.	433,800	3.0919%
DELNIŠKI VZAJEMNI SKLAD TRIGLAV STEBER I	361,001	2.5731%
KD RASTKO, DELNIŠKI VZAJEMNI SKLAD	359,793	2.5645%
KD ID, DELNIŠKA ID, D.D.	310,858	2.2157%
PROBANKA D.D.	254,688	1.8153%

KRONA SENIOR, DELNIŠKA ID, D.D.	172,813	1.2317%
MAJOR SHAREHOLDERS – TOTAL:	8,008,356	57.0802%
OTHER SHAREHOLDERS:	6,021,644	42.9198%
TOTAL:	14,030,000	100%

## NUMBER OF SHARES OWNED BY THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD AS AT 31 DECEMBER 2007

Due to the execution of the pre-emption rights of the capital increase, the number of shares owned by the members of the Management and Supervisory Board increased ...

	31 December 2007			31 December 2007	
Supervisory Board	14,146	0.1009%	Management Board	13,230	0.0943%
Mr. Ivan Atelšek	9,497	0.0677%	Mr. Franc Bobinac	2,096	0.0149%
Mr. Peter Kobal	1,355	0.0097%	Mr. Drago Bahun	9,032	0.0644%
Mr. Drago Krenker	920	0.0066%	Mr. Franc Košec	1,380	0.0098%
Mr. Krešimir Martinjak	115	0.0007%	Mrs. Mirjana Dimc Perko	96	0.0007%
Mr. Jurij Slemenik	1,738	0.0124%	Mr. Branko Apat	626	0.0045%
Mr. Jože Zagožen	466	0.0033%			
Mr. Gregor Sluga	55	0.0004%			

## OWN SHARES OF THE ISSUER

Number of own shares remain unchanged ... The number of Own Shares was on 31 December 2007 unchanged, namely 1,183,342 or 8.4344 % of the Company equity.

## BOOK VALUE OF SHARES AND EARNINGS PER SHARE

Strong 59% growth of the GRVG uniform price ... Gorenje shares (GRVG) traded at the **uniform price** of EUR 42.42 on 31 December 2007, which is 72.4 % above their **book value** (EUR 21.39). The book value of a share is calculated as the ratio between the total company equity at 31 December 2007, and the number of shares issued minus the number of own shares (12,846,658) as 31 December 2007.

**Net profit per share**, calculated as the ratio between the net profit made in the accounting period and the number of shares issued minus the average number of own shares (11,169,158), amounted to EUR 1.18 in 2007.

## DIVIDEND POLICY AND DIVIDEND PAYMENTS

Continuation of the dividend policy and dividend payments ... Gorenje has adapted its dividend policy to the investment plans and optimised structure of capital while also keeping in mind the expectations and interests of its shareholders. The corporate strategic plan till the year 2010 provides for up to one third of net profits of the current financial year to be paid as dividends. In 2007 the company paid its shareholders a gross dividend of EUR 0.42 per share.

## REMUNERATION OF THE MEMBERS OF THE MANAGEMENT BOARD AND THE SUPERVISORY BOARD, AND OF THE EMPLOYEES UNDER INDIVIDUAL EMPLOYMENT CONTRACTS FOR 2007 (PARENT COMPANY)

The following remuneration was paid to the members of the Gorenje, d.d., Management Board and the Supervisory Board, and to the employees under individual employment contracts for 2007:

### Gross Remuneration

in EUR thousand	Management Board	Supervisory Board	Employees under Individual Employment Contracts
- Salaries	798	0	5,645
- Performance Bonuses	263	108	896
- Other Remuneration	89	0	470
- Meeting attendance Fees		60	
- Costs Refund		2	
<b>Total</b>	<b>1,150</b>	<b>170</b>	<b>7,011</b>

### Net Remuneration

in EUR thousand	Management Board	Supervisory Board	Employees under Individual Employment Contracts
- Salaries	342	0	2,818
- Performance Bonuses	123	84	447
- Other Remuneration	85	0	437
- Meeting attendance Fees		47	
- Costs Refund		1	
<b>Total</b>	<b>550</b>	<b>132</b>	<b>3,702</b>

As provided by the Securities Act, total remuneration, reimbursements, allowances and other benefits received by the members of the Gorenje, d.d., Management Board in 2007 are listed below as follows:

