

Annual Report of Gorenje, d.d.  
and Consolidated Annual Report  
of the Gorenje Group  
for the year 2002

2 0 0 2



*... a company that really cares  
and understands its responsibilities  
to its customers, shareholders,  
employees and the environment ...*



## Gorenje

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- Is an international corporation with a diversified network of companies in Slovenia and abroad. The Gorenje Group, ("Gorenje"), comprises the parent company, Gorenje gospodinjski aparati, d.d. ("Gorenje, d.d.") and 43 subsidiaries.
- Is the largest Slovene net exporter; in 2002 83.5 % of total sales were delivered to customers in more than 60 countries. Over 70% of sales are under the "Gorenje" or other own brand names.
- Total sales in 2002 were 181.5 billion SIT, making Gorenje one of the eight largest European manufacturers of Household appliances by sales value with a 4 % share of the European market.
- Is a member of the European Association of Producers of Household appliances – CECED.
- Gorenje, d.d. is listed on the Ljubljana Stock Exchange under the symbol GRVG. Market capitalisation at the year-end was 53.8 billion SIT.
- Operates in four business areas:
  - **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. It also includes the sale of supplementary and complementary programmes, such as small Household appliances and televisions;
  - **manufacture and sale of furniture**, including kitchen and bathroom furniture, sanitary equipment and ceramic tiles;
  - **provision of services**, including trading, engineering, distributorship, catering and tourism as well as real estate management;
  - **machine building and tool-making**, including the production and sale of tools, dies and industrial equipment.



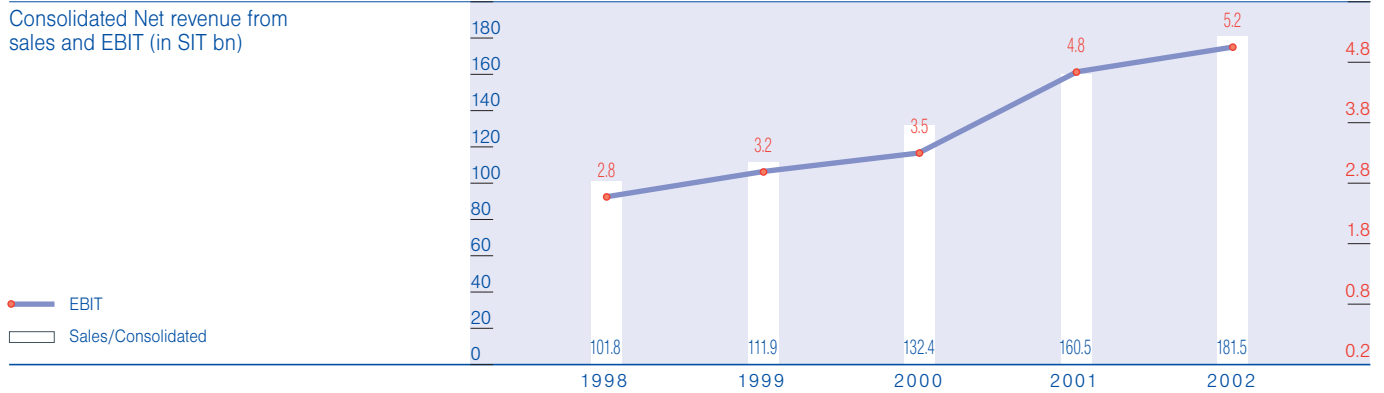
*... implement its strategy  
„everything for the home“...*

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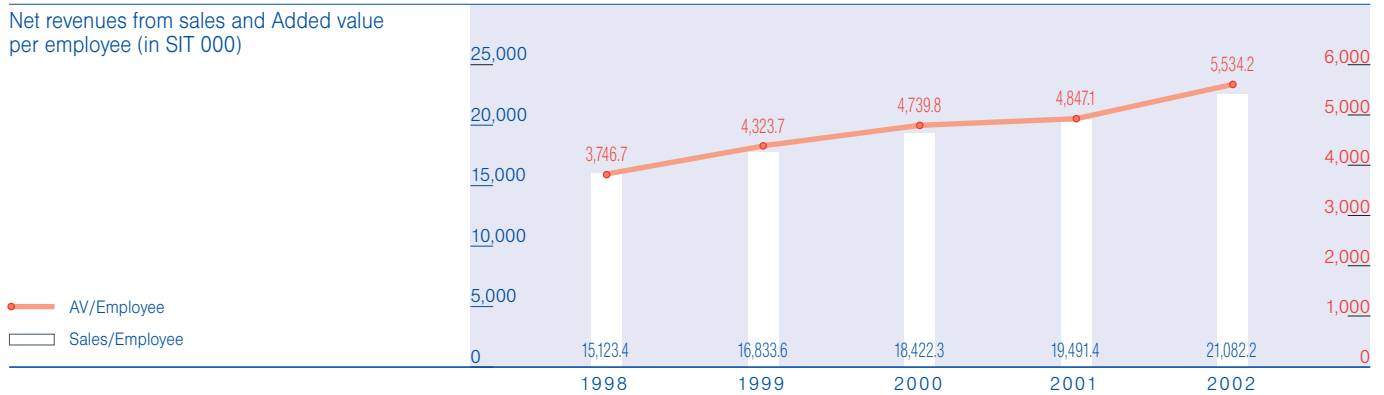
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## Gorenje five-year history, 1998-2002

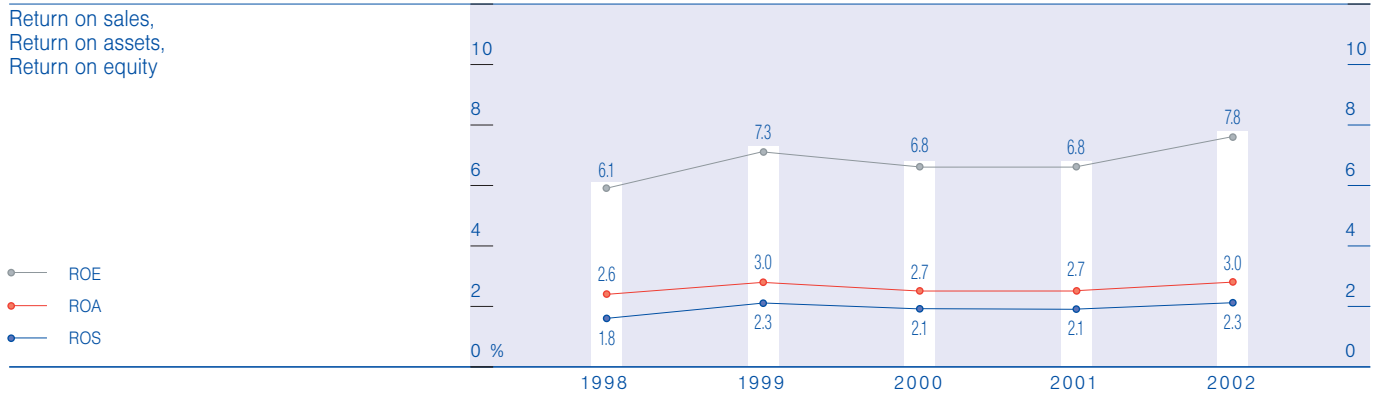
Consolidated Net revenue from sales and EBIT (in SIT bn)



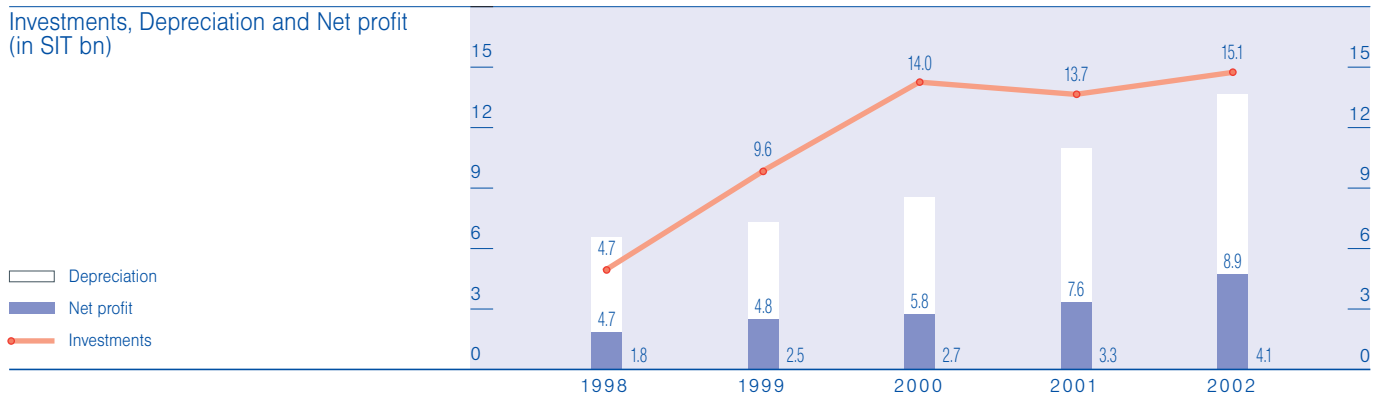
Net revenues from sales and Added value per employee (in SIT 000)



Return on sales, Return on assets, Return on equity



Investments, Depreciation and Net profit (in SIT bn)



## Gorenje five-year history 1998-2002

	in SIT m or as shown				
	1998	1999	2000	2001	2002
<b>Profit &amp; loss</b>					
Net revenues from sales (Con.)	101,826	111,876	132,438	160,531	181,518
EBIT	2,807	3,235	3,477	4,789	5,171
EBIT margin	2.7%	2.8%	2.5%	2.9%	2.8%
Added value	25,226	28,735	34,074	39,920	47,649
Net profit	1,825	2,517	2,736	3,344	4,126
<b>Balance sheet</b>					
Assets	69,133	82,803	102,431	121,984	139,884
Capital	31,987	36,997	42,910	50,512	55,239
% of Total liabilities	46.3%	44.7%	41.9%	41.4%	39.5%
Long-term provisions	3,583	5,454	7,347	10,149	10,844
<b>Sales by business areas</b>					
- Household appliances	93,984	94,997	110,968	133,651	153,651
- Services	4,702	13,466	16,002	17,932	18,625
- Furniture	2,521	2,940	4,447	7,978	7,749
- Machine building and tool-making	619	473	1,021	970	1,493
<b>Employees</b>					
Average number of employees	6,733	6,646	7,189	8,236	8,610
<b>Investments</b>					
Investments in Tangible and Intangible long-term assets	4,711	9,582	13,977	13,674	15,126

## Average annual growth rates

	%
Consolidated Net revenues from sales	16
Net profit	23
Added value	17
Net revenues from sales per employee (cons.)	9
Added value per employee	10

## The Management Board

*The Management Board consists of the Chairman and three other members*

**Jože Stanič**

*Chairman*

**Franjo Bobinac**

*Member responsible for sales and marketing*

**Marija Miheljak**

*Member responsible for finance and economics*

**Drago Bahun**

*Employee-elected member responsible for human resources, social and general issues*



Jože Stanič

Marija Miheljak

Drago Bahun

Franjo Bobinac

## Letter by the Chairman of the Management Board

The Gorenje Group had a successful 2002. Net revenues from sales amounted to 181.5 billion SIT and Net profit to 4.1 billion SIT. These results confirm that we are one of the largest industrial companies in Slovenia, and one of the leading European manufacturers of Household appliances.

Last year was characterised by decreased demand for consumer goods, which resulted in increased competition in all our markets. Customers were cautious due to unstable economic conditions in individual countries, and even more so due to the threat of war, uncertainty about the price of strategic raw materials and the value of the dollar.

In spite of the above circumstances our principal activity, the production and sale of Household appliances, achieved a 15% growth in Net revenues and grew faster than our other business areas, e.g. Furniture, Services, Machine building and tool-making. Our biggest markets are the EU Members States, and recently we have been expanding in the markets of East and Southeast Europe.

In the last five years 57 billion SIT were allocated to investments into Tangible assets. Investments were focused on complete renovation of our factory for Household appliances; modernisation of the sales network; development of new products and introduction of an SAP system as the basis for the renovation of our business processes. All of these factors helped to reinforce our competitive capacity, contributed to the growth of added value and productivity, and allowed for the achievement of business excellence.

The Gorenje Group adopted its first Strategic Plan in 1998 and laid down its development policy for a five-year period. The ambitious goals were achieved one year ahead of the planned period. Consequently, a new Strategic Plan was adopted in 2002 for the period to 2006. In accordance with the adopted strategic policy, Gorenje Notranja oprema, Gorenje Glin Nazarje and a share in Gorenje Tiki were purchased, and 11 companies were established abroad. In addition to this, shares in OPTE Ptuj and Kemis Radomlje were purchased, which created the conditions to begin a new business area – environmental protection.

In the past five years these investments allowed Net revenues to increase by 16%, Net profit by 23% and value added by 17%. In this period the financial stability of the Company strengthened, and provisions tripled. In this Management Board term of office we managed to renovate Gorenje technologically and also improve its personnel structure. Nearly two thousand new jobs were created in the last five years and at the end of 2002 there were 8,772 employees.

The Gorenje Group has set demanding targets for the future. We are aware that due to the known facts and global conditions, including the destabilising

effect of the war in Iraq, our development in the future will be less progressive and further growth more stable. Our future economic life and competition in the market will be influenced also by the accession of Slovenia to the European Union in 2004. Therefore it is even more important that efforts are made to improve further the profitability of our operation by managing costs, continuous improvements in product mix, highly professional knowledge and innovations. Our focus remains on our customers and our flexible response to their needs and expectations, which should result in the creation of value added for our shareholders.

As I am now completing nearly 20-years of work in Gorenje, the last five as the Management Board Chairman, I am extremely pleased that I have been able to work in such a large and successful corporation, which is so important for Slovenia.

I strongly believe that the new Management Board will be able to lead Gorenje along the path we have set, reinforce Gorenje's economic foundations, enrich the values of the corporate culture, and thereby contribute to the reputation of Gorenje's brand names in Europe and all over the world.



Jože Stanič  
*Chairman of the Management Board*

## The Supervisory Board

### Representatives of the shareholders

	Age
<b>Marko Voljč, MSc</b> <i>Chairman</i>	54
<b>Tomaž Kuntarič, MSc</b> <i>Deputy Chairman</i>	37
<b>Anton Majzelj</b> <i>Member</i>	55
<b>Igor Omerza, MSc</b> <i>Member</i>	53
<b>Bogdan Pušnik</b> <i>Member</i>	35

### Representatives of the employees

<b>Ivan Atelšek</b> <i>Deputy Chairman</i>	75
<b>Peter Kobal</b> <i>Member</i>	50
<b>Drago Krenker</b> <i>Member</i>	47
<b>Krešimir Martinjak</b> <i>Member</i>	40
<b>Jure Slemenik</b> <i>Member</i>	43

In the middle of 2002 the Supervisory Board term of office expired, and the newly elected Supervisory Board started its 4-year term of office. On 21 June 2002 the Shareholders' Assembly elected five members of the Supervisory Board, and five members were appointed by the Workers Council in accordance with the Statute. The newly elected Supervisory Board started its term of office on 18 July. In the new Board there are six members from the first term of office, which guarantees the continuity of our work.

### 1. Monitoring, control and assessment of the Company's business performance

In 2002 the Supervisory Board had 9 meetings, two of which were correspondence sessions. Members of the Management Board participated in all sessions, and were joined in some sessions by specialist staff members.

In accordance with its competence the Supervisory Board monitored and controlled Gorenje, d.d. and the Gorenje Group's business performance, with special attention being paid to the preparation and adoption of the Gorenje Group Strategic Plan for the period to 2006.

The Management Board provided the Supervisory Board with comprehensive quarterly reports on Gorenje, d.d. and the Gorenje Group's business performance. The Management Board

reporting allowed the Supervisory Board to carry out its functions, as the reports covered all the most important categories and comparisons with the previous periods and the planned financial year targets as well as strategic goals. On the basis of the assessments, provided by the Management Board, the Supervisory Board also monitored the market conditions.

The Supervisory Board paid special attention to market conditions, as economic growth rates in most developed countries were still in decline, and political circumstances remained uncertain. The Household appliances business area, operating in mature markets, achieved 4 – 5% growth globally. The growth in Western Europe was lower, however growth in Eastern Europe and Asia, excluding highly developed countries and South America, was a little faster. There is strong competition in this industry, as production capacities exceed demand, and a growing concentration of producers, as well as concentration taking place in the retail outlets for the products. In addition, a fall or a falling trend of demand was recorded.

In such severe market conditions Gorenje Group increased revenues from sale by 13.1% in comparison with the previous year, and in the last five years the average annual growth rate was 16%. Gorenje exceeded the market growth rates, which is due to our appropriate business policy.

The Net profit of the Gorenje Group is 23 % higher than the previous year, and the operating profit is 8% higher. Lower growth of operating profit resulted from faster growth of labour costs, mainly due to two indexations of wages, introduction of collective additional pension insurance and increased number of employees as well as increased amortization due to high investments and formation of extra reservations for sales guarantees. The Net profit generated in 2002 allows for payment of dividends in accordance with the adopted dividend policy. Therefore the Supervisory Board approved the use of the Net profit and allocation and use of distributable Net profit, as proposed by the Management Board.

The Supervisory Board also paid special attention to the implementation of the Financial Operations of the Slovenian Companies Act regarding capital adequacy, meeting the principles of liquidity and solvent operations as well as Group measures for Risk management. Gorenje possesses suitable structure of sources of assets and with their Long-term liabilities completely covers the Long-term assets as well as part of Short-term assets. Despite the decreasing trend at the first half year the liquidity indicators and actual solvency were in the limits of recommended values.

The Supervisory Board also established that the Management Board had implemented effective processes of internal control, which allow for control of business performance in the parent company as well as in the companies in the Gorenje Group. All companies in the Group report on their business performance

and planned targets monthly. Last year the Gorenje, d.d. started to build a system of internal assessment at all levels of the Gorenje Group, which should contribute to higher quality of information and allow better control of the procedures or meeting the agreed standards related to correct reporting on all business transactions.

On the basis of the current market situation and the business performance results the Supervisory Board assessed that the business results in 2002 were good. This shows that the management made the right decisions about investments into the expansion of capacities and continuous development of new appliances with new functions, which are also visually attractive, and investments into the market to strengthen our own brand name. Gorenje has the appropriate reserves for eventual more difficult situations. Also internal economisation and increased productivity contributed to the achieved result for shareholders. A great advantage are the employees with their knowledge and experience as well as exceptional loyalty to the Company at all levels.

The Supervisory Board supported the Management Board in implementing the basic goal of creating value for shareholders, and it was pleased to see that the efforts reflected also in the price of Gorenje shares, which nearly doubled in 2002.

The Supervisory Board paid special attention to drafting the new Gorenje Group Strategic Plan for the period to 2006. Gorenje managed to reach the ambitiously set growth rates in the previous Strategic Plan one year ahead

of target. However, the current market conditions and future expectations show that such ambitious growth will not be possible in the next period. Consequently, the Strategic Plan for the period to 2006 focuses particularly on internal optimisation and more ambitious growth of other activities outside the Household appliances business area.

The Supervisory Board was also acquainted with the Auditors' Report concerning the auditing procedure for the time period from January 01 1993 till the entry of property transformation in the register of companies, completed by the Agency of the Republic of Slovenia for Auditing of property transformation of the companies within Gorenje, d.d. in the year 2002. The auditing procedure did not find any reduction of corporate assets under the provisions of Article 48 and 48.a of the ownership transformation Act.

The Management Board also informed the Supervisory Board about the repurchase of 307.105 shares which were obtained with purpose to swap the other shares of companies which are already majority owned by Gorenje and for the payment of their shares in companies that Gorenje intends to purchase on foreign markets, especially in the countries of the SE Europe. The Supervisory Board found these actions truly justifiable and therefore gave their support to proposal for obtainment of the authorization of the shareholders' meeting for the Management Board under the provisions with Paragraph 8, Article 240 of the Accounting Standards' Act.

## 2. Opinion about the Auditors' Report

The Supervisory Board was informed about the Report on auditing the Gorenje, d.d. financial statements for 2002, and the Report on auditing the Gorenje Group Consolidated Financial Statements. The audit was also carried out in 39 companies of the Gorenje Group. The certified auditor, KPMG Slovenia, presented their report to the Supervisory Board. A positive report was submitted for all the audited companies in the Gorenje Group, therefore the auditors were able to give a positive opinion on the consolidated financial statements. The auditors also delivered a positive opinion about the Annual Report of Gorenje, d.d. and Consolidated Annual Report of Gorenje Group. The Supervisory Board assessed that the report by Gorenje, d.d. and the Gorenje Group auditors had been prepared carefully and satisfactorily, providing sufficient disclosures of business performance.

## 3. Preparation of the Annual Report

The Supervisory Board established that the Annual Report, submitted by the Management Board for approval, had been prepared in accordance with the provisions of the Companies Act amendments and the Slovenian Accounting Standards regarding the compulsory components. The Gorenje Group consolidated financial statements are prepared also in accordance with the International Accounting Standards, which allows for better comparability with competitors and higher standard of public reporting, required by the regulations in force. In the Business

Report the Management Board showed the assets and financial situation of the Gorenje, d.d. and the Gorenje Group, and assessed the possibilities for the future development.

As a result of the Auditors' findings and their positive opinion on the Annual Report, the Supervisory Board approved the 2002 Annual Report entirely as submitted by the Management Board.

## 4. Use of Net profit and allocation and use of distributable Net profit

The Supervisory Board has been striving to take into account shareholders' interests while assessing the business performance in order to maximise the long-term value of the Company and therefore it supported the Management Board in decisions that the allocation of the profit should be subordinated to the development concept. The Gorenje Group Strategic Plan to 2006 lays down the dividend policy that up to one third of the financial year's Net profit shall be allocated to the payment of dividends.

The Supervisory Board confirmed proposals for the allocation of Net profit for as proposed by the Management Board and also agreed to the proposal for transformation and use of distributable profit.

## 5. Conclusion

The Supervisory Board assessed that in 2002 the Management Board was successful in its business conduct and met the Supervisory Board's expectations and exceeded the planned goals.

At its 6th meeting on 12 May 2003 the Supervisory Board:

- adopted the 2002 Annual Report as submitted by the Management Board,
- expressed a positive opinion about the Auditors' report,
- together with the Management Board prepared a proposal on the allocation of Net distributable profit,
- proposed that upon the adoption of the decision on the allocation of the Net distributable profit the Shareholders' Assembly adopts the discharge of the Management Board and the Supervisory Board for the conduct of business in 2002



Marko Voljč, MSc  
*Chairman of the Supervisory Board*

## Gorenje - Development Vision

Gorenje strives to have a flexible and manageable business system in all areas of activities. Its fundamental vision is to produce and provide high-quality, user and environment friendly products and services.

In 2002 Gorenje drafted a comprehensive document "Gorenje Group Strategic Plan up to 2006", which was developed from the Strategic Plans of the business areas and individual companies within the business areas.

The Strategic Plan requires Gorenje to implement its mission, vision, strategic orientations and goals by the four existing business areas, and the new business area of environmental protection, through securing internal synergies.

Annual sales growth of 6% up to 2006 is anticipated in the Strategic Plan, which would result in consolidated sales of 231 billion SIT, or in excess of 1 billion Euros. The business area of Household appliances remains the principal activity and its growth in this period is anticipated to be more modest than the growth of other business areas. In 2006 the share of Household appliances in the structure of total sales is projected to be 79.9%, Furniture 6 %, Services 12.4 % and Machine building and tool – making 1.7%.

## Gorenje - Values

In performing its mission Gorenje will develop and strengthen the following values:

- long-term generation of shareholder value

We will strengthen the mission, vision and strategic guidelines of Gorenje, its business culture and the reputation of its products and services. We will retain focus on Gorenje's business-development strategy, in line with optimising an ownership structure aimed at increasing the value of its shares.

- taking care of customer service and relationships with business partners

We will seek to strengthen our reputation among customers and business partners, create an atmosphere of trust, and loyalty.

- care for our employees, their knowledge, maintaining and strengthening their sense of belonging to Gorenje

We will strengthen and develop the sense of belonging, loyalty and satisfaction of all employees as well as our own organisational structure, based on the concepts of a learning organisation.

- corporate identity and Gorenje brand names

We will strengthen the share of sales under our own brand names, develop their recognition and competitiveness and thus strengthen our corporate identity and recognition of our products and services.

- increase ecological awareness of employees and the environment

We will improve the quality of life and work in the environments where we are present. In manufacturing, we will develop technologies for the use and recycling of our products, which will contribute to a less harmful impact on the environment.



# A L U X

**New Alux line** incorporates the latest European trends in kitchen equipment.

In addition to addressing ecological issues, the appliances are energy efficient and use the minimum quantities of water.



### Global market overview and sales in 2002

The year under review was characterised by generally demanding market conditions. Falling stock markets and weaker consumer confidence contributed to slower economic growth in the US and Europe. Conditions in Germany, historically the strongest economy in the EU, continued to deteriorate as recessionary pressures mounted.

In the Household appliances industry the major international manufacturers and distributors are investing in the CEE and expanding sales in the region. A number of manufacturers are reorganising and streamlining their businesses, which is the result of a substantial effort to respond rapidly to changing market requirements. The use of E-commerce in the industry is growing, but at a slower rate than that predicted some years ago. As a result of slower economic growth in most major economies around the world, demand is weakening as consumers become more cautious about discretionary spending.

Exports are the main driver of the Slovene economy and consequently the country is dependent on trade and not immune to international economic forces. Slovene exporters managed to overcome the weaker demand from key European economies by rebuilding trade relationships with the Central and Eastern Europe Region (CEE) including countries of the former Yugoslavia.

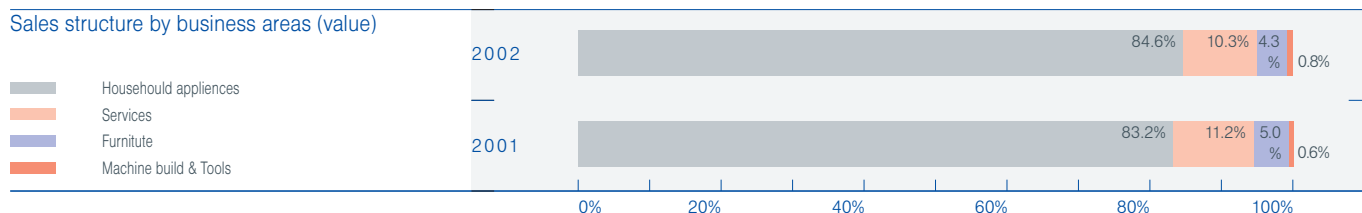
**Gorenje Group's consolidated Net sales in 2002 reached a record 181,518.0 million SIT, an increase of 13.1% over 2001.**

Household appliances, the largest business area comprising close to 85% of Total sales, achieved sound progress and was ahead of plan. The Services not reach its planned goals, principally as a result of the cessation of trading in electricity in Slovenia and also a slowdown in the sales of cars in Croatia, due to the loss of competitive advantage, as that market liberalised. Nevertheless, the business area managed to increase total consolidated Net sales by 3.8%. The Furniture posted lower sales, well below plan. This reflected the recession in the construction and furniture industries and lower demand from its key western markets. Consolidated net sales in Machine building and tool-making was well ahead of the previous year, albeit from a low base.

### Sales by business areas

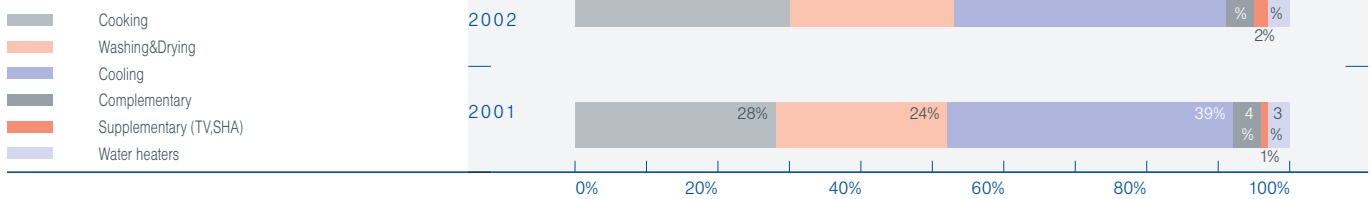
	in million SIT		
	2002	2001	increase
Household appliances	153,651.1	133,651.1	15.0%
Services	18,624.6	17,931.2	3.8%
Furniture	7,749.2	7,978.0	-2.9%
Machine building and tool-making	1,493.1	970.3	53.9%
<b>Total</b>	<b>181,518.0</b>	<b>160,530.6</b>	<b>13.1%</b>

### Sales structure by business areas (value)



## Household appliances

Sales by programme (value)



In 2002 this business area achieved very satisfactory business results, exceeding planned goals. Sales value increased by 15% over the previous year, driven by an improvement in product mix as customers selected new models with higher value features. Our own production programme was successfully supplemented by complementary programmes of no-frost refrigerators, dishwashers, 90-cm wide gas cookers and microwave ovens. The growth in sales of the supplementary programme, selling under our own brand names and comprising television sets and small Household appliances, was encouraging, particularly in Southeast Europe.

Gorenje's ability to respond quickly to customers' needs through the introduction of new, high quality products with innovative features at competitive prices helped the business area perform well in a generally difficult market for white goods.

### Brand names

In 2002 Gorenje sold 70% of its products under its own brand names, with the balance under customers' brands. Our most important brand is GORENJE, which is marketed through all the company's distribution channels. The KÖRTING brand, popular for some years in Italy and Greece, became a firm favourite in Germany in 2001. Our GALANT brand is marketed in Germany through kitchen design studios, while in France our SIDEX brand is available through the large distribution centres.

### Sales by region

The countries of the European Union continue to represent the majority of sales, although their share of total sales has been slipping over the past two years mainly as a result of the rapid growth in demand from East and Southeast Europe. In the UK, Gorenje started to introduce product under our own brand name and initial results are encouraging. Set targets were also exceeded in a number of other markets including Scandinavia, Germany and Austria.

Sales to Southeast Europe were particularly encouraging. In Croatia the market expanded and our sales of built-in appliances and higher value products increased. The Serbian market also strengthened and we reached our planned targets despite the lack of trade infrastructure in that territory. In Bosnia Herzegovina and Kosovo we held market shares in the face of tough competition.

Eastern Europe overall was a very successful market area with a rising share of total Gorenje sales over the year. The largest increase was achieved in Slovakia and the Czech Republic. It was encouraging that our sales margin in those territories also increased despite significant competitive activity.

Sales to countries outside mainland Europe failed to reach planned levels. In the USA we continue to encounter downward price pressure in the face of aggressive competition from Chinese producers, principally in refrigerators and freezers.

### New product features

The Pininfarina line, which was introduced in 2002, was well received reflecting its sophisticated appearance and uniform design, which extends across our range of large Household appliances. This was also the starting point of our new Alux line, which incorporates the latest European fashion trends in kitchen equipment. Aluminium products are durable while their silver design features bring a special beauty to homes. Aluminium is an environmentally acceptable material, which can be recycled; it is corrosion-resistant and not harmful. In addition to addressing ecological issues, the appliances are energy efficient and use the minimum quantities of water.

Our new generation of built-in ovens and hobs represent the final stage in the upgrading of our complete range. This complex programme has delivered significant efficiencies and savings through the introduction of common components and technical procedures. The technical platform we have established will simplify the adoption of new design trends while also maintaining and where possible even improving, cooking. **Energy consumption is particularly low and all our groups of cookers are classified under energy class A.**

In the field of washing and drying technology, Gorenje has redesigned its range of condenser dryers. This technical advance has been reflected in encouraging sales and market share growth for the new range, which has been offered principally under the Gorenje brand name.

A completely new family of refrigerators and freezers has been developed. This line of stainless steel appliances encompasses the latest design trends and is energy efficient. In order to ensure even temperature distribution, dynamic cooling technology was introduced to selected models. The features of the well established "Concept line" of built-in appliances were enhanced further through the introduction of cooling glass doors, principally for the top end of the American market. Work on redesigning our standard refrigerator and freezer ranges has started with embossed doors on the 540 mm line. The redesign programme includes renovating sealing systems to drive down operating and service costs. The redesign of the standard 600-mm wide programme and chest freezers also began in 2002.

However, the "intelligent appliances" project should not be overlooked. These appliances can be linked into a network, so their operation can be monitored and controlled. **The results of this project will be built into all Gorenje new lines of appliances. It is not a coincidence that Gorenje received the highest award for business excellence from the International Council of Societies of Industrial Designers at the 18th Biennale of Industrial Design in Ljubljana.**

In 2002 the development of electric water heaters progressed significantly. We have developed completely new products, including 200 and 300 litre water heaters and pressure heaters of 15-30 litres. Simple installed electronics is the first step toward optimised energy and water consumption, however the development of advanced electronics is going to enable linking into intelligent home and various performance regimes as functional and service supervision.

## Furniture

Gorenje continued to implement its strategy of "everything for the home" through expanding the production and sales of not only kitchen furniture but also other areas of interior furnishings. Interior furnishings include kitchen and bathroom furniture, bathroom equipment, ceramic tiles, built-in appliances and other supplementary products and services linked to residential interior furnishings.

According to strategy, we should rename the business area in Interior furniture.

The largest element of this business area is kitchen furniture which in addition to Gorenje Notranja oprema d.d. is produced for local markets by the following Gorenje companies: Gorenje Küchen GmbH, Austria, Gorenje Kuchyne Spol s.r.o., Czech Republic and Gorenje Kuhinje d.o.o., Bosnia and Hercegovina.

Sales of interior furnishings were adversely influenced by the lower level of activity in the construction industry and a drop in personal consumption across our key markets in Western Europe. This resulted in a fall in sales and our planned targets were not reached.

Steady sales in the Slovenian market coupled with increased activity in Southeast Europe and securing new business in Scandinavia, were insufficient to offset the decline in sales in our largest markets in Germany and Austria.

In 2002 the business area focused on:

- Consolidating its position as the most important producer of kitchen and bathroom furniture in Slovenia and Southeast Europe. This included increased investment aimed at attracting new customers and in particular doubling the number of products offered in Croatia through the construction of an assembly plant in Sarajevo;
- Continuing to implement its strategy of promoting sales of built-in appliances linked to sales of kitchen furniture;
- Promoting sales of interior furnishings throughout Gorenje's sales network;
- Identifying and capitalising on niche opportunities in Western Europe for bathroom furniture, small kitchen units and kitchenettes;
- Completing the technical redesign and doubling production capacity for ceramic tiles;

- Consolidating the purchasing and production functions within the furniture group;
- Broadening the furniture product range through the purchase of a majority stake in Glin K&M.

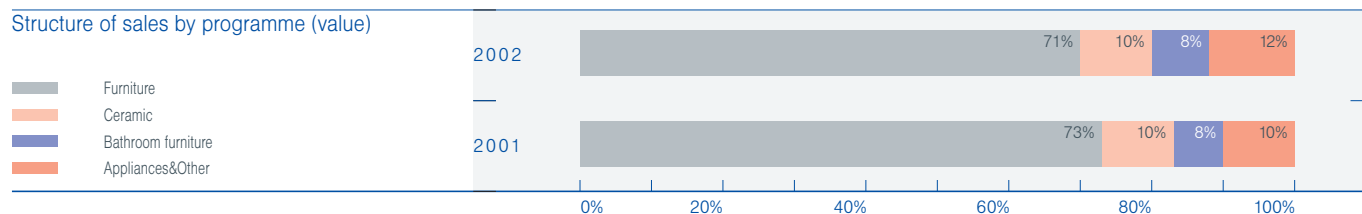
### Structure of sales by programme (value)

Compared with the previous year, the balance of sales within interior furnishings moved in favour of bathroom equipment products and built-in appliances. The tough conditions in the construction market affected sales of ceramic products.

### Regional structure of sales

West European is our most important market, accounting for nearly 50% of total sales, despite the fact that these markets have been experiencing an overall decline during the past two years. The recession has particularly affected sales of furniture and construction. Sales in the Slovenian market are stable and it is very difficult to achieve higher growth rates. Growth rates in Southeast Europe, particularly in Croatia, are favourable, and we remain optimistic about their potential.

Structure of sales by programme (value)



### Own brand names

Kitchen furniture is marketed under the following well-established brands: Gorenje Kuhinje, Optigor and Marles. The Gorenje Kopalnice brand is used for bathroom equipment and furniture and Gorenje Keramika for ceramic tiles.

### New product features

Particular attention is paid to prevailing market and consumer trends in our key European and domestic markets, when developing our interior furnishing products. For example our kitchen development was focused mainly on new fronts for Zarja, Lorena, Delta, Sigma and others, emphasising simple, clean lines in a combinations of wood, veneer, and lacquer in lighter and darker shades. The range of products includes a wide selection of variants and colours of kitchens. Foil is offered in the lower price range, which has more than 50% market share in Europe. Higher price ranges offer a combination of wood and veneer, from modern to classical kitchens. Trends for bathrooms are similar to kitchens. However, modular bathrooms or smaller units, which may be upgraded by additional elements, are increasingly common. The best selling bathroom furniture was plain white or white combined with gentle pastel shades.

New and higher quality bathroom furniture was developed incorporating acryl pitch, developed from the production of kitchen sink units. The nature of our market requires the regular introduction of new products. In 2002 we introduced: wash-basins with solid surfaces; tailor-made wash-basins; new kitchen sinks and working surfaces; new types of existing wash-basins and basic kitchen equipment were developed; and most important of all we introduced a new bath massage system, massage tower shower and toilet covers made of duroplast, as well as a corner kitchen sink unit.

In 2002 new designs of tiles were being developed to extend our floor and wall product ranges. The production-sales programme was upgraded by additional decoration: the floor programme with special floor tiles called listel or mosaic compositions, and the wall programme by special tiles called listel and central decorations. Also tiles for our table programme are being developed.