### Gross Remuneration

in EUR thousand	Franc Bobinac	Franc Košec	Branko Apat	Uroš Marolt	Mirjana Dimc Perko	Drago Bahun
- Salaries	209	176	42	39	161	171
- Performance Bonuses	77	62	0	0	62	62
- Other Remuneration	26	20	1	5	19	18
<b>Total</b>	<b>312</b>	<b>258</b>	<b>43</b>	<b>44</b>	<b>242</b>	<b>251</b>

### Net Remuneration

in EUR thousand	Franc Bobinac	Franc Košec	Branko Apat	Uroš Marolt	Mirjana Dimc Perko	Drago Bahun
- Salaries	88	75	20	16	69	74
- Performance Bonuses	36	29	0	0	29	29
- Other Remuneration	25	19	1	5	18	17
<b>Total</b>	<b>149</b>	<b>123</b>	<b>21</b>	<b>21</b>	<b>116</b>	<b>120</b>

The company didn't approve any long-term and short-term loans to the members of the Management Board, to the members of the Supervisory Board and to internal stakeholders.

## SUMMARY OF THE REPORT OF THE SUPERVISORY BOARD OF GORENJE, d.d. ON THE REVIEW OF THE 2007 ANNUAL REPORT

On 16 April 2007 the Management Board of the Company presented the audited Annual Report of Gorenje, d.d. and the Gorenje Group for the Year 2007 to the Supervisory Board for approval. The Supervisory Board discussed the Annual Report at its meeting held on 24 April 2008.

The Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2007 was audited by the auditing company KPMG Slovenija, d.o.o.. The audit was also performed in all subsidiary companies of the Gorenje Group. On 10 April 2008 the auditing company presented a positive opinion on the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the Year 2007.

In reviewing the submitted Annual Report for the year 2007, the Supervisory Board took the following into consideration:

- the Company recorded a record-breaking sales volume and net profit in 2007,
- the Company realized the key categories of the economic plan in 2007,
- the Supervisory Board approved the proposed appropriation of net profit for 2007 and the determination of accumulated profit within the scope of powers granted to the Management Board and the Supervisory Board;
- the auditing company gave a positive opinion on the Annual Report for 2007 and the Supervisory Board had no remarks regarding the Auditor's Report;
- the Supervisory Board regularly monitored the management and operation of the Company and the Gorenje Group, and regularly discussed their operating results, financial position and assets.

The Supervisory Board has established that the Annual Report for 2007, as prepared by the Management board and reviewed by the auditing company, has been compiled clearly, transparently and in accordance with the provisions of the Companies Act and applicable International Accounting Standards. The Supervisory Board has also examined and approved the Auditor's Report. On the basis thereof, the Supervisory Board has assessed that the Annual Report presents a true and fair picture of the assets, liabilities, financial position and operating results, and gives a fair account of the business development and position of the Company and the Gorenje Group.

On the basis of the above-mentioned, the Supervisory approved, at its meeting held on 24 April 2008, the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the Year 2007 as proposed by the Management Board.

### DETERMINATION AND PROPOSED APPROPRIATION OF ACCUMULATED PROFIT

In accordance with the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board has decided that part of the net profit for 2007 in the amount of EUR 13,212,132.55, which, after the mandatory formation of statutory reserves in the amount of EUR 1,321,213.26, amounts to EUR 11,890,919.29, shall be utilized for the formation of other reserves in the amount of EUR 5,945,459.65, which has been approved by the Supervisory Board.

The Supervisory Board has approved the proposal of the Management Board on the determination of the Company's accumulated profit for 2007, which amounts to EUR 15,559,675.72. The Management Board and the Supervisory board have proposed to the General Meeting of

Shareholders that the accumulated profit for the 2007 financial year in the amount of EUR 15,559,675.72 be appropriated as follows:

- part of the accumulated profit in the amount of EUR 6,313,500.00 shall be used for the payment of dividends in the gross amount of EUR 0.45 per share,
- part of the accumulated profit in the amount of EUR 129,052.22 shall be used for the payment of remuneration to the Supervisory Board of the Company,
- part of the accumulated profit in the amount of EUR 4,558,561.75 shall be used for the formation of other revenue reserves;
- the remainder of the accumulated profit in the amount of EUR 4,558,561.75 shall remain unallocated.