The Service business area is very broad and covers seven companies within the Gorenje Group. The business area's key operating units are Gorenje GTI and Gorenje Hyundai Auto Zagreb. **Gorenje GTI's revenue is generated from sale of air-conditioning units, transport machinery, agricultural machinery, consumer goods such as large and small Household appliances, furniture and brown goods, as well as equipment for the power industry and medical equipment and reached 63.1% business area's revenue, Hyundai Auto Zagreb and Belgrade 33.0% and other's 3.9%.**

The business area generated most of its revenues from the domestic market and the markets of Southeast Europe.

An important part of the business is the sale of a range of high quality specialist machinery; this includes forklift trucks from BT Industries and Clark; AUSA construction machinery and Zetor tractors. We are currently number two in the Slovenian market for this type of machinery with a share in the range 10-20%, in addition we are offering these ranges internationally and are building share in the countries of South east Europe.

Our marketing programmes for coloured metal in particular, and chemicals in general, were among the most successful and stable. We continued to sell coal, which generates an important share of our revenues. The most successful marketing program was that of our air-conditioning units under the Gorenje brand name. Gorenje has become the leading company in Slovenia, Kosovo and Montenegro with a growing position in Bosnia and Croatia for the marketing of air-conditioning units, which have been supplemented with new products such as water systems and heat pumps.

At the beginning of 2002 a contract was signed with Philips Medical Systems for the distribution of diagnostic devices in Slovenia, which strengthened our position in the field of hospitals and health centres. We also undertook servicing, which is a key factor for our strong and long-term presence in the market.

Engineering activities increased in 2002. Among the more important projects were: power supply; mining; health; and waste water treatment; there was also the successfully completed project at the Oncology Institute in Ljubljana and the second stage of the power stations on the Soča project. Projects were successfully completed in the Republic of Serbia and Montenegro (telecommunications equipment) as well as in Kosovo and Republika Srpska (equipment for power stations and mines).

Contracts for the construction of the Celje wastewater treatment plant (consortium VA TECH WABAG, GTI in Vegrad) were signed, as well as for some projects in health and power supply, which are planned for 2003.

Gorenje is also a general importer of Hyundai cars for the Croatian market and during the year expanded into Serbia and Montenegro as well. This required the formation of company Hyundai auto, d.o.o. in Belgrade. Sales of cars in Croatia showed good results although planned goals were not reached as a result of modified import duties.

Good business results in the field of **catering and tourism** have encouraged us in this investment activity. Gorenje bought Restavracija Klub in Velenje, its central location presents possibility to offer lunches and dinners for students and workers from the vicinity of the Restaurant. We plan to increase revenues from outside the Group and increase our share in the region of Velenje. The company took on lease two premises at the Golovec Hall in Celje and gained priority rights to offer its services at all major events. We started maintenance works on villa Herberstein and plan to improve all vital parts of the building and protect it as a cultural-historic monument. The Ministry for Culture also contributed to the renovation work.

## Machine building and tool-making

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Machine building and tool-making business area is closely tied to operations within the Gorenje, as in the past its skills were utilised in the extensive investment cycle of Household appliances. In 2002 the business area was redirected more outside the Gorenje Group, which resulted in the fast growth of consolidated net sales. The business area's historic focus on supplying its services within Gorenje has reduced its presence outside the Group, strenuous efforts are now being made to reverse this situation and increase sales to third party customers.

Within the business area tool-making had a 50.2% share, measuring systems 2.6% and machine building 47.2%.

The structure of sales changed in 2002, as Gorenje Orodjarna, d.o.o. exported some 30% and Gorenje Indop, d.o.o. 23% mainly to the Austrian, French and German markets.

In addition to Household appliances the business area is engaged more and more in the automotive industry. **The quality of products and services is supported by ISO 9001 and 14000 Standards and EAQF Standard and the system of continuous improvements by the 20-key method.** In 2002 both Gorenje Indop, d.o.o. and Gorenje Orodjarna, d.o.o. were included on the list of approved suppliers for Renault, Gorenje Orodjarna's co-operation with Magna and Brose is also of importance.

## Development

### Understanding Customer needs

Gorenje's plans for future development anticipate the emergence of new global, social and economic conditions all however inline with contemporary thinking and roughly similar to the prevailing competitive environment. Values that will shape future developments are, globalisation; the internet economy; environmental awareness; intelligent products; personal integrity; society; a responsible attitude towards property; concern for the vitality of the 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 their 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 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 Ljubljana University, 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.

Gorenje has integrated the demands of the "home of the future" into its vision. This will require the development of "intelligent products", which will be highly user-friendly, and able to interact with end users. 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 competitiveness

To further improve its competitiveness, Gorenje has initiated various methods of operation designed to provide systematic ways of monitoring paths towards reaching planned targets, while checking along the way if the results meet expectations and the defined goals.

In 2002 Gorenje paid particular attention to:

- the radical transformation of business processes and the implementation of standard software aimed at materially upgrading the information system;
- »20 key« method for assessing our global competitive positioning and constantly seeking improvements, which provide survival and progress in an increasingly competitive world;
- decreasing the time between receipt of order and delivery of products to customers, including methods for improving flexibility and the capability of the company to respond to the customers' requirements (Order-To-Delivery process);

- the process of simultaneous performance of development activities in different expert fields and bringing new products from idea to serial production, including...

- ...the implementation of e-commerce.

### Renovation of business processes and information systems

In 2003 Gorenje joined a group of companies, which use the most technologically and functionally advanced business information support solutions. At the start of 2002 Gorenje started to apply the SAP business solution.

The new system was introduced in Gorenje, d.d. and Gorenje Austria Handels GmbH. It covered the following areas: financial accounting, financial control, treasury, material operation and purchasing, warehouse operation, sales and distribution, foreign trade, development, production and quality management. Within the introduction of mySAP.com the existing system of inventories control and production scheduling (GAPIS) were integrated mainly in order to link to the industrial subsystems. These modules were implemented in one calendar year.

The SAP system will gradually be introduced across the entire Gorenje Group. In 2003 and 2004 the system operating at Gorenje Austria will be applied to other companies in the sales network. All information support is carried out at our central location in Velenje. In 2003 the new factory for polystyrene packaging will start its operation, supported by the standard SAP equipment.

Substantial changes in the introduction of the standard programme support require numerous changes in business processes. These are increasingly transparent and integrated within the Gorenje Group, and gradually also in relation to business partners.

## Quality management

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Being a global supplier, Gorenje is faced with strict quality requirements. Quality means being excellent in all business functions and processes including marketing, development, purchasing, product delivery, shipment of products and caring about the users of our products, i.e. after-sales activities. We are aware that quality is created by all our employees, not just by the procedures and systems, which have been laid down. The quality of the product or service offered to the market depends on each employee. Each product guarantees our customers quality, efficiency and safety.

Quality is achieved by careful examination of our customers' wishes, needs, requirements and above all expectations, and all processes are adapted to that. As the customers' expectations and requirements are constantly increasing, our quality targets in all fields of operations are set higher each year. Development and improvements in the quality management system in Gorenje have become a special process, allowing us to achieve international market standards.

**In 2002 the management process aimed at constantly improving our ability to meet our customers' expectations was supplemented by upgrading the existing system of quality management. We successfully implemented the ISO 9001/2000 standard and have obtained the corresponding quality certificate.**

Our quality management system has been improved and upgraded. The "20 key" project, started in 2001, includes constant progress in 20 key areas of operation, and it continued in 2002. In October 2002 an international conference, organised by Deloitte & Touche and the Ministry of Economy of the Republic of Slovenia, was held and Gorenje Group was awarded the title "The best 20 key company in 2002".

The appropriateness and implementation of the Quality management system in Gorenje is regularly reviewed through internal assessments. The appropriateness of the system's operation is additionally confirmed by annual external audits and inspections. In 2002 the Quality management system of the entire business system was verified by the prestigious English certification body BEAB (British Electrotechnical Approvals Board) and we were issued with its quality certificate.

## Investments

### Investments in Tangible assets and Intangible long-term assets

In 2002 the Gorenje allocated 15,126.1 million SIT to investments, 14,259.4 million SIT were in Tangible assets and 866.7 million SIT in Intangible long-term assets.

The majority of investments, 12,006.6 million SIT, were allocated to **Household appliances**. A substantial part, 8,376.5 million SIT, refers to the parent company.

Most planned investments into technology were realised, which allow for higher productivity, flexibility and reliability of the production process. Construction of the **Polystyrene packaging** plant in Velenje and **Plastics** factory with the assembly of technological equipment for central dosing and warehousing of plastic granules are particularly significant. Construction of an **automatic high-shelf warehouse** commenced in Velenje and should be completed in the first half of 2004.

Considerable investments took place also in Gorenje Zagreb, d.o.o. including the construction of a distribution management centre, and in Gorenje Commerce, d.o.o. building a warehousing management centre.

The companies in **Services** allocated 2,319.0 million SIT to investments. The major part was invested into purchasing franchise shops in Gorenje Real Spol. s.r.o., and into construction of a service centre for Hyundai auto Zagreb, d.o.o.

Companies in **Furniture business area** allocated 363.9 million SIT to investments. Furniture invested in a line for one-sided application of edges and a new line for cutting out panels and into completing the project of extension and modernisation of the ceramic tiles production.

Companies in **Machine building and tool-making** allocated 436.6 million SIT to investments, Gorenje Orodjarna, d.o.o. 281.9 million SIT and Gorenje Indop, d.o.o. 154.7 million SIT. The major part of investments was in purchasing machines and tools, reconstruction of production facilities and purchasing equipment.

### Long-term financial investments

In Gorenje Group, Long-term financial investments increased by 3,572.5 million SIT. The majority of this was in shares and stakes in Gorenje, d.d. and Gorenje Notranja oprema, d.d. .

### Overview of Gorenje Group's investments in Intangible long-term and Tangible assets

	in million SIT	
	2002	2001
Household appliances	12,006.6	11,916.0
Services	2,319.0	586.7
Furniture	363.9	798.7
Machine building and tool-making	436.6	372.6
<b>Total</b>	<b>15,126.1</b>	<b>13,674.0</b>

### Overview of Gorenje Group investments

	in million SIT	
	2002	2001
1. Intangible long-term assets	866.7	167.7
2. Tangible assets	14,259.4	13,506.3
2.1. Land	1,201.8	185.5
2.2. Buildings	5,392.0	101.1
2.3. Technical equipment	6,531.2	13,047.8
2.4. Other equipment	1,134.4	171.9
3. Long-term investments	3,572.5	676.3
<b>4. Total investments</b>	<b>18,698.6</b>	<b>14,350.3</b>

## Human resource management

Gorenje's results were achieved by 8,772 employees (the number of employees at the end of 2002), which is 7% more than the previous year. The number of employees grew due to increased business volume, which had exceeded the planned target for 2002. Gorenje employees are well motivated and known for their high level of expertise and experience.

### Staff education and development

In Gorenje we are aware that the most important factors for achieving competitive advantage are not just the effective investment of capital but also our employees' abilities, knowledge, and expertise. Therefore in accordance with the strategy of human resource management a great emphasis is placed on the development of our staff.

The Gorenje Educational centre has an important role in managing the employees' knowledge. In May 2002 new premises, with modern equipment were opened, and contributed to the increase of educational activities and the number of participants that can partake in structured programs.

Our goal is that on average each employee should attend at least one educational programme. This goal was exceeded last year.

In 2002 the emphasis was placed on educational programmes that offer employees a higher level of formal education. In this programme, we successfully co-operated with several educational institutions and also provided practical training for students.

Our internal educational programmes put into practice an important idea of the internal transfer of knowledge among the employees, which allows for building on experience and knowledge within Gorenje. This contributes significantly to creating the sense of belonging and the culture of our company.

In 2002, 8,203 people participated in the educational process, which means that it nearly doubled in comparison with the previous year.

The number of employees by business areas

	Number of employees at the year end		Average number of employees	
	2002	2001	2002	2001
Household appliances	7,026	6,470	6,870	6,532
Services	311	302	315	299
Furniture	1,073	1,076	1,081	1,069
Machine building and tool-making	362	338	344	336
<b>Total</b>	<b>8,772</b>	<b>8,186</b>	<b>8,610</b>	<b>8,236</b>

Educational structure of employees at the year-end

Educational structure level	No. of employees 2002	No. of employees 2001
I.	2,950	2,700
II.	511	615
III.	316	253
IV.	2,328	2,156
V.	1,881	1,732
VI.	304	303
VII.	453	399
VIII.	29	28
<b>Total</b>	<b>8,772</b>	<b>8,186</b>

Introduction of new information technology entails changes in the employees' habits and way of thinking. The first phase of adaptation to the use of this new technology has finished, and in the future several other changes will be required from employees. By the end of 2002 1,052 people participated in educational programmes in five computer classrooms. The training was carried out by key users in individual processes.

Last year the fourteenth international generation finished their studies at the Gorenje Managers' Academy. In addition to the structured contents of Managers' Academy programme, teamwork on drafting business projects is increasingly important. Last-year participants presented some very useful and interesting business projects, aimed at searching for new opportunities for Gorenje's future development, e.g. Management of metal and non-metal waste; Regional organisation of the Scandinavian operation, Gorenje Group corporate identity; Increasing the performance of new product development.

### Collective additional pension insurance

In accordance with pension reform in Slovenia, Gorenje introduced collective voluntary additional pension insurance in 2002. The employer pays the entire premium and in accordance with the Contract on forming a pension scheme, the employee agrees that the premium is paid out of their gross salary. This achieved optimisation of tax incentives to benefit premiums of the insured individuals. This year amendments to the Pension Act were adopted, and in regard to tax relief it gives priority to collective additional pension insurance to individuals.

Collective additional pension insurance was concluded at the beginning of 2002 for all Gorenje companies in Slovenia, except Gorenje Notranja oprema, d.d., where entrance into the collective additional pension insurance was on 1 April 2003. The company, which carries out our pension scheme, reduced management costs from 1.5% to 1.25% in the first year of collective additional pension insurance and these costs are expected to decrease in the following years. The average share of employees included into the collective additional insurance exceeds 70%, which is relatively high, given that in the structure of employees there is nearly 15% of workers with 10 or fewer years to retirement.

The mission and values contained in the Gorenje Group Strategic Plan include improving the quality of life and work environment. This is only possible by pursuing an environmental policy in the planning and implementation changes both in the development of products and production processes. And especially carefully assessing and managing the process of waste disposal.

**Gorenje has integrated the principles of sustainable development into planning and implementation of all business processes. In 2002 the trend of reducing usage of natural resources in the production process continued.**

Special attention was paid to the nature of the materials, which are used in our products, and their ease of recycling. The Ministry of the Environment, Spatial planning and Energy of Slovenia adopted the Rules on Materials and Articles Intended to Come into Contact with Foods. This means that the criteria that Gorenje had already been meeting in production and particularly in designing its products have been regulated. Europe is getting ready to adopt directives relating to recycling electric and electronic appliances and to restricted use of certain hazardous materials. The requirements of the current directives have been taken into account as far as possible in designing new generations of Household appliances, and Gorenje has actively participated in preparations for recycling electric and electronic appliances in Slovenia.

In accordance with its environmental management policy, Gorenje continued to reduce the use of natural resources and lower environmental pollution in the production of Household appliances. The following was achieved over the past year:

- reduction of water consumption by 14% per product
- reduction of compressed air consumption by 23% per product
- reduction of natural gas consumption by 6% per product
- reduction of heat consumption by 17% per product
- reduction of electricity consumption by 1.5% per product
- reduction in the quantity of waste for disposal by 35% per product
- reduction in the quantity of waste secondary raw materials by 10% per product
- decrease in the use of wastewater treatment plant (lower input) by 7%
- the quantity of generating hazardous waste within the set targets

Last year Gorenje Indop,d.o.o., Gorenje Orodjarna,d.o.o., Gorenje GTI, d.o.o. and Biterm,d.o.o., in addition to Gorenje, d.d., implemented and certified environment management systems in accordance with ISO 140001 Standard requirements and achieved the set targets in the field of environment protection.

In Gorenje I.P.C.,d.o.o. activities for the implementation of the environment management system in accordance with the ISO 140001 and intensive preparations for certification were pursued.

Gorenje Notranja oprema, d.d. has not yet implemented the environment management system in accordance with the ISO 14001 Standard. In spite of this, last year the trend of providing products and services, meeting users' requirements continued, including environment protection, safety and energy requirements as well as aesthetic expectations, and it has achieved several measures in the field

of reducing the emissions of substances into the atmosphere, waste management, energy consumption and land pollution.

In 2002 Gorenje was awarded several prizes and recognised for its efforts in the wider area of environmental protection. Among them are:

- The Agency of the Republic of Slovenia for Efficient Use of Energy (AUE) awarded Gorenje the title of the most energy efficient company in Slovenia. This title was the result of constant reduction in the consumption of energy products in the production and use of Gorenje products, the management and employees' attitude to sustainable development, education and training of employees and public, and investments into renewal of technological processes.
- In Slovenia the management's attitude to tidy and kind working environment, introduction of clean technologies and participation of employees in creating environment culture and social responsibility, have been assessed and awarded for several years. Last year, as in earlier years, Gorenje was awarded the title by the Chamber of Commerce and Industry of Slovenia and the Tourist Association of the Republic of Slovenia for the tidiest working environment in Slovenia in the category of large companies.

After the Risk assessment at the end of 2001, in 2002 the activities in the field of health protection and safety were directed into eliminating and decreasing risks at individual workplaces and working environments.

In 2002 the development cycle continued intensively, and already during the initial stage the employees from Health and safety at work participated actively in the implementation of the so-called "transitional safety".

Due to this concept sick-leave resulting from work-related illnesses, often caused by "mechanical hazards", has been decreasing. The reasons are complex – on the one hand as the consequences of the past's non-ergonomic workplace, exposure to chemical harm, lifting and carrying excessive loads, on the other hand, due to the changes in society resulting in more "sophisticated" hazards, such as stress, anxiety, and fear. Being aware of all of this, last year's health-preventive programmes for our employees were continued and upgraded. 750 employees attended these programmes.

We did not neglect the aspect of education of employees. Last year training for safe and healthy work, fire safety and environment management were attended by 3,000 employees. This focused on practical training for a proper and safe work environment.

In the area of fire safety Gorenje's standard of active protection of all facilities and technology was carefully reviewed, and further strengthened where appropriate. Fire alarm systems were installed in all production programmes.

In accordance with the values and principles of our corporate culture and the Gorenje brand identity, relationships were being strengthened with the Municipality of Velenje, the Celjsko–Savinjska Region and beyond. As in previous years Gorenje supported selected Slovenian projects in the areas of culture, sport, science and health. The following sponsorships and donations were the most important: Slovenian Nordic Team, Handball Club Gorenje, Cankarjev dom, International Graphic Biennale, SNG Drama in Ljubljana, the Society of Slovenian Writers in Ljubljana, "Growing Book" Project, Cultural Centre Ivan Napotnik and Music School in Velenje, Festival ARS Ramovš, Violin School I. Ozim in Velenje, School Centre Velenje, primary schools and kindergartens in Velenje, as well as some social and health institutions in the region.

**Gorenje was awarded the important "Golden Leaf" for its support and co-founding of the "Growing Book" project, which is striving to improve the reading culture. The Chamber of Commerce and Industry and the Tourist Association of the Republic of Slovenia granted Gorenje the Award with the stamp of hospitality for the first position in the category of large companies.**

Highly valued is the share of our own cultural activities within Gorenje by which we actively participate nationally as well as internationally. The mission of the Gorenje Choir should be noted, as well as the art meetings with recognised domestic and foreign painters and sculptors in Gorenje Gallery, which attracted a lot of attention. In Gorenje culture and business life go hand in hand actively and creatively, enriching each other. Our sponsorship of culture and art projects at the international level is considered as our contribution to helping develop recognition of Slovenia's place in the world art production. However, wider environmental needs are far beyond the sponsorship capacity of Gorenje alone. This requires close co-operation

with many other bodies both corporate and governmental, conceptually and through thoughtful planning and by selectively setting priorities. The Management Board and the entire Gorenje management recognise the importance of close co-operation in respect of environmental issues, and hence is a key component of the Company's mission.

**The Gorenje Cultural Society** is mainly an association of Gorenje employees as well as outside members, bringing creativity and innovation in the work environment and wider by their activities and way of thinking. Nowadays broad-minded and creative people are required. "Company can not give birth to creators, it can only attract them. Creativity is an individual's ability to see usual things in an unusual way. A creative person is original and thinks in a flexible way." We agree with psychologist Dr. Vid Pečjak.

Within our Society we organise round tables, lectures, discussions, workshops, educational courses, exhibitions, professional travels, and a special emphasis is placed on meetings of the Managers' Club where current events are discussed. Exceptional and successful individuals from different walks of life are invited, whose way of thinking and work can be our model. In this way we try to encourage creative individuals, who are the driving force in every environment, encourage life-long learning as a recognised style of work and life as we are about to join the EU and oppose stereotypes and conservatism.

**Sports Society Gorenje** organises useful ways of spending free time for our employees and their family, and has more than 5,000 members. Membership entitles them to participate in guided recreation, in hired sports halls, sports fields, swimming pools, courses (skiing, tennis, golf, riding, sailing) and participation in different sports games and competitions. The Society takes care about hiring personnel and

training sports coaches, who encourage and create a positive attitude to an active and healthy way of spending free time.

Employees are increasingly an important target audience for companies as they are the first representatives of the brand and the first to present the company's culture and values to the outside world. Therefore they have to be well informed about what is going on in the company and the company's direction. In Gorenje this is provided by the publication of a weekly publication the Črno na belem (Black on White) and a periodical newspaper the Pika na G (Dot on G).

Through having well informed employees we wish to ensure that they can effectively reflect the company's culture and vision both within the workplace as well as externally to our business partners, and the local society they live in.

## Risk management

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In 2002 Gorenje continued to cover financial and non-financial risks. Some risks are covered separately while others are included in master policies through our parent company or various external institutions.

During the year Gorenje transferred risks associated with property (fire and car insurance), transport, civil and partially product liabilities, accident and personal risks as well as credit risks to insurance companies and other financial institutions. There were no substantial changes regarding existing insurance arrangements during fiscal 2002. Gorenje has however prepared all necessary documentation and analysis for business interruption following fire insurance and additional product liability insurance for 2003. For both insurance's we have decided on a centralised approach for the entire Group. With this we have added on to already existing insurance arrangements and have used the beneficial effects of centralisation to further optimise the relationship between risks and costs.

Gorenje's financial policy lays down the management of **financial risks**, originating from the Company's principal business activity, which means that we are engaged only in safeguarding Gorenje's principal cash flows from operations and not in speculation on the financial markets. Financial risk management includes liquidity, credit, currency and interest rate risks.

Gorenje's **liquidity risk** is quite low, as a result of its profitable operations and good cash management, which is reflected in our high credit rating. Nevertheless, Group liquidity is constantly planned and tightly controlled through daily, monthly, and yearly planning cycles. In addition, short-term liquidity is provided through careful management of receivables and liabilities. For bridging purposes we were granted a series of credit lines (revolving credits) in different currencies, and in 2002 the unused portion was on average 23.5% of all granted credits.

**Credit risks**, which include all risks related to non-fulfilment of mutual obligations by business partners (suppliers or customers) have been managed in several stages. It is essential to check credit rating information for new as well as for existing business partners. In addition to credit rating checking, credit risks are minimised through frequent business relationships with our business partners. Bank guarantees are required from our suppliers and customers. From our suppliers such guarantees are required for all advance payments, quality performance, meeting supplier deadlines. Customers are required to submit bank guarantees for timely payments. In certain cases mortgages on movable or immovable property are used as insurance. In 2002 we increased our co-operation with the Slovenian Export Corporation in insuring receivables so that our risk exposure in most countries where we do business, is protected. Co-operation with business partners and exposure is therefore limited by the amount of insurance. In 2003 we anticipate further expansion of receivables insurance in Serbia and Montenegro, Russia, Ukraine and Romania, which is mostly connected with increasing revenues generated in these markets as well as with the recent development of insurance and other financial instruments offered by financial institutions.

Gorenje pays particularly close attention to **currency risks**, which is understandable due to the geographic diversification of sales and the extent of export and import activities. The fundamental protection of currency risks include balance sheet co-ordination of currency exposure, whereas the value of cash flow within terms of payment was protected by futures operations. This refers specifically to the protection of "soft currencies" where Gorenje is exposed to Croatian Kuna, Polish Zlotys and the Czech and Slovakian Koruna. As sales in the USA are increasing, the dollar was also under currency protection. In fiscal 2003 Gorenje will continue developing its systematic and structured process of financial risk management, focusing on complex and ongoing management of currency and interest rate risks.

In 2002 global interest rates were decreasing so Gorenje did not protect itself additionally from **interest rate risks**. A part of our credit portfolio, which includes loans in different currencies with different maturity, continues to be protected through fixed interest rate arrangements. When building a credit portfolio, we consider both the maturity of the loans as well as the currency in which each loan is nominated. Additionally, this enables us to lower interest rate risks as well as optimise the cost of financing and retain a healthy balance between our assets and sources of financing.

## Business performance analysis of Gorenje Group

### Business performance in comparison with 2001 and budget for 2002

	Difference to 2001 (in SIT m)	Compared to 2001 Index	Compared to Plan 2002 Index
Total net revenues from sales – Consolidated	+20,987	113.1	104.6
Total net revenues from sales – Non-consolidated	+34,511	113.5	103.0
Net profit– Consolidated	+782	123.4	106.1
Value added– Consolidated	+7,729	119.4	104.2
Net revenues per employee – Consolidated	+1,591	108.2	100.0
Value added per employee – Consolidated	+687	114.2	99.5
Investments	+1,452	110.6	119.5

### Revenues

In 2002 Gorenje Group sales reached Net consolidated revenues of 181,518.0 million SIT, which was 4.6% ahead of budget, and a 13.1% increase on 2001.

Gorenje's planned goals were reached or exceeded, mainly due to favourable growth in the Household appliances business area, where sales were 15.0% higher than in the previous year and planned sales targets were exceeded by 9.0%. Sales by other Gorenje business areas were not as good, and not all the planned goals were achieved. Consequently the share of Household appliances sales increased by 1.4 percentage points, representing 84.6% of Total sales in 2002. Other business areas generated 15.4% of consolidated Net sales revenues: Services 10.3%, Furniture 4.3% and Machine building and tool-making 0.8%. Other business areas share of

Total sales is lower than budget by 3.3 percentage points and also in the year 2001 (1.4 percentage points).

Other operating revenues generated 2,548.8 million SIT, and is 17.1% higher than in 2001. The major part goes to revenues from Long-term provisions use and release (1,036.0 m SIT)

Gross operating yield amounted to 185,390.7 million SIT, which is 13.6% higher than the previous year.

### Costs (expenditure)

Costs of goods, materials and services represent the highest share – 73.8% of Gross operating yield. They amounted to 136,909.8 million SIT, which is 11.8% more than in 2001 and 6.1% more than planned in 2002.

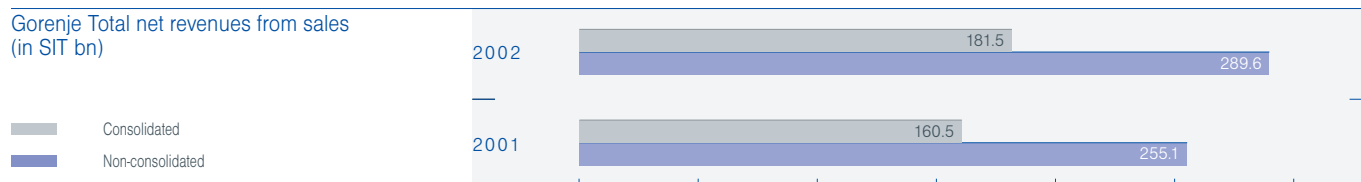
Costs of goods, materials and services rose slower than Net sales revenues (13.1%) and Gross operating yield,

which is 13.6% higher compared to 2001, and therefore the share in the structure of Gross operating yield decreased by 1.3 percentage points, as the result of good Cost management and favourable Sales of products with higher margins.

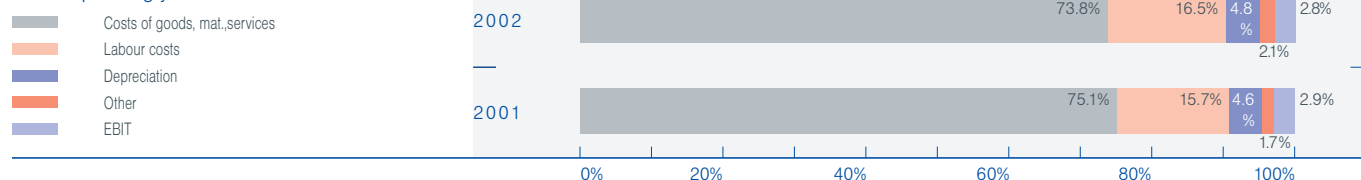
**Labour**, of all costs, increased the most by 19.8% compared to 2001 and 6.9% above 2002 budget. This increase was due to two indexations in 2002, introduction of Collective additional pension insurance (in Slovenian companies), increase of wages in real terms and higher average number of employees.

Labour costs amounted to 30,664.1 million SIT, and accounted for 16.5% of Gross operating yield (plan was 16.3%).

Gorenje Total net revenues from sales (in SIT bn)



## Gross operating yield Structure



**Depreciation** amounted to 8,862.6 million SIT and represented 4.8% of Gross operating yield. The annual depreciation plan was exceeded by 3.8%, and was 1,291.3 million SIT or 17.1% higher than in 2001, which had a positive effect on Cash flow.

**Revaluation of operating current assets** amounted to 1,524.0 million SIT, which is 124.2% higher than in 2001. This was mainly due to Write-offs of receivables, resulting from customers' bankruptcies, receiverships and bad debts.

In 2001 additional **Provisions** of 1,427.8 million SIT were set up against costs, and 3,520.3 million SIT against Sales revenues. The major part was set up for the purpose of Sales warranties and business reorganisation.

## Operating profit

Operating profit amounted to 5,170.8 million SIT, which is 8.0% ahead of 2001. Although Costs of goods, materials and services were growing more slowly than Gross operating yield, our Gross margin decreased from 2.9% to 2.8% compared to 2001 due to the faster growth of Labour costs, Depreciation and Revaluation of operating current assets and Provisions.

## Value added

In 2002 value added amounted to 47,649.3 million SIT (4.2% more than budget) and 19.4% ahead of 2001. The value added growth is faster than the growth of revenues.

In the structure of Value added the share of Labour costs and Operating current assets write off increased, while the share of Depreciation, Provisions and business outcome decreased.

## Financial items

In comparison with 2001 the negative balance of financial items decreased by 895.9 million SIT, or 54.8% and amounted to 739.3 million SIT. In the structure of Gross operating yield that is 0.4%, (in the previous year 1.0%).

The negative balance of financial items decreased significantly in comparison with 2001. The main reason was the amendment of Slovenian Accounting Standards (SAS), which abolished mandatory revaluation, which had a favourable effect on the financial results. Last year the revaluation deficit amounted to 995.3 million SIT. Lower interest charges also had a positive impact on our financial result reducing borrowing costs in spite of higher borrowings and optimised currency borrowings. On the other hand, lower revenues from revaluation in order to maintain value had a negative impact due to the decreased in the Exchange rate of the US dollar and pound sterling.

## Extraordinary items

The balance of Extraordinary items was positive and amounted to 380.7 million SIT. In the structure of Gross operating yield it represents 0.2%.

## Tax on profits

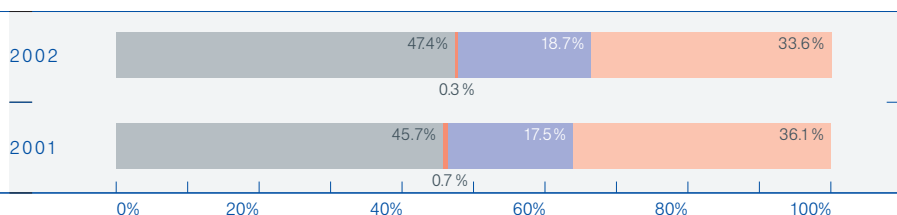
Tax on profits amounted to 685.9 million SIT, a 68.2% rise compared to 2001. In the structure of Gross operating yield it represents a 0.4% share.

At the individual company level we optimised the Tax on profits and made use of tax allowances from capital investments, employment of disabled persons and additional employment.

## Consolidated net profit

Consolidated net profit amounted to 4,126.3 million SIT, 23.4% higher than in 2001 and 6.1% higher than plan for 2002. This includes also the Profit from minorities of 65.3 million SIT.

## Structure of Total assets



## Changes in the balance sheet structure

The **Total assets** of Gorenje at 31 December 2002 were 139,883.5 million SIT, 14.7% more than at the end of 2001. This increase was due to higher volumes and extensive investments.

**Fixed assets** rose by 18.8%, and current assets by 11.2%. Compared with the previous year the balance sheet structure changed in favour of Fixed assets; the share of Fixed assets rose from 45.7% to 47.4%.

**Tangible fixed assets and Intangible fixed assets**, which comprise 43.0% (43.6% in 2001) of the structure of Assets, increased by 6,895.6 million SIT compared to the end of 2001. In accordance with the new SAS Fixed assets are no longer revalued; Investments in Tangible fixed assets and Intangible fixed assets amounted to 15,126.1 million SIT. Investments in land amounted to 1,201.8 million SIT, in buildings 5,392.0 million SIT, in production and other equipment 7,665.6 million SIT and in Intangible fixed assets 866.7 million SIT.

**Long-term financial investments** grew by 3,572.6 million SIT compared to the end of 2001 and make up 4.4% of Total assets. The major part refers to the parent company (2,306.7 million SIT) and Gorenje Notranja oprema, d.d. (789.5 million SIT).

Within **Current assets** there was a significant increase in **Inventories**, which represent 18.7% of Total assets. Inventories increased by 22.7% in comparison with the end of 2001, or 4,845.7 million SIT. Inventories of

materials increased by 1,607.8 million SIT, and Inventories of products and merchandise by 2,917.0 million SIT. Inventories increased due to the higher physical volumes of production, the fact that prices of input materials grew in real terms, the changes in the product mix and strategic purchases of some raw materials.

Compared with 2001 Inventory turnover of products was unchanged (21 days) and Inventory turnover of materials decreased from 41 to 39 days in 2002.

**Short-term operating receivables** represent 27.6% in the structure of Assets of Gorenje. Compared to the end of the previous year they increased by 5,134.9 million SIT or 15.3%, and their share in the Balance sheet structure rose by 0.2 percentage points due to increased sales and extended payment terms in the markets of East and Southeast Europe, where the increase in the share of sales was the highest.

The most important component of Short-term receivables was those due from customers, which rose by 4,484.7 million SIT or 14.9% compared to 2001. The Receivables turnover in terms of days increased slightly over the year from 64 to 65.

**Short-term financial investments** were 4,972.6 million SIT at the end of 2002. In comparison with the end of 2001 they decreased by 2,563.5 million SIT. The major part of Short-term investments refers to the parent company where its securities portfolio and Short-term loans decreased.

The structure of **the Total liabilities** recorded the following increases

compared to the end of 2001: Capital rose by 9.4%, Long-term provisions by 6.9%, Long-term liabilities by 16.1% and Short-term liabilities by 22.2%. Also in 2002 the favourable coverage of Long-term assets with long-term liabilities was retained, with Long-term liabilities exceeding them by 18.4%.

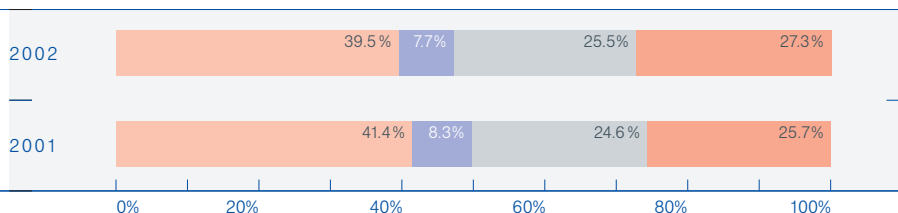
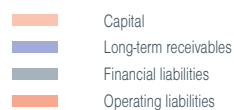
At the end of 2002 the **Capital** in the structure of liabilities represented 39.5%, a decrease of 1.9 percentage points over the year. Total assets increased faster than Capital. Capital growth was 9.4%, while Assets increased by 14.7%.

In nominal terms Capital increased by 4,726.8 million SIT, however in the structure of Total liabilities its share decreased due to a decrease in Capital for payment of dividends and a decrease in Minority capital of Gorenje Notranja oprema, d.d. due to Gorenje, d.d.'s increased stake in this company, rising from 50.28% to 96.9% at the year-end of 2002.

**Long-term provisions** increased by 695.3 million SIT or 6.9% compared to the end of 2001. In the Structure of liabilities they represent a 7.7% share at the end of 2002.

In accordance with the new SAS accounting standards Provisions for major repairs and costs associated with entering new markets were not set up in 2002. In 2002 Provisions for these purposes were used in compliance with the consumption plans. In accordance with the new legislation the parent company released Provisions on account of negative goodwill, which referred to the purchase of Gorenje Notranja oprema, d.d. in 2001. In 2002 this

### Structure of Total liabilities



amount was increased by special equity revaluation adjustment related to Long-term investments.

The major part of the increase in Long-term provisions refers to the parent company which set up additional Provisions for warranties, reorganisation and estimated liabilities deriving from labour disputes amounted to 3,123.4 million SIT. An increase was also recorded in Long-term provisions of Gorenje Vertriebs GmbH, Gorenje Skandinavien A/S and Gorenje IPC, d.o.o.

#### Long-term financial liabilities

increased by 1,776.3 million SIT or 16.1%. The major part of the increase relates to Gorenje Notranja oprema, d.d., Hyundai auto Zagreb, d.o.o., Gorenje Zagreb, d.o.o., Gorenje, d.d. and Gorenje Tiki, d.o.o.

The increase in long term liabilities was mainly due to financing investments.

In the Structure of total liabilities long-term financial liabilities represent a 9.2% share (at the end of 2001 9.1%).