In adopting decisions the Supervisory Board acted in line with the adopted policy of profit appropriation, which is subject to the development concept of Gorenje set forth in the goals embodied in the Strategic Plan for the period up to the Year 2010 and the shareholders' interest in increasing the value of shares in the long term. For this reason the Supervisory Board agreed with the determination and proposed appropriation of accumulated profit for 2007. The Supervisory Board proposes to the General Meeting of Shareholders that the Management Board be discharged of their duties in 2007.

## AUDITED NON-CONSOLIDATED FINANCIAL STATEMENTS OF GORENJE, D.D., FOR THE YEAR 2007, IN ACCORDANCE WITH THE IFRS

### AUDITOR'S REPORT FOR PUBLIC REPORTING PURPOSES



#### Auditor's Report for Public Reporting purposes

We have audited the financial statements and the related notes of the company Gorenje, d.d., for the year ended 31 December 2007, prepared in accordance with the International Financial Reporting Standards as endorsed by the European Union, from which the summarized financial statements are derived, in accordance with International Standards on Auditing. As stated in our Auditor's Reports of 10 April 2008, the financial statements with notes, used for the preparation of the summarized financial statements, give a true and fair view of the Company's operations in 2007.

In our opinion, the attached summarized financial statements comply, in all material aspects, with the financial statements and the notes thereto from which they originate and on which we have expressed an unqualified audit opinion.

For a better understanding of the financial position of Gorenje, d.d. as of 31 December 2007, the results of its operations, and its cash flows for the year then ended, and the scope of our audit, it is necessary to read the summarized financial statements together with the financial statements and the notes thereto, and our audit report on these financial statements.

The Annual Report of Gorenje, d.d., has not yet been presented to the institution which is authorised for the processing and publishing of data.

Danilo Bukovec, B.Sc.Ec.  
*Certified Auditor*

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

Marjan Mahnič, B.Sc.Ec.  
*Certified Auditor*  
*Partner*

*KPMG Slovenija, d.o.o.*

1

Ljubljana, 10 April 2008



## BALANCE SHEET OF GORENJE, D.D.

	in EUR thousand	2007	2006
	<b>ASSETS</b>	<b>675,303</b>	<b>629,431</b>
<b>A.</b>	<b>Non-current assets</b>	<b>340,858</b>	<b>318,710</b>
I.	Intangible assets	18,243	17,350
II.	Property, plant and equipment (PPE)	189,392	193,910
III.	Investment property	2,698	614
IV.	Investments into subsidiaries	113,862	89,679
V.	Investments into associated companies	0	5,621
VI.	Other investments	12,207	6,274
VII.	Deferred tax assets	4,456	5,262
<b>B.</b>	<b>Current assets</b>	<b>334,445</b>	<b>310,721</b>
I.	Non-current assets for sales	0	93
II.	Inventories	93,869	88,328
III.	Other investments	26,150	13,981
IV.	Trade receivables	200,671	194,420
V.	Other current assets	13,724	13,205
VI.	Income tax receivables	0	166
VII.	Cash and cash equivalents	31	528
	<b>EQUITY AND LIABILITIES</b>	<b>675,303</b>	<b>629,431</b>
<b>A.</b>	<b>Total equity</b>	<b>274,785</b>	<b>209,230</b>
I.	Shares	58,546	50,910
II.	Share premium	125,851	78,587
III.	Legal and statutory reserves	45,034	43,713
IV.	Retained earnings	64,660	57,724
V.	Fair value reserve	8,387	5,989
VI.	Own shares	-27,693	-27,693
<b>B.</b>	<b>Non-current liabilities</b>	<b>138,724</b>	<b>138,040</b>
I.	Provisions	26,212	26,661
II.	Deferred tax liabilities	1,886	1,062
III.	Loans and borrowings	110,626	110,317
<b>C.</b>	<b>Current liabilities</b>	<b>261,794</b>	<b>282,161</b>
I.	Short-term borrowings	62,149	75,478
II.	Trade liabilities	177,265	190,882
III.	Other liabilities	22,117	15,801
IV.	Income tax liabilities	263	0