**Short-term financial liabilities**, with a 16.3% share in the Structure of liabilities, increased by 3,947.6 million SIT compared with the end of 2001. The major part of Financial liabilities is bank loans. Financial liabilities increased considerably in Gorenje Zagreb, d.o.o., Gorenje, d.d., Gorenje Spol. s r.o. and Gorenje Beteiligung GmbH. The increase in Short-term liabilities was mainly due to higher volume of assets required for financing increased Receivables and Inventories.

**Short-term operating liabilities** rose by 6,718.1 million SIT or 23.1% compared to the end of 2001. The major part of the increase refers to the parent company where the increase is due to increased supplies and extended payment periods granted by suppliers. Turnover ratio of payables to suppliers in terms of days rose to 73 from 70 in 2001.

#### Cash flow statement

• **Cash flow from operating activities** was positive and amounted to 10,159.0 million SIT, a 32.4% increase (by 2,483.7 million SIT) compared with 2001. This is mostly accounted for by Depreciation (8,862.6 million SIT), Profit before tax (4,812.2 million SIT) and increased Operating liabilities (up by 6,729.6 million SIT). On the other hand the increases in Operating receivables (4,735.1 million SIT), and Inventories (4,845.7 million SIT) had a significant negative impact on cash flow.

• **Cash flow from investment activities** was negative and amounted to 15,863.1 million SIT. It was also negative in the previous year, when it amounted to 19,989.5 million SIT. Most of the change derives from increased Tangible fixed assets and Intangible long-term assets, which increased substantially due to Investments in 2002. In 2002 Investments were 10.6 % higher than in 2001. The negative Cash flow from investment activities decreased due to part of Short-term financial investments sell.

• **Cash flow from financial activities** amounted to 6,115.4 million SIT, 52.4% lower than in 2001. Due to the requirement for financing increased receivables and Inventories, Short-term financial liabilities increased by 3,947,6 million SIT. Long-term financial liabilities rose by 1,776.2 million SIT and the reduced Cash flow resulted from the 303.7 million SIT reduction in Capital. Cash flow from capital is not comparable with 2001 (increasing by 4,258.6 million SIT) due to the new SAS abolishing Capital revaluation.

### Revenues

In 2002 Net revenues from sales amounted to 119,577.3 million SIT, and the annual target sales was exceeded by 3.4%; in comparison with the previous year it increased by 17,199.2 million SIT or 16.8%. In the Total sales structure the sale of large Household appliances generated 105,151.5 million SIT or a 87.9%, the sale of supplementary programme amounted to 4,592.2 million SIT and had a 3.9% share, followed by TV sets with 2,299.2 million SIT or a 1.9% share, radiators 1,658.1 million SIT or a 1.4% share, and other sales amounted to 5,876.3 million SIT or 4.9% (Point-PC's, sale of spare parts and materials). Compared to 2001 the sale outside large Household appliances increased by 27.2%, exceeded the annual plan by 10.6%. In 2002 the Revenues from sales were charged with Long-term provisions, namely as the difference between the value of provisions and the utilisation thereof in the amount to 1,478.5 million SIT.

### Costs (expenditure)

In the structure of Gross operating yield the share of **Costs of goods, materials and services** is 76.9%, which is by 0.5 percentage point lower than in 2001, and higher than planned. In comparison with the same period last year the highest increase is in the purchase value of the goods sold, which resulted from the increased volume of the sale of supplementary and complementary programme. The share of Costs of materials and

services remained at the same level but decreased by 0.7 percentage points in comparison with 2001, and is by 1 percentage point higher than planned. Minimal deviations from the plan resulted from optimal combination of supply sources, decreased number of suppliers with the establishment of long-term contractual relationships, and strategic purchases of some raw materials.

- **Material costs** take 60% in the structure of Gross operating yield, and they are by 4.9% higher than planned, and their share decreased by 0.4 percentage points. In comparison with the previous year these costs increased by 15.9%, and their growth is by 0.8 percentage points slower than the growth of Gross operating yield.

- **Costs of services** exceeded the planned values by 7.3%, and in comparison with 2001 they increased by 13.8%. Their growth is by 3.5 percentage points slower than of Gross operating yield, which resulted from slower growth of Costs of the maintenance of fixed assets, whereas the Costs of design services, rents and insurance increased.

**Labour costs** increased by 21% compared to 2001, and the planned annual level was exceeded by 8.1%. In the total structure it has a 14.6% share, which is by 0.5 percentage points more than planned and achieved in 2001. Wages and compensation of wages of the employees increased by 16.5% compared to the previous year, and in

the structure itself, they decreased by 0.1 percentage point. Among more important reasons for the increase compared to the previous year are the following: increased number of employees, additional pension insurance, increase of wages in real terms and the fact that a certain number of employees moved from lower to the higher tax classes.

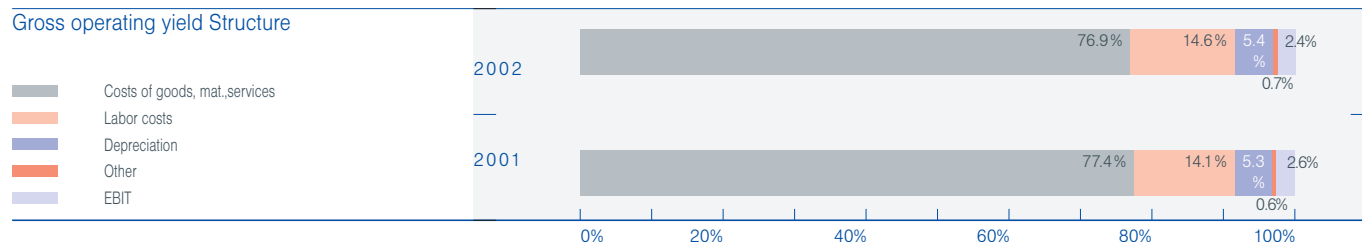
**Depreciation** exceeded the planned value by 5.4%, and its share of the total is 5.4%, which is the same as planned. Compared to the year before, it rose by 18.4%, which resulted from the fact that new Tangible and Intangible fixed assets were activated, which had a positive impact on the Cash flow.

**Revaluatory expenses of current assets** include mainly adjustments of receivables in the amount of 281.0 million SIT, resulting from customers' bankruptcies, receiverships, suits and bad debts.

**Provisions** in the amount of 151.9 million SIT were set up against the Costs for the purpose of reorganisations and pending litigation's by employees.

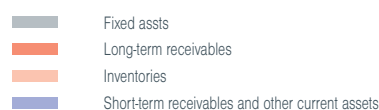
**Operating profit (EBIT)** is 5.6% lower than planned, mainly due to higher Operating costs, which were growing 0.2 percentage points faster than Gross operating yield. Compared to the previous year the Profit increased by 10%, and in the structure of Gross operating yield it decreased by 0.2 percentage points.

### Gross operating yield Structure



\* Note: Others include write-offs of current assets, provisions for costs and other operating expenses.

## Structure



In 2002 **Value added** amounted to 27.7 million SIT, and it increased by 19.4% compared to last year, and exceeded the annual plan by 1.5%.

### Financial items

The positive balance of Financial items in the amount of 993.4 million SIT has a 0.8% share in the structure of Gross operating yield. It consists of revaluation of **Financial revenues and expenses** in order to keep the real value of receivables as well as of liabilities. The application of the new SAS had a positive impact, as revaluation is abolished, which was reflected as revaluation deficit in the amount of 820.4 million SIT in the previous year. In addition to this, the result includes also the participation in Profit of the subsidiary companies in the amount of 890.6 million SIT, and in the previous year they amounted to 856.8 million SIT. Compared to the previous year, interest decreased by 17.0 million SIT, which is the consequence of successful integration of lower interest rates on the world financial markets into our contract clauses and optimisation of currency borrowing. A big discrepancy between the exchange differences last year and this year, mainly in relation to the receivables due from customers should be mentioned, as a minimal increase of some Exchange rates (Polish zloty, US dollar, pound sterling) resulted in lower exchange differences on the receivables side. This discrepancy was partly solved by minimising currency risks for the Polish zloty and US dollar. This had a positive impact on the exchange difference result. On the liabilities side the exchange rates and consequently the exchange difference are approximately the same. Other

financing revenues reflect the positive effects of the investment policy.

### Extraordinary items

Extraordinary items amount to 75.4 million SIT or 0.1% of Gross operating yield, and they are due to recovered Receivables, which had been written-off, and received compensations.

**Tax on profits** amounted to 126.7 million SIT, which is higher than in the previous years, mainly due to lower Investments and more favourable Profit.

**Net profit** amounted to 3,906.8 million SIT, or 3.2% in the structure of Gross operating yield, and exceeded the target by 3.3%, which is substantially higher than last year due to the abolition of revaluation and more favourable financial items, and partly also due to increased sales.

### Changes in the balance sheet structure

**The Total assets** at 31 December 2002 were 103,259.6 million SIT, 14.3% more than at the end 2001.

On the **Total assets** side the balance sheet structure changed in favour of **Fixed assets**, represent 57.3% share of Total assets (56.7%). Total long-term assets are covered by Long-term liabilities plus 24.1% of Short-term assets. This means that the coverage of Short-term assets by Long-term liabilities is by 5.1 percentage points lower than on 31 December 2001. Total long-term assets are higher mainly due to increased Investments into related undertakings and Investments into shares.

The share of **Tangible fixed assets and Intangible fixed assets** in the balance sheet structure is 37.9%, and compared to the end of financial year 2001 it decreased by 3.5 percentage points, mainly due to the lower Investments than in the previous years. In 2002 Investments into Tangible fixed assets and Intangible fixed assets amounted to 8,376.5 million SIT. Investments in land amounted to 1,104.7 million SIT, in buildings 1,030.5 million SIT, in production and other equipment 5,379.5 million SIT and in Intangible long-term assets 861.8 million SIT.

### Long-term financial investments

amounted to 19,964.1 million SIT, which is by 44.4% higher than at the end of the previous year, and make up 19.3% of Total assets. This was mainly due to the increased Investments into related undertakings (increase of equity in Gorenje Zagreb, d.o.o., additional purchase of Gorenje Notranja oprema, d.d. Shares and Profit of related undertakings), repurchased Own shares, Investments into Long-term securities and Accumulated depreciation due to reinforcement or weakening.

Within the **Current assets** the share of **Inventories** in the amount of 11,546.4 million SIT increased by 2,014.9 million SIT or 0.7 percentage points in comparison with the end of 2001. Inventories of **materials** increased by 23.6% compared to the previous year due to strategic purchases of some raw materials. Good management of Inventories of materials during the year is reflected in the average inventory turnover, decreased by 4 days, compared to the previous year. Inventories of **finished goods** increased by 6.9%, and average turnover

improved by one day and their share in Total assets is the same as in the previous year. Inventories of **merchandise** increased by 352,6 million SIT, due to increased purchases.

**Short-term operating receivables - customers** amount to 27,300.6 million SIT and they are increasing due to higher sales on almost all markets (by 4,538.3 million SIT, and in the structure by 0.6 percentage points). Higher Receivables are recorded on the markets in East and Southeast Europe, where the terms of payment are traditionally longer. However, the turnover is by one day shorter compared to 2001.

**Short-term financial investments** were 2,581.2 million SIT and lower than at the end of 2001. They consist of shares, bought for sale, loans and accumulated depreciation due to strengthening or weakening of assets.

**Deferred costs and accrued revenues** increased mainly due to Revenues not charged to related companies.

The structure of **the Total liabilities** recorded minor changes in relation to maturity. The Long-term liabilities represent 67.6% of total liabilities (69.4%), and Short-term liabilities

32.4% (30.6%). This is due to the fact that a part of Profit in the amount of 1,000.8 million SIT was allocated to Payment of dividends and the increase of Short-term liabilities, Short-term financial liabilities as well as Short-term operating liabilities in the amount of 5,717.2 million SIT.

**The Capital** in the structure of Total liabilities represents 52.6% and increased by 13%. The share of Capital in Total assets decreased due to the Payment of dividends to owners.

**Long-term provisions** in the amount of 6,433.4 million SIT are allocated to warranties, major repairs and opening of new markets. They rose by 6.7% or 403.5 million SIT, mainly due to additional Provisions for 2-year warranties and reorganisation costs. The increase was charged to Costs in the amount of 150.0 million SIT and it reduced the Revenues in amount of 1,385.3 million SIT.

**Long-term financial liabilities** in the amount of 9,049.3 million SIT represent an 8.8% share in the structure, and they increased by 5% in comparison with the end of 2001. They consist of loans: domestic banks (4,516.6 million SIT), foreign banks (3,131.3 million SIT) and other domestic entities (1,398.1 million

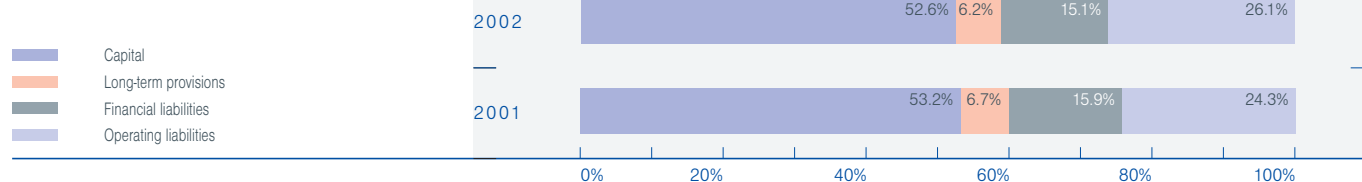
SIT). The loans are decreased by the amount of liabilities, which will fall due in the following year.

**Short-term financial liabilities** in the amount of 6,515.6 million SIT increased by 13.9% compared to 31 December 2001 or by 796.2 million SIT, due to the increase of Receivables and Inventories.

**Short-term operating liabilities** in the amount of 26,008,7 million SIT increased by 23.3% and in the structure increased by 1.9 percentage points. Payables to suppliers increased due to longer periods of payment and increased supplies, which resulted in the increase of the Turnover ratio of payables to suppliers in terms of days from 81 to 83 days in 2002.

**Accrued costs and deferred revenues** in the amount of 941.0 million SIT decreased in the structure by 0.1 percentage points, and they consist of Expenses for customers' benefits, and accrued costs or Expenses of services and interests.

Structure of Total liabilities



#### Cash flow statement

- **Cash flow from operating activity**

was positive and amounted to 7,835.8 million SIT. This is mostly accounted for by Depreciation (6,482.6 million SIT) and Profit before tax (4,033.5 million SIT) and increased Operating liabilities had a positive impact on Cash flow (4,920.9 million SIT). On the other hand, increased Receivables (by 998.8 million SIT) and Inventories (by 740.8 million SIT) reduced the Cash flow. The generated positive flow from operating activity has a positive impact on the financial situation of the Company and its stability.

- **Cash flow from investment activity**

was negative, amounted to 8,495.9 million SIT, and a 49% decrease in comparison with 2001. Most of it derives from the increased Tangible fixed assets (8,064.3 million SIT) and Long-term financial investments (2,793.3 million SIT), whereas the decrease of Short-term financial investments in the amount of 2,491.3 million SIT had a positive impact on the Cash flow from the investment activity.

- **Cash flow from financial activity**

in the amount of 632.3 million SIT shows a more favourable situation, as due to the positive flow from operating activity and decreased investment activity, there was less borrowing than in 2001. The cash flow increased mainly due to the increased short-term borrowing by 796.4 million SIT. Short-term loans were used to overcome the lack of liquid assets, originating from increased Operating receivables and increased Inventories. The reduced Cash flow resulted also from the decrease of Capital (1,000.8 million SIT) due to Payment of dividends to owners.

## Shares on the Stock market

### Data on the issued Shares and Capital

Gorenje, d.d. became a Joint stock company in 1997. The Company's equity has a nominal value of 12,200,000,000 SIT and is divided into 12,200,000 ordinary registered Shares each of 1,000 SIT nominal value.

All the issued Shares belong to the same class and holders are entitled to the following rights:

- each share gives the holder one vote,
- the right to a dividend,
- right to the proportional part of the remaining property after winding up or bankruptcy.

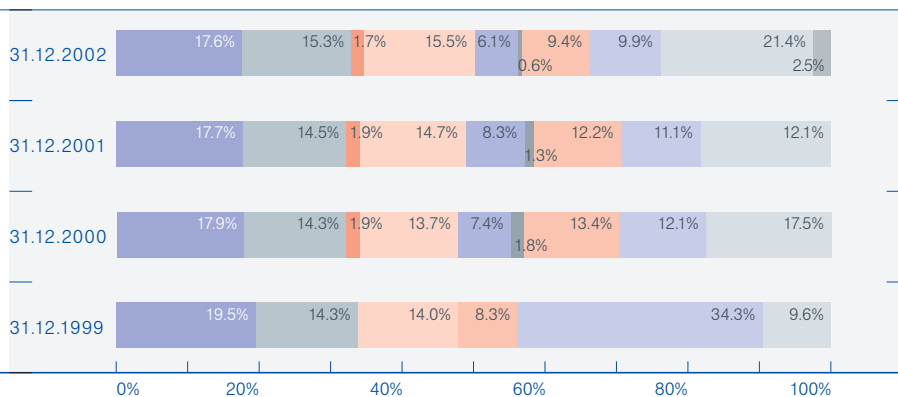
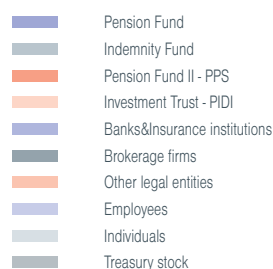
The Company Statute does not contain provisions repealing the proportionality of rights from shares, such as the rights of minority shareholders or restrictions of voting rights.

In 2002 the Company was not engaged in any activities, which would require changes in the Company's equity, changes of the nominal amount of the share, or changes in the rights attaching to the shares.