## PROFIT AND LOSS STATEMENT OF GORENJE, D.D.

	in EUR thousand	2007	2006
<b>1.</b>	<b>Revenue</b>	<b>831,273</b>	<b>731,761</b>
2.	Changes in inventories	4,988	2,846
3.	Other operating income	11,470	7,420
<b>4.</b>	<b>Gross operating yield</b>	<b>847,731</b>	<b>742,027</b>
5.	Cost of goods, materials and services	-681,699	-583,608
6.	Personnel expenses	-107,623	-104,095
7.	Depreciation and amortization expense	-33,991	-33,768
8.	Other operating expenses	-4,685	-4,250
<b>9.</b>	<b>Operating profit</b>	<b>19,733</b>	<b>16,306</b>
10.	Financial income	13,321	9,716
11.	Financial expenses	-17,715	-12,483
12.	Net financial expenses	-4,394	-2,767
<b>13.</b>	<b>Profit before tax</b>	<b>15,339</b>	<b>13,539</b>
14.	Income tax expense	-2,127	-1,426
<b>15.</b>	<b>Net profit for the year</b>	<b>13,212</b>	<b>12,113</b>
16.	Basic/diluted earnings per share (in EUR)	1.18	1.08

## CASH FLOW STATEMENT OF GORENJE, D.D.

	in EUR thousand	2007	2006
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	<b>Net profit</b>	<b>13,212</b>	<b>12,113</b>
	Adjustments for:		
	Depreciation of PPE	31,083	31,392
	Depreciation of intangible assets	2,908	2,376
	Foreign currency translation loss	6,010	3,703
	Investments income	-13,321	-9,716
	Financial expenses	11,705	8,780
	Revenues from sales of PPE	-1,199	-2,017
	Outcome tax expense	2,127	1,426
	<b>Operating profit before changes in net working capital and provisions</b>	<b>52,525</b>	<b>48,057</b>
	Increase in trade and other receivables	-5,798	-42,945
	Increase in inventories	-5,448	-13,002
	Decrease in provisions	-449	-396
	Increase in trade and other liabilities	0	29,218
	Decrease in trade and other liabilities	-6,215	0
	<b>Cash generated from the operations</b>	<b>-17,910</b>	<b>-27,125</b>
	Interest paid	-12,725	-10,213
	Income taxes paid	-1,346	-3,162
	Profit from subsidiary liquidation	0	1,243
	<b>Net cash from operating activities</b>	<b>20,544</b>	<b>8,800</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Proceeds from sales of plant and equipment	4,316	4,822
	Interest received	3,808	3,762
	Dividends received	2,673	1,753
	Disposal of subsidiary, net of cash disposed of	2,032	0
	Sales of subsidiary, net of cash acquired	-18,890	-9,927
	Acquisition of property, plant and equipment	-32,139	-26,014
	Other investments	-16,186	3,893
	Acquisition of intangible assets	-3,801	-2,989
	<b>Net cash from investing activities</b>	<b>-58,187</b>	<b>-24,700</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Capital increase	54,900	0
	Repurchase of own shares	0	-12,437
	Borrowings	-13,018	33,517
	Dividends and remunerations paid	-4,736	-4,694
	<b>Net cash from financing activities</b>	<b>37,146</b>	<b>16,386</b>
	Net increase in cash and cash equivalents	-497	486
	Cash and cash equivalents at 1 January	528	42
	Cash and cash equivalents at 31 December	31	528

## STATEMENT OF CHANGES IN EQUITY OF GORENJE, D.D.

in EUR thousand	Share Capital	Share Premium	Legal and statutory reserves	Retained Earnings	Own shares	Fair value reserve	Total
<b>Balance at 1 January 2007</b>	<b>50,910</b>	<b>78,587</b>	<b>43,713</b>	<b>57,724</b>	<b>-27,693</b>	<b>5,989</b>	<b>209,230</b>
Net profit for the year				13,212			13,212
Capital increase	7,636	47,264					54,900
Change in fair value of investments AFS						3,222	3,222
Liabilities for deferred tax				-219		-824	-1,043
Formation of statutory reserves			1,321	-1,321			0
Dividend payout				-4,628			-4,628
Payout of remunerations to the Supervisory Board, in accordance to the AGM resolution				-108			-108
<b>Balance at 31 December 2007</b>	<b>58,546</b>	<b>125,851</b>	<b>45,034</b>	<b>64,660</b>	<b>-27,693</b>	<b>8,387</b>	<b>274,785</b>

in EUR thousand	Share Capital	Share Premium	Legal and statutory reserves	Retained Earnings	Own shares	Fair value reserve	Total
<b>Balance at 1 January 2006</b>	<b>50,910</b>	<b>78,587</b>	<b>31,276</b>	<b>62,742</b>	<b>-15,256</b>	<b>2,243</b>	<b>210,502</b>
Net profit for the year				12,113			12,113
Change in fair value of investments AFS						4,808	4,808
Liabilities for deferred tax						-1,062	-1,062
Formation reserves for own shares			12,437	-12,437			0
Dividend payout				-4,694			-4,694
Increase of own shares					-12,437		-12,437
<b>Balance at 31 December 2006</b>	<b>50,910</b>	<b>78,587</b>	<b>43,713</b>	<b>57,724</b>	<b>-27,693</b>	<b>5,989</b>	<b>209,230</b>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF GORENJE GROUP**, FOR THE YEAR 2007, IN ACCORDANCE WITH THE IFRS