### Ownership structure

At the end of 2002 Gorenje, d.d. had 17,052 shareholders, which is an increase of 3,512 over that of the previous year. The majority of new shareholders are private individuals. In 2002 the number of private shareholders increased by 1.9% to 31.3%. The share of Authorised investment companies and mutual funds increased to 15.5% from 14.7%, and the Slovenian Indemnity Fund also increased its share. The share of foreign investors increased to 1.47% and the share of banks and insurance institutions, brokerage firms, employees and other legal entities decreased. (See Chart Below)

### Trends in the ownership structure at the year end

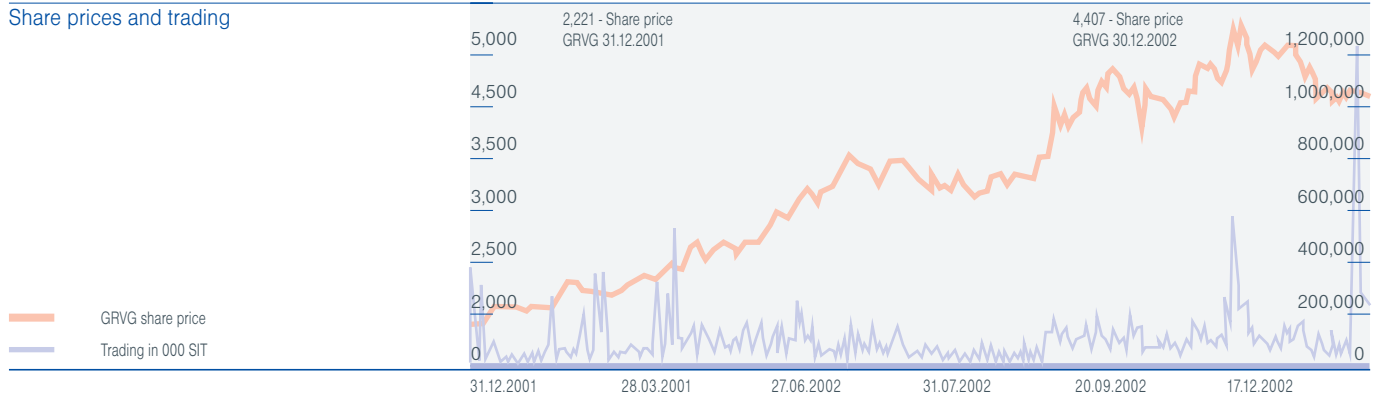


### Major shareholders at 31 December 2002

Major shareholders	Shares held	% of total
Pension Fund I	2,152,289	17.6
Indemnity Fund	1,864,601	15.3
Maksima 1	439,208	3.6
Gorenje, d.d.	307,105	2.5
Krona Senior	252,145	2.1
Triglav Steber 1	236,692	1.9
Pension Fund II - PPS	208,995	1.7
NKB Maribor	202,532	1.7
PID Vipa Invest	142,555	1.2
SOP Ljubljana	133,670	1.1
Other shareholders	6,260,208	51.3
<b>Total</b>	<b>12,200,000</b>	<b>100.0</b>

## Shares on the Stock market

### Share prices and trading



### Share prices and trading

Gorenje shares began trading on the Ljubljana Stock Exchange on November 10th 2000, although they had been traded on the organised market since 1998. Gorenje shares are a constituent of the Ljubljana Stock Exchange's SBI20 index.

In 2002 the Share price increased by 98.4%. The strong performance of the capital market was reflected in the 55.2% growth of the SBI20 index.

The Share's low point in 2002 was 2,224 SIT on 3rd January, and the highest Price reached was 5,066 SIT on 6th November. On 26th August 2002 Gorenje share price exceeded its Book value for the first time although the Price did not exceed the Book value at the year-end. At the end of the year the Ratio between the price of the share and book value was 0.99 (See Chart Above)

Gorenje shares ranked fourth by volume of trading on the Ljubljana Stock Exchange, the volume of trading was 17.9 billion SIT. In comparison with the previous year the value of trading nearly tripled. Gorenje's trading accounted for 3.7% of the total trading on the Ljubljana Exchange.

At the year-end Gorenje's Market capitalisation was 53.8 billion SIT, and its average Market capitalisation was 42.1 billion SIT. At the year-end, Gorenje comprised 2.47% of the Total market capitalisation of the Ljubljana Stock Exchange.

### Treasury stock

In the period from 22 February to 6 May 2002 Gorenje d.d. acquired 307,105 of its Own shares at an average purchase price of 2,682.93 SIT, including Costs. The Total purchase value was 823,940,611.34 SIT. The Price of shares purchased was in the range 2,253.71 SIT to 3,898.00 SIT per share. The nominal value of Treasury stock represents 2.52 % of Total share capital.

The Shares were bought on the organised stock market, in compliance with the principle of equal treatment of Shareholders.

The purpose of buying Own shares is to obtain the opportunity to exchange the remaining Shares of the companies, whose majority owner is Gorenje, and to pay for stakes in companies Gorenje is planning to buy on foreign markets, particularly in Southeast Europe.

### Distribution of dividends and dividend policy

Gorenje allowed the dividend policy to be shaped by investment needs and the capital structure policy, however it did not neglect the expectations and interests of shareholders. The Strategic Plan 2006 anticipates that Gorenje will allocate up to a third of Total net profits.

In 2002 Gorenje paid Dividends in the amount of 80 SIT per share, with a Total cost of 976 million SIT.

## Shares on the Stock market

### Performance statistics

	At year end	2002	2001	2000	1999	1998
					in SIT m or as shown	
Number of shares on the market		12,200,000	12,200,000	12,200,000	8,515,904	7,669,407
Number of shareholders		17,052	13,540	14,572	19,642	21,672
Turnover (in SIT m)		17,919	6,416	7,250	4,986	2,596
Value turnover (turnover/average Market capitalisation)		0.43	0.25	0.28	0.28	0.21
Book value of share in SIT (Equity Gorenje, d.d / Number of shares)		4,452	3,939.2	3,508	3,004.7	2,600.37
Market price		4,407	2,221	2,155	2,350	1,794
Market to book value of share		0.99	0.56	0.61	0.78	0.69
<b>Profitability of share</b>						
- by capital gain in %		98.40	3.10	-9.1	33	20.9
- by dividend in %		1.80	3.25	0	0	0
- overall in %		100.20	6.35	-9.1	33	20.9
<b>Dividend per share in SIT*</b>		80	70	0	0	0
EPS in SIT (Net Profit in 2002)/ (no. of shares minus treasury stock)		346.9	274.1	224.3	206.3	149.6

\*Year of the actual dividend pay-out

### Use of Net profit and allocation and use of distributable Net profit

The Management Board proposal is to allocate 3,906,831,420.36 SIT of the year 2002 Net profit to Reserves for own shares in amount of 823,940,611.34 SIT and the rest of Net profit in amount of 3,082,890,809.02 SIT to Other reserves from the company Profit in the amount to 1,541,445,404.51 SIT. The remaining difference in the amount to 1,541,445,404.51 SIT shall remain non-allocated.

The Management Board proposes that the Supervisory Board and the Shareholders' Assembly adopts the following allocation and use of distributable Net profit:

1. Distributable net profit for 2002 amounts to 5,012,993,770 SIT, and it is formed from the following capital items:

- net profit from 1998 in the amount to 203,681,506 SIT,
- net profit from 1999 in the amount to 734,628,429 SIT,
- net profit from 2000 in the amount to 617,353,407 SIT,
- net profit from 2001 in the amount to 801,938,826 SIT,
- net profit from the current financial year 2002 in the amount to 1,541,445,404 SIT,
- other reserves from profit from 1994 in the amount to 325,048,729 SIT,
- other reserves from profit from 1995 in the amount to 420,545,929 SIT,
- other reserves from profit from 1996 in the amount to 368,351,540 SIT,

2. Distributable net profit for 2002 in the amount to 5,012,993,770 SIT, shall be used for the following:

- payment of dividends to shareholders in the amount to 1,159,000,000 SIT gross, or 95 SIT gross per share,
- payment of bonus to the Management Board in the gross amount of 37,000,000 SIT,
- payment of bonus to the Supervisory Board in the gross amount of 22,000,000 SIT, and
- other reserves from profit in the amount to 1,897,496,885 SIT.

Net distributable profit in the amount to 1,897,496,885 SIT shall remain non-allocated.

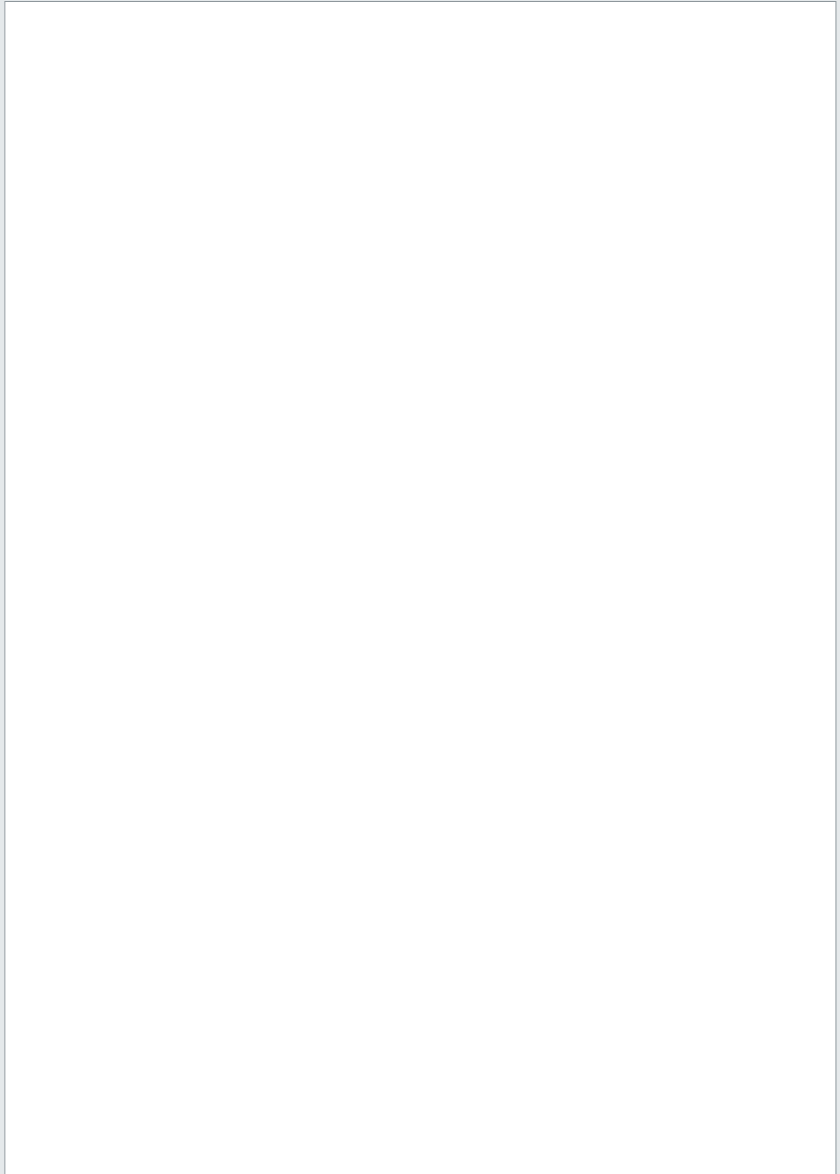


... sales programme comprises  
wide range of products for  
residential interior furnishing ...



Auditor's Report

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## Consolidated Profit and Loss Account of the Gorenje Group

		In SIT '000	
	Notes	2002	2001
1. Net revenues from sales	1	181,517,971	160,530,639
2. Changes in the value of inventories	3	508,754	-378,214
3. Value of capitalised own products	2	815,223	807,248
4. Other operating revenues	4	2,548,785	2,176,839
<b>5. Total</b>		<b>185,390,733</b>	<b>163,136,512</b>
6. Costs of goods, materials and services	5	-136,909,814	-122,490,750
7. Labour costs	6	-30,664,115	-25,603,712
8. Depreciation	7	-8,862,570	-7,571,341
9. Revalued operating expenses	7	-1,524,047	-679,849
10. Other operating expenses	8	-831,556	-725,359
11. Provisions	8	-1,427,823	-1,276,881
<b>12. Profit from operations</b>		<b>5,170,808</b>	<b>4,788,620</b>
13. Financial revenues	9	3,420,356	3,228,022
14. Financial expenses	10	-4,159,668	-4,863,234
<b>15. Profit of loss from ordinary activities</b>		<b>4,431,496</b>	<b>3,153,408</b>
16. Extraordinary revenues	11	590,226	748,419
17. Extraordinary expenses	12	-209,542	-150,428
<b>18. Total profit</b>		<b>4,812,180</b>	<b>3,751,399</b>
19. Tax on profits	13	-685,870	-407,891
<b>20. Net profit for the financial year</b>	14	<b>4,126,310</b>	<b>3,343,508</b>
21. Profit of minority owners		65,330	101,534
22. Profit of majority owners		4,060,980	3,241,974

## Consolidated Balance Sheet of the Gorenje Group

		In SIT '000	
	Notes	2002	2001
<b>Assets</b>		<b>139,883,511</b>	<b>121,983,705</b>
<b>A. Fixed assets</b>		<b>66,254,880</b>	<b>55,786,676</b>
I. Intangible fixed assets	16	1,868,138	1,498,290
II. Tangible fixed assets	17	58,243,396	51,717,550
III. Long-term investments	18	6,143,346	2,570,836
<b>B. Current assets</b>		<b>73,233,196</b>	<b>65,804,540</b>
I. Inventories	19	26,167,525	21,321,785
II. Operating receivables		38,993,089	34,257,999
a) Long-term operating receivables		393,859	793,568
b) Short-term operating receivables	20	38,599,230	33,464,431
III. Short-term investments	21	4,972,641	7,536,119
IV. Bank balances, cheques, cash		3,099,941	2,688,637
<b>C. Deferred costs and accrued revenues</b>	22	<b>395,435</b>	<b>392,489</b>
<b>Off-balance-sheet records</b>	26	<b>12,974,802</b>	<b>11,369,472</b>
<b>Capital and liabilities</b>		<b>139,883,511</b>	<b>121,983,705</b>
<b>A. Capital</b>	20	<b>55,239,118</b>	<b>50,512,277</b>
I. Called-up capital		12,200,000	12,200,000
II. Capital surplus		0	0
III. Reserves		16,162,032	8,771,241
IV. Retained net profit		823,303	1,896,013
V. Net profit for the year		1,695,594	1,468,330
VI. Capital revaluation adjustments		23,586,388	23,566,103
VII. Minority interest		771,801	2,610,590
<b>B. Provisions</b>	21	<b>10,843,799</b>	<b>10,148,538</b>
<b>C. Financial and operating liabilities</b>		<b>71,481,092</b>	<b>59,027,698</b>
I. Long-term financial liabilities	22	12,838,168	11,061,966
II. Long-term operating liabilities		21,612	10,178
III. Short-term financial liabilities	23	22,820,366	18,872,765
IV. Short-term operating liabilities	24	35,800,946	29,082,789
<b>D. Accrued costs and deferred revenues</b>	25	<b>2,319,502</b>	<b>2,295,192</b>
<b>Off-balance-sheet records</b>	26	<b>12,974,802</b>	<b>11,369,472</b>

## Consolidated Cash Flow Statement of the Gorenje Group

	In SIT '000	
	2002	2001
<b>A. Cash flows from operating activities</b>		
a) Inflows from operating activities	8,936,714	4,541,055
Profit before taxes	4,812,180	3,751,399
Depreciation	8,862,570	7,571,341
Opening minus closing operating receivables	-4,735,090	-6,764,464
Opening minus closing deferred costs and accrued revenues	-2,946	-17,221
b) Outflows from operating activities	1,222,291	3,134,229
Tax on profits	-685,870	-407,891
Closing minus opening inventories	-4,845,740	185,668
Opening minus closing operating liabilities	6,729,591	2,753,387
Opening minus closing accrued costs and deferred revenues	24,310	603,065
c) Net inflow from operating activities or Net outflow from operating activities	10,159,005	7,675,284
<b>B. Cash flows from financing activities</b>		
a) Inflows from investment activities	2,927,405	0
Offset decrease in Short-term investments	2,927,405	0
b) Outflows from investment activities	-18,790,499	-19,989,469
Offset increase in Intangible fixed assets	-922,577	-649,294
Offset increase in Tangible fixed assets	-14,835,687	-16,711,726
Offset increase in Long-term investments	-3,032,235	-805,434
Offset increase in Short-term investments	0	-1,823,015
c) Net inflow from investment activities or Net outflow from investment activities	-15,863,094	-19,989,469
<b>C. Cash flows from financing activities</b>		
a) Inflows from financing activities	6,419,064	12,852,496
Increase in capital	0	4,258,603
Offset increase in Long-term provisions	695,261	2,801,315
Offset increase in Long-term financial liabilities	1,776,202	4,090,674
Offset increase in Short-term financial liabilities	3,947,601	1,701,904
b) Outflows from financing activities	-303,671	0
Decrease in capital	-303,671	0
c) Net inflow from financing activities or Net outflow from financing activities	6,115,393	12,852,496
<b>D. Closing balance of cash and cash equivalents</b>		
x) Net cash flow for the financial year	411,304	538,311
y) Opening balance of cash and cash equivalents	2,688,637	2,150,326

## Statement of Changes in Capital of the Gorenje Group

	Share capital	Reserves	Retained net profit	Net profit for the financial year	Capital revaluation and translation adjustments	Minority interest	Total
In SIT '000							
Opening balance at 1 January 2002	12,200,000	11,463,612	4,157,180	0	20,080,895	2,610,590	50,512,277
Movements to capital				4,060,980	3,505,493	65,330	7,631,803
- Entry of Net profit for the financial year				4,060,980		65,330	4,126,310
- Entry of capital revaluation and translation adjustments					3,505,493		3,505,493
Movements in capital		4,698,420	-2,333,034	-2,365,386			0
- Allocation of distributable net profit for 2001 to forming other reserves		2,333,034	-2,333,034				0
- Allocation of Net profit for 2002 to forming reserves for treasury shares		823,941		-823,941			0
- Allocation of Net profit for 2002 to forming other reserves pursuant to Management and Supervisory Board resolutions		1,541,445		-1,541,445			0
Movements from capital			-1,000,843			-1,904,119	-2,904,962
- Payment of dividends			-1,000,843				-1,000,843
- Decrease in minority interest (change in the ownership of Gorenje NO)						-1,904,119	-1,904,119
Closing balance at 31 December 2002	12,200,000	16,162,032	823,303	1,695,594	23,586,388	771,801	55,239,118

## Notes to the Financial Statements

### The Gorenje Group

In accordance with the Slovene Accounting Standards (SAS) the consolidated financial statements of the Gorenje Group include the financial statements of the parent company Gorenje, d.d., and the financial statements of 39 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
Bitern, d.o.o., Bistrica ob Sotli	75.00
Gorenje Notranja oprema, d.d., Velenje	96.90
Energygor, d.o.o., Velenje	100.00
Subsidiary companies abroad	Equity interest in %
Gorenje Beteiligungsgesellschaft m.b.H., Austria	100.00
Gorenje Austria Handelsgesellschaft m.b.H., Austria	100.00
Gorenje Kuechen GmbH, Austria	100.00
Gorenje Vertriebsgesellschaft m.b.H., 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 Real 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 Skopje, d.o.o., Macedonia	100.00
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	100.00
Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina	96.90
Gorenje, d.o.o., Serbia	100.00
Hyundai Auto, d.o.o., Serbia	100.00
Gorenje Podgorica, d.o.o., Montenegro	90.58
Gorenje Real Kft., Hungary	100.00
Gorenje OY, Finland	100.00

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

The consolidated balance sheet as at 31 December 2002, the consolidated profit account and the cash flow statement for 2002 are prepared in accordance with SAS and by observing the fundamental accounting assumptions: going concern, consistency and accrual basis and true and fair reporting. Qualitative characteristics of financial statements

and of accounting as a whole are comprehensibility, adequacy, reliability and comparability.

Due to the transition to new accounting standards, the financial statements for 2002 are not comparable with the statements for 2001. In preparing the financial statements for 2002 the data for the previous accounting period are

not recalculated according to new standards but are stated, as appropriate, in the items of the financial statements whereby the rule of relevance is observed. Financial statements for the accounting period have remained unchanged.

## Accounting Policies of the Gorenje Group

Items in the balance sheet are stated and valued in accordance with the provisions of SAS. Except for the items that may be, pursuant to the respective standards, accounted for at freely selected valuation method, the Company used the policies highlighted in the following section.

- **Intangible fixed assets** are recorded at purchase cost less amortisation, calculated on the straight line method. Long-term deferred costs are written off within the costs they refer to, excluding accumulated amortisation. Investments in goodwill of acquired enterprise is amortised over a five year period. Recoverable amounts are determined by periodic assessment carried out by independent registered valuers. A special team set up for assessment of Intangible fixed assets during the periods between assessments by independent registered valuers, reviews the recoverable amounts of significant groups of Intangible fixed assets at least at the end of financial year. Impairment of Intangible fixed assets is considered as revalued operating expense in the period in which the impairment of an asset is assessed. Intangible fixed assets are strengthened and impairment eliminated, therefore they are not revalued.

- **Tangible fixed assets** are recorded at purchase cost less depreciation, calculated on the straight line method. The purchase cost of a Tangible fixed asset comprises the purchase price, import duties and irredeemable duties upon purchase and all expenditures that are necessary to make the asset ready for its intended use, in particular costs of transportation and installation. The purchase cost of a Tangible fixed asset, constructed or manufactured in the company, consists of costs incurred directly by its construction or manufacture, and costs which may be indirectly associated with the asset's construction or manufacture. Recoverable amounts are determined by periodic assessment carried out by independent registered valuers. A special team set up for assessment of Tangible fixed assets during the periods between assessments by independent registered valuers, reviews the recoverable amounts of significant groups of Tangible fixed assets at least at the end of financial year. Impairment of Tangible fixed assets is considered as revalued operating expense in the period in which the impairment of an asset is assessed. On elimination of impairment Tangible fixed assets may be revalued, only land may be revalued on account of strengthening of value. The difference between Net sales value and the carrying amount of disposed Tangible fixed asset is included in revalued operating revenues or revalued operating expense.

**Depreciation** is applied on the straight line basis for each asset individually. Depreciation amounts may be consolidated if the value of a Tangible fixed asset is less than EUR 500. The applied depreciation rates are based on the estimated useful life of an asset. Costs relating to a Tangible fixed asset increase its future purchase cost if they improve its future benefits beyond their previous assessment, whereby the costs that relate to an extension of the asset's useful life first reduce the previously accumulated depreciation made to its value. Extension of an asset's useful life means extension of previously estimated life over which the Tangible fixed asset is depreciated. Other expenses are charged to operating costs.

- **Investments** are initially stated at cost of purchase. Long-term and Short-term investments are recorded separately. Long-term investments in subsidiary and associated companies are accounted for by the **equity method** of accounting, so that they are annually increased by the parent company's share in the Net profit or loss of its subsidiary companies. **Revaluation effects reflect on financial revenues or financial expenses.** Subsequently received shares of the profit (dividends) reduce the previously stated increase in investment arising from participation in profit. Equity accounting applies to investments that are acquired principally for the purpose of their later disposal by the parent company. Investments whose market value on the balance sheet date is lower than their carrying value are carried at their market value. The difference between the two amounts reduces the equity revaluation adjustment for Long-term investments; if it is exhausted or if it does not occur, the difference is included in revalued expense. Short-term investments in equity and debt securities of other companies, government and other issuers, not listed on the stock exchange, are not revalued.
- **Inventories of materials and merchandise** are historically valued at the cost of purchase comprising the purchase price, import duties and other irredeemable duties upon purchase and direct cost of purchase. Inventories of finished goods and of work in progress are historically valued at standard cost of production. When the latest purchase prices differ in the accounting period from the prices of items of inventory of the same class, the method of weighted average prices is used for the reduction in value of those items. Inventories are revalued for impairment when the carrying amount, including that based on the final purchase price or costs exceeds their market value. Inventories are not revalued for strengthening.
- **Operating receivables** are carried at amounts recorded in the relevant documents under the assumption that they will be collected. Receivables denominated in foreign currency are translated in SIT at year-end exchange rates, exchange differences arising from translation are recognised in the profit and loss account. Subsequent increases or decreases of operating receivables result in increases or decreases of the relevant operating revenues or operating expenses. Receivables are revalued when the values recorded exceed the fair value, which is the collectable value. Allowance for their value is charged to revalued operating expenses.
- **Long-term provisions** are recognised when the company has a present obligation as a result of past events and it is probable that to settle the obligation a reduction in resources will be required. Provisions are recognised when a reliable estimate of the amount of the obligation can be made. At year end they should not be stated as unfounded, hidden provisions.
- **Financial liabilities** are initially recognised at amounts recorded in the relevant documents, which evidence receipt of monetary amounts or settlement of operating debt. 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.
- **Long-term and Short-term operating liabilities** are recognised at historical amounts recorded in the relevant bookkeeping documents. Operating liabilities denominated in foreign currency are translated in SIT at year-end exchange rates, exchange differences arising from translation are recognised in the profit and loss account.
- **Revenues** are classified as operating, financial and extraordinary revenues. Revenues from the sale of products and goods are recognised in the profit and loss account when significant risks and rewards of ownership are transferred to the buyer. Revenues from the sale of services are recognised in the profit and loss account in proportion to the stage of progress of the relevant transaction at balance sheet date. Revenues are not recognised if collect-ability of due amounts and pertaining costs is in doubt or return of goods can not be expected. Revalued operating revenues occur upon disposal of Tangible and Intangible fixed assets upon prior capital revaluation adjustments arising from previously strengthened resources. Financial revenues appear in association with Long-term and Short-term investments (participation in profit, interest), and in association with receivables (interest). Financial revenues are recognised when there is no reasonable doubt with regard to the size or collect-ability of the amounts due. Interest is calculated in proportion to interest period and to outstanding principal amount and applicable interest rate. A special class of financial revenues are revenues from allowance for receivables and debts on account of value maintenance. Value maintenance refers to exchange rate gains arising from calculation of receivables or debts, nominated in foreign currency, if in the period from their date of origin until balance sheet date or settlement date, the exchange rate of the foreign currency towards the local currency changes. Revalued financial revenues refer to disposal of Long-term and Short-term investments upon prior capital revaluation adjustments arising from previously strengthened resources.

Extraordinary revenues include unusual items. They are accounted for at actually originated amounts.

- **Expenses** are classified as operating, financial and extraordinary expenses.

Expenses are recognised when the decrease in economic benefits in the accounting period is associated with decreased asset or increased debt and a reliable estimate of the decrease can be made.

Operating expenses are recognised when costs are not included in the value of inventory of products and of work in progress, when merchandise is sold.

Revalued operating expenses occur with reference to Tangible and Intangible fixed assets and current assets on account of their impairment. Similar consideration is paid to the reduction of sales value of fixed assets compared with their carrying value.

Financial expenses are expenses of financing and investing activities. Expenses of allowance for receivables and debts on account of value maintenance include exchange rate losses occurring in the period from their date of origin until settlement of debt or receivable or from the date of origin of debt or receivable until the repayment date due to changed exchange rate of the foreign currency towards the local currency. Revalued financial expenses occur with reference to Long-term and Short-term investments on account of their impairment and with reference to the strengthening of Long-term and Short-term debts.

Extraordinary expenses include unusual items which are accounted for at actually originated amounts.

- **Segment information**

Information is provided about activities by business and geographical segments. Business segment information is based on data collected for external reporting, geographical segment information also on data which the Company collects for internal reporting. The Company is organised in the following business areas: **Household appliances, Furniture, Services and Machine construction and tool making.**

Geographical segments include countries of particular geographical areas.

The Company operates in the following geographical segments: **European Union, East Europe, South-east Europe and Albania, Overseas Countries and Slovenia.**

- **Cash flow statement**

The cash flow statement is prepared by using the indirect method of reporting based on the data from the balance sheet as at 31 December 2002, balance sheet as at 31 December 2001, from the profit and loss account for 2002, and on additional data required for adjustment of inflows and outflows.

### **Translation of Financial Statements of Subsidiary Companies Operating Abroad**

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The company Gorenje, d.d, Velenje prepares its financial statements in Slovene Tolars (SIT) in accordance with SAS.

Financial statements of subsidiary companies operating abroad are translated into the currency used by the parent company, the balance sheet at the middle exchange rate of the Bank of Slovenia ruling at 31 December and the profit and loss account at the average exchange rate in 2002.

Exchange differences arising from the translation of amounts in the financial statements, which are expressed in various currencies, are included in reserves under capital.

### **Principles of Consolidation**

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The consolidated financial statements are prepared in accordance with Slovene Accounting Standards. Consolidation is supported by the computer program AAWELT. Intra-group relations between the Gorenje Group companies have been eliminated. The computer printout states all elimination's and effects of consolidation, of which the most significant will be shown in the following sections.

## Principles of Consolidation

### ● Consolidation of Capital

The parent company's investments in subsidiary companies of the Gorenje Group are accounted for by the equity method and charged against the proportionate interest in these companies of the Gorenje Group

Breakdown of minority interests as at 31 December 2002:

	Equity interest in %	Minority interest in SIT '000	Participation in net profit / loss in SIT '000
Gorenje Tiki, d.o.o., Ljubljana	49.00	523,719	40,335
Biterm, d.o.o., Bistrica ob Sotli	25.00	80,082	18,636
Linea, d.o.o., Velenje	12.75	5,467	227
Gorenje Notranja oprema, d.d., Velenje	3.10	149,979	4,549
Gorenje Podgorica, d.o.o., Montenegro	9.42	12,559	1,693
Gorenje Kuhinje, d.o.o., Sarajevo, BiH	3.10	-5	-110
<b>Total</b>		<b>771,801</b>	<b>65,330</b>

### ● Consolidation of Receivables and Liabilities

All Intra-group receivables and liabilities have been adjusted and 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 2002:

	In SIT '000	
	2002	2001
Total receivables	31,047,285	28,402,418
Total liabilities	31,122,930	28,438,192
<b>Difference between eliminated Receivables and Liabilities</b>	<b>75,645</b>	<b>35,774</b>

The Consolidated profit and loss account for the year 2002 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 '000	
	2002	2001
Balance at beginning of year	35,774	69,670
Balance at end of year	75,645	35,774
<b>Difference</b>	<b>39,871</b>	<b>33,896</b>

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 is higher than at the beginning of year, the effect in the amount of SIT 39,871 thousand is recorded under the item Other operating revenues.

### ● Consolidation of Inventories and Elimination of Intra-group Profits

Profits resulting from Intra-group sales of materials and products that were still included in Inventories of individual companies of the Gorenje Group as at 31 December 2002 are eliminated from the consolidated financial statements.

Inventories of companies in the Gorenje Group as at 31 December 2002:

	In SIT '000		
	Inventories before elimination of intra-group profits	Elimination of intra-group profits	Inventories after elimination of intra-group profits
Materials	9,113,236	12,765	9,100,471
Work in progress	1,740,248		1,740,248
Products and merchandise	17,042,870	2,172,475	14,870,395
Advances	456,411		456,411
<b>Total</b>	<b>28,352,765</b>	<b>2,185,240</b>	<b>26,167,525</b>

## Principles of Consolidation

The Consolidated profit and loss account for the year 2002 has only been affected by the change in Intra-group profits at the beginning and at the end of the year which amounts to:

	In SIT '000	
	2002	2001
Intra-group profits at beginning of year	1,687,535	1,772,825
Intra-group profits at end of year	2,185,240	1,687,535
Difference	497,705	85,290

Because Intra-group profits in inventories at the end of year are higher than at the beginning of year, the difference in the amount of SIT 497,705 thousand represents a negative effect in the Consolidated profit and loss account. The difference is recorded as increase 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 of finished 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 balance sheet items are presented in the next section.

## Analysis of and Notes to the Financial Statements

### Profit and Loss Account

Revenues from sales of products, services, goods and materials to others amounted to SIT 181,517,971 thousand. The structure of revenues by business areas and geographical segments and elimination of Intra-group revenues are shown in Notes 28 and 29.

#### Note 1 - Net revenues from sales SIT 181,517,971 thousand

	In SIT '000	
	2002	2001
Revenues from sales in Slovenia	29,884,667	25,315,637
Revenues from sales abroad	151,633,304	135,215,002
<b>Total</b>	<b>181,517,971</b>	<b>160,530,639</b>

#### Note 2 - Capitalised own products and services SIT 815,223 thousand

This item states Investments, carried out by our self's in the amount of SIT 815,223 thousand. The major part in the amount of SIT 667,166 thousand refers to the parent company.

#### Note 3 - Change in the value of Inventories SIT 508,754 thousand

The increase of SIT 508,754 thousand represents the difference between the balance of Inventories of work in progress and finished products at the beginning and at the end of the year.

#### Note 4 - Other operating revenues SIT 2,548,785 thousand

A major share of Other operating revenues refers to Revenues from use and release of Long-term provisions. It mainly refers to the companies Gorenje IPC, d.o.o. in the amount of SIT 247,982 thousand for covering Depreciation costs, Gorenje Zagreb, d.o.o. in the amount of SIT 391,160 thousand for Warranties and Gorenje Notranja oprema. d.d. in the amount of SIT 94,351 thousand for Assets which had been overvalued upon privatisation.

	In SIT '000	
	2002	2001
Revenues from subsidies, grants and compensation	41,730	777,872
Revenues from leases and rents	184,929	208,549
Revenues from use and release of Long-term provisions	1,035,966	586,173
Revalued operating revenues	134,521	32,637
Difference between Consolidated receivables and liabilities	39,871	0
Other operating revenues	1,111,768	571,608
<b>Total</b>	<b>2,548,785</b>	<b>2,176,839</b>

#### Note 5 - Costs of goods, materials and services SIT 136,909,814 thousand

	In SIT '000	
	2002	2001
Purchase value of goods sold	33,081,992	31,488,260
Costs of materials	78,981,302	68,906,466
Costs of services	24,846,520	22,096,024
<b>Total</b>	<b>136,909,814</b>	<b>122,490,750</b>

**Note 6 - Labour costs**

**SIT 30,664,115 thousand**

Contributions for social security include the costs of supplementary pension insurance plan in the amount of SIT 610,898 thousand.

	In SIT '000	
	2002	2001
Wages and Salaries	21,347,015	18,338,385
Social security costs	4,938,739	3,697,984
Other payroll costs	4,378,361	3,567,343
<b>Total</b>	<b>30,664,115</b>	<b>25,603,712</b>

Other labour costs mainly refer to holiday allowance, meal and transport allowances, jubilee and retirement payments in accordance with the Company's rules and local legislation.

**Note 7 - Write-offs**

**SIT 10,386,617 thousand**

Depreciation in the amount of SIT 552,729 thousand refers to Intangible fixed assets and the amount of SIT 8,309,841 thousand to Tangible fixed assets.

	In SIT '000	
	2002	2001
Depreciation of Intangible and Tangible fixed assets	8,862,570	7,571,341
Revalued operating expenses of IFA and TFA	133,046	10,085
Revalued operating expenses of current assets	1,391,001	669,764
<b>Total</b>	<b>10,386,617</b>	<b>8,251,190</b>

Revalued operating expenses of current assets in the amount of SIT 1,250,472 thousand refer to allowance for receivables and SIT 140,529 thousand to allowance for the value of inventory. A major part of allowance for receivables refers to the companies Gorenje, d.d. in the amount of SIT 296,814 thousand, Gorenje Vertriebs GmbH in the amount of SIT 178,835 thousand, Gorenje Polska Sp.z o.o. in the amount of SIT 175,505 thousand, Gorenje Zagreb, d.o.o. in the amount of SIT 99,463 thousand and Gorenje Spol.s.r.o. in the amount of SIT 80,446 thousand.

A major part of allowance for inventory refers to the parent company's unsaleable Inventories of materials amounting to SIT 80,193 thousand.

**Note 8 - Other operating expenses**

**SIT 2,259,379 thousand**

The most important item under Other operating expenses is Provisions. A major portion of provisions was set up for warranties, mainly in the companies Gorenje Zagreb, d.o.o. in the amount of SIT 269,201 thousand, Gorenje Vertriebs GmbH in the amount of SIT 260,891 thousand, Gorenje Skandinavien A/S in the amount of SIT 200,500 thousand, Gorenje Commerce in the amount of SIT 155,897 thousand and Hyundai auto Zagreb, d.o.o. in the amount of SIT 101,104 thousand.

	In SIT '000	
	2002	2001
Duties independent of labour costs and other costs	386,994	359,793
Other operating expenses	444,562	331,670
Difference between consolidated receivables and liabilities	0	33,896
Provisions	1,427,823	1,276,881
<b>Total</b>	<b>2,259,379</b>	<b>2,002,240</b>

The parent company set up additional SIT 3,123,431 thousand of Provisions, of which SIT 151,928 thousand for the costs of reorganisation and projected liabilities arising from labour disputes and the rest for warranties charged to Revenues.

**Note 9 – Financial revenues**

**SIT 3,420,356 thousand**

Revenues from valuation allowance to maintain the value in the amount of SIT 1,784,048 thousand are the most important among financial revenues. SIT 195,328 thousand refer to revenues from Long-term receivables, SIT 1,588,720 thousand refer to revenues from Short-term receivables. Other financial revenues reflect the positive effect of investment policy.

	In SIT '000	
	2002	2001
Revenues from dividends and other participation	90,329	231,544
Revenues from interest	583,662	485,436
Revenues from valuation allowance to maintain the value*	1,784,048	2,207,632
Other financial revenues	962,317	303,410
<b>Total</b>	<b>3,420,356</b>	<b>3,228,022</b>

\* Exchange rate gain

**Note 10 – Financial expenses**

**SIT 4,159,668 thousand**

Expenses from valuation allowance to maintain the value in the amount of SIT 2,072,152 thousand and interest expenses of SIT 1,796,222 thousand represent the main portion of Financial expenses. In 2001 a revaluation deficit of SIT 995,276 thousand is stated.

	In SIT '000	
	2002	2001
Revalued financial expenses	220,048	139,896
Interest expenses	1,796,222	1,915,954
Expenses from valuation allowance to maintain the value*	2,072,152	1,583,296
Other financial expenses	71,246	1,224,088
<b>Total</b>	<b>4,159,668</b>	<b>4,863,234</b>

\* Exchange rate loss

**Note 11 – Extraordinary revenues**

**SIT 590,226 thousand**

A major part of Extraordinary revenues from previous years refer to recovered bad debts from previous years (SIT 115,381 thousand).

	In SIT '000	
	2002	2001
Extraordinary revenues from previous years	231,582	436,755
Collected penalties and indemnity claims	236,771	62,642
Other extraordinary revenues	121,873	249,022
<b>Total</b>	<b>590,226</b>	<b>748,419</b>

**Note 12 – Extraordinary expenses**

**SIT 209,542 thousand**

A significant part of Extraordinary expenses are penalties and indemnity claims of SIT 100,936 thousand recorded by the parent company.

	In SIT '000	
	2002	2001
Expenses from previous years	61,501	29,947
Penalties and indemnity claims	104,783	83,310
Other extraordinary expenses	43,258	37,171
<b>Total</b>	<b>209,542</b>	<b>150,428</b>

**Note 13 – Tax on profits**
**SIT 685,870 thousand**

In 2002 the realised Tax rate was 14.2 % and the year before 10.9 %.