## AUDITOR'S REPORT FOR PUBLIC REPORTING PURPOSES



## Auditor's Report for Public Reporting Purposes

We have audited the consolidated financial statements and the related notes of the Gorenje Group for the year ended 31 December 2007, prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, from which the summarized consolidated financial statements are derived, in accordance with International Standards on Auditing. As stated in our Auditor's Reports of 10 April 2008 the consolidated financial statements with notes, used for the preparation of the summarized financial statements, give a true and fair view of the Group's operations in 2007.

In our opinion, the attached summarized consolidated financial statements comply, in all material aspects, with the consolidated financial statements and the notes thereto from which they originate and on which we have expressed an unqualified audit opinion.

For a better understanding of the financial position of the Gorenje Group as of 31 December 2007, the results of its operations, and its cash flows for the year then ended, and the scope of our audit, it is necessary to read the summarized consolidated financial statements together with the consolidated financial statements and the notes thereto, and our audit report on these financial statements.

The Annual Report of the Gorenje Group has not yet been presented to the institution which is authorised for the processing and publishing of data.

Danilo Bukovec, B.Sc.Ec.

*Certified Auditor***KPMG SLOVENIJA,**  
podjetje za revidiranje, d.o.o.

Marjan Mahnič, B.Sc.Ec.

*Certified Auditor**Partner**KPMG Slovenija, d.o.o.*

1

Ljubljana, 10 April 2008

## CONSOLIDATED BALANCE SHEET OF THE GORENJE GROUP

	in EUR thousand	2007	2006
	<b>ASSETS</b>	<b>999,715</b>	<b>904,610</b>
<b>A.</b>	<b>Non-current assets</b>	<b>448,694</b>	<b>408,971</b>
I.	Intangible assets	25,094	22,833
II.	Property, plant and equipment (PPE)	384,791	352,636
III.	Investment property	10,174	984
IV.	Other investments	19,217	17,229
V.	Investments in associated companies	12	6,280
VI.	Deferred tax assets	9,406	9,009
<b>B.</b>	<b>Current assets</b>	<b>551,021</b>	<b>495,639</b>
I.	Non-current assets for sales	1,062	423
II.	Inventories	217,471	192,702
III.	Other investments	27,901	21,621
IV.	Trade receivables	255,718	242,865
V.	Other assets	28,857	27,072
VI.	Income tax receivables	2,328	1,910
VII.	Cash and cash equivalents	17,684	9,046
	<b>EQUITY AND LIABILITIES</b>	<b>999,715</b>	<b>904,610</b>
<b>A.</b>	<b>Total equity</b>	<b>350,985</b>	<b>254,433</b>
I.	Shares	58,546	50,910
II.	Share premium	143,714	96,450
III.	Legal and statutory reserves	45,034	43,713
IV.	Retained earnings	84,025	67,629
V.	Own shares	-27,693	-27,693
VI.	Fair value reserve	14,541	15,556
VII.	Translation reserve	21,960	7,619
<b>A1.</b>	<b>Equity attributable to equity holders of the Company</b>	<b>340,127</b>	<b>254,184</b>
<b>A2.</b>	<b>Minority interest</b>	<b>10,858</b>	<b>249</b>
<b>B.</b>	<b>Non-current liabilities</b>	<b>208,683</b>	<b>199,954</b>
I.	Provisions	51,653	48,460
II.	Deferred government grant	8,717	7,901
III.	Deferred tax liabilities	3,211	2,471
IV.	Loans and borrowings	145,102	141,122
<b>C.</b>	<b>Current liabilities</b>	<b>440,047</b>	<b>450,223</b>
I.	Short-term borrowings	166,340	173,561
II.	Trade liabilities	220,261	227,819
III.	Other current liabilities	51,546	47,409
IV.	Income tax liabilities	1,900	1,434

## CONSOLIDATED PROFIT AND LOSS STATEMENT OF THE GORENJE GROUP

	in EUR thousand	2007	2006
<b>1.</b>	<b>Revenue</b>	<b>1,293,438</b>	<b>1,111,035</b>
2.	Changes in inventories	5,170	6,167
3.	Other operating income	25,365	16,874
<b>4.</b>	<b>Gross operating yield</b>	<b>1,323,973</b>	<b>1,134,076</b>
5.	Cost of goods, materials and services	-1,004,764	-851,578
6.	Personnel expenses	-208,553	-186,029
7.	Depreciation and amortization expense	-53,211	-49,582
8.	Other operating expenses	-21,212	-16,065
<b>9.</b>	<b>Operating profit</b>	<b>36,233</b>	<b>30,822</b>
10.	Financial revenues from associated companies stakes	8	658
11.	Financial income	26,298	19,192
12.	Financial expenses	-33,139	-22,829
13.	Net financial expenses	-6,841	-3,637
<b>14.</b>	<b>Profit before tax</b>	<b>29,400</b>	<b>27,843</b>
15.	Income tax expense	-5,736	-5,527
<b>16.</b>	<b>Net profit for the year</b>	<b>23,664</b>	<b>22,316</b>
17.	Minority interest	992	-42
18.	Equity holders of the Company	22,672	22,358
19.	Basic/diluted earnings per share (in EUR)	2.03	2.00

## CONSOLIDATED CASH FLOW STATEMENT OF THE GORENJE GROUP

	in EUR thousand	2007	2006
<b>A.</b>	<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	<b>Net profit for the year</b>	<b>23,664</b>	<b>22,316</b>
	Adjustments for:		
	Depreciation of PPE	49,788	46,089
	Depreciation of intangible assets	3,423	3,493
	Loss due to the weakening	711	0
	Investments income	-26,298	-19,192
	Financial expenses	33,139	22,829
	Impairment investment into associated companies	-8	-658
	Revenues from sales of PPE	-1,983	-2,291
	Outcome tax expense	5,736	5,527
	<b>Operating profit before changes in net working capital and provisions</b>	<b>88,172</b>	<b>78,113</b>
	Increase in trade and other receivables	-14,847	-40,485
	Increase in inventories	-24,769	-22,666
	Changes in provisions	4,009	-959
	Changes in trade and other payables	-3,421	23,806
	<b>Cash generated from the operations</b>	<b>-39,028</b>	<b>-40,304</b>
	Interest paid	-19,534	-10,970
	Income taxes paid	-5,338	-5,710
	Profit from liquidation of subsidiary	0	1,244
	Income from compensations	1,850	0
	<b>Net cash from operating activities</b>	<b>26,122</b>	<b>22,373</b>
<b>B.</b>	<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	Proceeds from sales of plant and equipment	4,502	5,383
	Interest received	4,095	5,621
	Dividends received	1,701	1,421
	Disposal of subsidiary, net of cash disposed of	4,288	668
	Acquisition of subsidiary, net of cash acquired	-6,109	-5,942
	Acquisition of property, plant and equipment	-69,428	-67,423
	Other investments	1,222	2,065
	Acquisition of intangible fixed assets	-4,678	-3,687
	<b>Net cash from investing activities</b>	<b>-64,407</b>	<b>-61,894</b>
<b>C.</b>	<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	Capital increase	54,900	0
	Repurchase of own shares	0	-12,438
	Borrowings	-3,241	55,063
	Dividends and remunerations paid	-4,736	-4,694
	<b>Net cash from financing activities</b>	<b>46,923</b>	<b>37,931</b>
	Net increase in cash and cash equivalents	8,638	-1,590
	Cash and cash equivalents at 1 January	9,046	10,636
	Cash and cash equivalents at 31 December	17,684	9,046



## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY OF THE GORENJE GROUP

in EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained Earnings	Own shares	Translation Reserve	Fair value reserve	Total	Minority interest	Total equity
<b>Balance at 1 January 2007</b>	<b>50,910</b>	<b>96,450</b>	<b>43,713</b>	<b>67,629</b>	<b>-27,693</b>	<b>15,556</b>	<b>7,619</b>	<b>254,184</b>	<b>249</b>	<b>254,433</b>
Net profit for the year				22,672				22,672	992	23,664
Capital increase	7,636	47,264						54,900		54,900
Translation reserve						-1,015		-1,015		-1,015
Reserve for fair value of investments AFS							3,222	3,222		3,222
Reserve for fair value of property							10,797	10,797		10,797
Liabilities for deferred tax				-219			322	103		103
Formation of statutory reserves			1,321	-1,321				0		0
Dividend payout				-4,627				-4,627		-4,627
Payout of remunerations to the Supervisory Board, in accordance to the AGM				-109				-109		-109
Increase in minority interest								0	9,617	9,617
<b>Balance at 31 December 2007</b>	<b>58,546</b>	<b>143,714</b>	<b>45,034</b>	<b>84,025</b>	<b>-27,693</b>	<b>14,541</b>	<b>21,960</b>	<b>340,127</b>	<b>10,858</b>	<b>350,985</b>

in EUR thousand	Share capital	Share premium	Legal and statutory reserves	Retained Earnings	Own shares	Translation Reserve	Fair value reserve	Total	Minority interest	Total equity
<b>Balance at 1 January 2006</b>	<b>50,910</b>	<b>96,450</b>	<b>31,276</b>	<b>62,402</b>	<b>-15,256</b>	<b>16,172</b>	<b>2,241</b>	<b>244,195</b>	<b>840</b>	<b>245,035</b>
Net profit for the year				22,358				22,358	-42	22,316
Translation reserve						-616		-616		-616
Reserve for fair value of investments AFS							4,286	4,286		4,286
Reserve for fair value of property							781	781		781
Reserve for fair value of protecting cash flow							524	524		524
Liabilities for deferred tax							-213	-213		-213
Formation reserves for own shares			12,437	-12,437				0		0
Dividend payout				-4,694				-4,694		-4,694
Increase of own shares					-12,437			-12,437		-12,437
Decrease in minority interest								0	-549	-549
<b>Balance at 31 December 2006</b>	<b>50,910</b>	<b>96,450</b>	<b>43,713</b>	<b>67,629</b>	<b>-27,693</b>	<b>15,556</b>	<b>7,619</b>	<b>254,184</b>	<b>249</b>	<b>254,433</b>

## PLANS AND CONDITIONS OF OPERATION IN THE YEAR 2008

in EUR thousand	2007	Plan 2008	Plan 2008/2007
Consolidated revenue	1,293,438	<b>1,300,352</b>	100.5
Gross Operating Yield	1,323,973	<b>1,319,415</b>	99.7
EBITDA	89,444	<b>98,078</b>	109.7
Profit before tax (PBT)	29,400	<b>31,503</b>	107.2
Net Profit	23,664	<b>26,503</b>	112.0
Average Number of Employees	11,456	<b>11,522</b>	100.6

In the year 2008 we will continue with the **growth of business activities within the household appliances division**, which is and will be Gorenje Group core business. The growth volume of division will be very selective, with the main stress on **the improvement of the sales structure - appliances with higher margins** – considering also the **structure of production programs**, as well as **sales structure by countries**.

Key importance of the supply chain will be the **optimisation of the supply chain and seeking low-priced alternative and/or new sources of supply in Asia, on other US dollar supply markets and in the countries of East Europe and SE Europe**. In relation to the former we are planning on increasing the volume of production as well as sales, where even utilization of production capacities throughout the year will be vital to maximising productivity and economy of production.

**The investment activities** within the household appliances division **will be focused on the development of new products** (modernization of the cooking appliances program) and **on the development of sales activities** (developing and strengthening the position on the strong developing existing and new markets).

We will continue to **develop wide range of products – all for Home**, in particular those with the potential for growth - **complementary, supplementary and heating program**.

**Home interior division** will continue with the **internal consolidation**, particularly in the **optimizing of the international production capacities**. We will also continue with the **synergy utilization with the core business – household appliances division**, on the supply and sales side.

The **trade and services division** will speed up **further development of the new – fast growing activities**, especially **ecology, waste management and energy**, and they will economically justify the larger extend of investments.

In all three divisions will be in the year 2008 attention focused on the **working capital controlling**, above all on **inventories, trade receivables and trade payables**, what will be for the balanced and long term performance of the Gorenje Group, of key importance.

In spite of very difficult business environment, we by Gorenje are prepared and we are looking forward to accept new challenges, which the year 2008 is bringing. We believe in further sound performance of the Group in line with the planned strategic goals and activities.

Gorenje, d.d.  
The Management Board