	In SIT '000	
	2002	2001
Tax on profits	685,870	407,891

A significant share of Tax on profits was recorded by the 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. Tax on profits recorded by the parent company increased due to used tax allowances in previous years and payment of dividends in 2002, as well as lower volume of Investments and a more favourable Operating result.

**Note 14 – Net profit or loss**
**SIT 4,126,310 thousand**

	In SIT '000	
	2002	2001
Operating profit or loss	5,170,808	4,788,620
Financial result	-739,312	-1,635,212
Extraordinary result	380,684	597,991
Tax on profits	-685,870	-407,891
<b>Total</b>	<b>4,126,310</b>	<b>3,343,508</b>

**Note 15 – Net profit or loss after calculation of capital in EUR and considering the growth in the cost of living**

The table shows that in calculating the reduced Net profit or loss in accordance with the provisions of the new Slovene Accounting Standards (SAS), which entered into force on 1 January 2002, only calculation of capital according to the growth in exchange rate of EUR, and to the growth in the cost of living have been considered, while active items (Revaluation of tangible and intangible fixed assets) have not been considered as was the case in the financial statements for previous accounting periods, pursuant to the then valid SAS.

	In SIT '000			
	Capital	% of growth	Calculated effect	Reduced net profit or loss
Capital – calculated according to growth in EUR exchange rate	47,607,315	3.99	1,899,532	2,226,778
Capital – calculated according to growth in cost of living	47,607,315	7.20	3,427,727	698,583

## Balance Sheet

### Note 16 – Intangible fixed assets

SIT 1,868,138 thousand

A major part of Long-term deferred costs refers to Long-term deferred operating costs of the companies Gorenje, d.d. and Gorenje IPC, d.o.o., namely Long-term organisation costs.

	In SIT '000	
	2002	2001
Long-term deferred costs	735,529	519,733
Long-term property rights	77,946	127,732
Goodwill	325,633	109,247
Other intangible fixed assets	729,030	741,578
<b>Total</b>	<b>1,868,138</b>	<b>1,498,290</b>

Investment in goodwill represents the excess of the cost of acquisition of the company Gorenje Interieri, d.o.o. over the determined fair value of acquired assets, reduced by the debts, when after the merger with the company Gorenje Notranja oprema, d.d. the company ceased to exist as independent legal entity.

### Movements in Intangible fixed assets in 2002

	In SIT '000				
	Long-term deferred costs	Long-term property rights	Goodwill	Other intangible fixed assets	Total
Purchase cost at 1 January 2002	787,269	365,273	109,247	1,839,179	3,100,968
Purchase				267,893	267,893
Disposals, write-offs	-85,040			-37,540	-122,580
Transfers, acquisitions, additional investments	377,103	-20,949	296,296	10,703	663,153
Purchase cost at 31 December 2002	1,079,332	344,324	405,543	2,080,235	3,909,434
Accumulated depreciation at 1 January 2002	267,536	237,541		1,097,601	1,602,678
Disposals, write-offs	-76,571	-1,166		-36,374	-114,111
Depreciation	152,838	30,003	79,910	289,978	552,729
Accumulated depreciation at 31 December 2002	343,803	266,378	79,910	1,351,205	2,041,296
Carrying value at 1 January 2002	519,733	127,732	109,247	741,578	1,498,290
Carrying value at 31 December 2002	735,529	77,946	325,633	729,030	1,868,138

The increase in Intangible fixed assets refers to investments in computer software.

### Note 17 – Tangible fixed assets

SIT 58,243,396 thousand

	In SIT '000	
	2002	2001
Land	5,976,390	4,930,319
Buildings	19,879,216	17,650,692
Plant and other equipment	23,395,419	25,740,057
Tangible fixed assets under construction and under manufacture	8,148,255	3,094,024
Advances for Tangible fixed assets	844,116	302,458
<b>Total</b>	<b>58,243,396</b>	<b>51,717,550</b>

## Balance Sheet

Tangible fixed assets represent 41.7 % of the Consolidated balance sheet total. The major part amounting to SIT 38,553,307 thousand refers to the company Gorenje, d.d., and represents a 66.2 % share in Total tangible fixed assets of the Gorenje Group.

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

company Gorenje, d.d. was the major contributor with investments in the development of technology to ensure higher productivity, flexibility and reliability of production. The most significant investments were: construction of a new plant producing plastic components on one location, beginning of implementation of the project of construction of automated storage facility and introduction of a

standard information system. In 2002 important investments were also carried out by Gorenje Zagreb, d.o.o., Gorenje Real Spol.s r.o., Gorenje Commerce, d.o.o. and Hyundai auto Zagreb, d.o.o.

### Movements in Tangible fixed assets in 2002

	Land	Buildings	Manufact. plant and machinery	Other plant and equipment	Tangible fixed assets under construct. and imanufact.	Advances for acquisition of fixed assets	Total
Purchase cost at 1 January 2002	4,930,319	41,977,964	74,472,606	6,118,459	3,094,024	306,983	130,900,355
Purchase	42,132	1,721,282	472,580	601,893	10,012,966	2,007,312	14,858,165
Revaluation		86,980					86,980
Disposals, write-offs	-9,989	-102,465	-3,696,025	-410,348	-368	-62,128	-4,281,323
Transfers, exchange differences	1,013,928	1,688,376	3,306,711	230,837	-4,983,479	-1,385,410	-129,037
Purchase cost at 31 December 2002	5,976,390	45,372,137	74,555,872	6,540,841	8,123,143	866,757	141,435,140
Accumulated depreciation at 1 January 2002		24,327,272	50,696,814	4,154,194	0	4,525	79,182,805
Revaluation		6,863	13,138	-5,941			14,060
Disposals, write-offs		-176,571	-3,796,625	-334,770	-25,112	18,116	-4,314,962
Depreciation		1,335,357	6,127,390	847,094			8,309,841
Accumulated depreciation at 31 December 2002		25,492,921	53,040,717	4,660,577	-25,112	22,641	83,191,744
Carrying value at 1 January 2002	4,930,319	17,650,692	23,775,792	1,964,265	3,094,024	302,458	51,717,550
Carrying value at 31 December 2002	5,976,390	19,879,216	21,515,155	1,880,264	8,148,255	844,116	58,243,396

### Note 18 – Long-term investments

SIT 6,143,346 thousand

	2002	2001
Investments in shares and stakes	3,487,474	1,635,093
Long-term loans	592,991	633,017
Treasury shares	1,353,283	0
Other long-term investments	709,598	302,726
<b>Total</b>	<b>6,143,346</b>	<b>2,570,836</b>

## Balance Sheet

The major item of Long-term investments are investments in shares and stakes. A major part of investments refers to the companies Gorenje, d.d. in the amount of SIT 1.305,947 thousand, Gorenje Notranja oprema, d.d. in the amount of SIT 1,081,621 thousand and Gorenje GTI, d.o.o. in the amount of SIT 884,537 thousand.

Within the item given Long-term loans SIT 513,363 thousand refer to the company Gorenje Beteiligung GmbH. The mainly part of Other long-term investments refer to the company Gorenje Notranja oprema, d.d. (SIT 461,088 thousand).

### Movements in Long-term investments in 2002

					In SIT '000	
	As at 1.1.2002	Increase	Decrease	Revaluation	As at 31.12.2002	
Investments in shares and stakes	1,635,093	1,751,807	-214,245	314,819	3,487,474	
Long-term loans	633,017	436,513	-476,539		592,991	
Treasury stock	0	823,941		529,342	1,353,283	
Other long-term investments	302,726	608,324	-201,452		709,598	
<b>Total</b>	<b>2,570,836</b>	<b>3,620,585</b>	<b>-892,236</b>	<b>844,161</b>	<b>6,143,346</b>	

### Note 19 – Inventories

SIT 26,167,525 thousand

Due to increased value of inventories the Intra-group profits of SIT 497,705 thousand, which were eliminated upon consolidation, were charged to the Operating result of 2002.

	In SIT '000	
	2002	2001
Materials	9,100,471	7,492,702
Work in progress	1,740,248	1,627,281
Finished products	11,758,303	9,232,898
Merchandise	3,112,092	2,720,480
Advances for inventories	456,411	248,424
<b>Total</b>	<b>26,167,525</b>	<b>21,321,785</b>

	2002			2001		
	Household appliances	Other	Total	Household appliances	Other	Total
Materials	7,828,459	1,272,012	9,100,471	6,456,749	1,035,953	7,492,702
Work in progress	1,363,592	376,656	1,740,248	1,308,227	319,054	1,627,281
Products	10,928,503	829,800	11,758,303	8,780,027	452,871	9,232,898
Merchandise	1,835,679	1,276,414	3,112,093	1,364,560	1,355,920	2,720,480
Advances for inventories	232,709	223,702	456,411	130,219	118,205	248,424
<b>Total</b>	<b>22,188,942</b>	<b>3,978,583</b>	<b>26,167,526</b>	<b>18,039,782</b>	<b>3,282,003</b>	<b>21,321,785</b>

## Balance Sheet

Short-term operating receivables were up by SIT 5,134,799 thousand, which was a considerable increase compared with 2001.

The major item of Short-term operating receivables is Short-term trade receivables in the amount of SIT 34,520,062 thousand; compared with 2001 they increased by SIT 4,484,672 thousand or 14.9 %. Significantly increased Short-term trade receivables were recorded by the companies: Gorenje, d.d., Gorenje Körting Italia S.r.l., Gorenje Zagreb, d.o.o., Gorenje, d.o.o., Gorenje Skandinavien A/S and Gorenje Slovakia Spol.s r.o.

A major part of Other short-term receivables are Short-term receivables due on account of entry VAT, which in the Gorenje Group amounted to SIT 2,429,475 thousand at the end of 2002.

### Note 20 – Short-term operating receivables SIT 38,599,230 thousand

	In SIT '000	
	2002	2001
Short-term trade receivables	34,520,062	30,035,390
Other short-term receivables	3,773,511	2,688,584
Short-term advances and collateral	305,657	740,457
<b>Total</b>	<b>38,599,230</b>	<b>33,464,431</b>

	In SIT '000			
	Net sales revenues		Trade receivables	
Geographical segments	2002	2001	2002	2001
Slovenia	53,799,018	45,159,323	11,297,501	8,376,246
SE Europe	38,650,433	33,445,224	8,064,215	7,049,680
EU	70,991,834	67,697,216	11,511,805	10,626,739
Overseas countries	587,422	320,562	189,807	97,900
East Europe	17,489,264	13,908,314	3,456,734	3,884,825
<b>Total</b>	<b>181,517,971</b>	<b>160,530,639</b>	<b>34,520,062</b>	<b>30,035,390</b>

	In SIT '000			
	Net sales revenues		Trade receivables	
Business segments	2002	2001	2002	2001
Household appliances	153,651,099	136,447,823	31,060,481	27,440,791
Furniture	7,749,195	5,181,274	1,139,673	812,276
Services	18,624,604	17,931,218	1,918,179	1,556,632
Machine constr. and tool making	1,493,073	970,324	401,729	225,691
<b>Total</b>	<b>181,517,971</b>	<b>160,530,639</b>	<b>34,520,062</b>	<b>30,035,390</b>

### Note 21 – Short-term investments SIT 4,972,641 thousand

	In SIT '000	
	2002	2001
Shares and stakes bought for trading purposes	1,908,974	3,772,108
Short-term loans	1,958,386	2,264,656
Short-term interest receivables	50,462	31,006
Bills receivables	1,010,216	1,358,984
Other short-term financial receivables	44,603	109,365
<b>Total</b>	<b>4,972,641</b>	<b>7,536,119</b>

## Balance Sheet

The item shares and stakes bought for trading purposes refers mainly to the company Gorenje, d.d. in the amount of SIT 899,561 thousand and Gorenje Vertriebs GmbH in the amount of SIT 597,112 thousand. It consists of shares of banks and other companies bought for trading purposes.

Short-term loans given refer to Short-term deposits of excess monetary funds with banks and companies.

Interest rates for loans in Slovenia were from 6.5 % to 14 %, and 4.9 % to 6 % abroad.

Short-term interest receivables refer to interest received on Short-term loans accrued by end of 2002.

The major part of Bills receivable refer to the company Gorenje France S.a. (SIT 511,055 thousand) and Gorenje Spol.s.r.o. (SIT 262,850 thousand).

	In SIT '000			
	Up to 30 days	30 – 90 days	Over 90 days	Total
Banks	198,030			198,030
Companies		167,306	1,593,050	1,760,356
<b>Total</b>	<b>198,030</b>	<b>167,306</b>	<b>1,593,050</b>	<b>1,958,386</b>

### Note 22 – Deferred costs and accrued revenues SIT 395,435 thousand

An important part of Deferred costs and accrued revenues refers to Short-term deferred costs and expenses in the amount of SIT 277,236 thousand. The major amounts were recorded by the companies Gorenje, d.d. (SIT 71,660 thousand), Hyundai auto Zagreb, d.o.o. (SIT 65,564 thousand) and Gorenje Spol.s.r.o. (SIT 53,604 thousand).

	In SIT '000	
	2002	2001
Short-term deferred costs and expenses	277,236	257,887
Accrued revenues	118,199	134,602
<b>Total</b>	<b>395,435</b>	<b>392,489</b>

### Note 23 – Capital SIT 55,239,118 thousand

Movements in the capital of the Gorenje Group in 2002 are shown in the following table:

	In SIT '000
Opening balance at 1 January 2002	50,512,277
+ Increased by profit for the year	4,126,310
- Payment of dividends	-1,000,843
+ Increased by specific capital revaluation and translation adjustment	3,505,493
- Decrease in minority interest	-1,904,119
<b>Closing balance at 31 December 2002</b>	<b>55,239,118</b>

## Balance Sheet

### Note 24 - Long-term provisions

SIT 10,843,799 thousand

Provisions for warranties were set up and used for covering costs of servicing household and other appliances in the warranty period. Provisions for warranties in the amount of SIT 4,520,303 thousand 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, Gorenje Commerce, d.o.o. and Hyundai auto Zagreb, d.o.o.

	In SIT '000	
	2002	2001
Long-term provisions for warranties	6,348,191	3,833,686
Long-term provisions for major repairs	1,314,720	2,156,338
Long-term provisions for termination and retirement benefits	636,065	633,421
Other long-term provisions	2,544,823	3,525,093
<b>Total</b>	<b>10,843,799</b>	<b>10,148,538</b>

The largest amount under other long-term provisions refers to provisions for grants for fixed assets and disposed assets in the amount of SIT 1,424,157 thousand recorded by the company Gorenje IPC, d.o.o., and provisions for opening up new markets in the amount of SIT 379,027 thousand, for provided liabilities arising from labour disputes in the amount of SIT 198,811 thousand and provisions for reorganisation in the amount of SIT 150,000 thousand recorded by the parent company.

### Movements in Long-term provisions in 2002

	In SIT '000			
	Balance at 1.1. 2002	Utilisation and release	Formation	Balance at 31.12.2002
Long-term provisions for major repairs	2,156,338	841,618	0	1,314,720
Long-term provisions for warranties	3,833,686	1,605,973	4,120,478	6,348,191
Long-term provisions for term. and retirement benefits	633,421	40,482	43,126	636,065
Other long-term provisions	3,525,093	1,764,815	784,545	2,544,823
<b>Total</b>	<b>10,148,538</b>	<b>4,252,888</b>	<b>4,948,149</b>	<b>10,843,799</b>

### Note 25 - Long-term financial liabilities

SIT 12,838,168 thousand

	In SIT '000	
	2002	2001
Long-term financial liabilities to banks: 1 - 5 years	5,950,317	5,688,947
Long-term financial liabilities to banks: over 5 years	4,554,127	4,434,129
Long-term financial liabilities to other companies: 1-5 years	931,568	898,999
Long-term financial liabilities to other companies: 1-5 years	1,402,156	39,891
<b>Total</b>	<b>12,838,168</b>	<b>11,061,966</b>

## Balance Sheet

### Bank loans: 1 - 5 years

Currency	Amount in currency (in 000)	Amount in SIT '000	Interest rate in %	
			From	to
EUR	25,302	5,826,322	3.5	6.2
DKK	4,000	123,995	4.3	
<b>Total</b>		<b>5,950,317</b>		

### Bank loans: over 5 years

Currency	Amount in currency (in 000)	Amount in SIT '000	Interest rate in %	
			From	to
EUR	19,778	4,554,127	3.6	4.7
<b>Total</b>		<b>4,554,127</b>		

### Loans from other creditors: 1 - 5 years

Currency	Amount in currency (in 000)	Amount in SIT '000	Interest rate in %	
			From	to
EUR	3,896	896,915	3.5	
SIT	34,653	34,653	7.3	
<b>Total</b>		<b>931,568</b>		

### Loans from other creditors: over 5 years

Currency	Amount in currency (in 000)	Amount in SIT '000	Interest rate in %	
			From	to
EUR	6,089	1,402,156	3.5	
<b>Total</b>		<b>1,402,156</b>		

### Note 26 – Short-term financial liabilities

SIT 22,820,366 thousand

	In SIT '000	
	2002	2001
Short-term bank loans	22,053,484	18,183,087
Short-term loans from other companies	661,661	653,931
Short-term liabilities from interest payable	42,068	23,032
Short-term liabilities from dividends	63,153	12,715
<b>Total</b>	<b>22,820,366</b>	<b>18,872,765</b>

Short-term liabilities to banks recorded by the Gorenje Group increased by SIT 3,870,397 thousand, or 21.3 % compared with 2001. The increase mainly refers to the companies Gorenje Zagreb, d.o.o. (SIT 1,238,795 thousand), Gorenje Spol. s r.o. (SIT 795,006 thousand), Gorenje, d.d. (SIT 760,901 thousand) and Gorenje Beteiligung GmbH (SIT 427,054 thousand).

Currency	Amount in currency (in 000)	Amount in SIT '000	Interest rate in %	
			From	to
EUR	79,782	18,371,152	3.5	8.4
CZK	301,523	2,206,965	3.6	3.8
HRK	40,171	1,238,797	4.7	5.0
USD	1,000	221,071	2.0	
DKK	500	15,499	4.3	
<b>Total</b>		<b>22,053,484</b>		

## Balance Sheet

### Loans from other companies

Currency	Amount in currency (in 000)	Amount in SIT '000	Interest rate in %	
			From	to
EUR	2,495	574,468	3.5	
SIT	51,011	51,011	11.6	
DKK	1,167	36,182	4.3	
<b>Total</b>		<b>661,661</b>		

### Note 27 - Short-term operating liabilities

SIT 35,800,946 thousand

	In SIT '000	
	2002	2001
Short-term payables to suppliers	31,158,710	24,448,033
Short-term liabilities from interest payable to suppliers	30,123	34,088
Short-term payables to employees	1,124,910	911,133
Short-term payables to the state	1,918,442	1,369,320
Other short-term liabilities	1,568,761	2,320,215
<b>Total</b>	<b>35,800,946</b>	<b>29,082,789</b>

Short-term operating liabilities increased by SIT 6,718,157 thousand or 23.1% compared with 2001. A significant part of the increase refers to the company Gorenje, d.d., where, compared with the year before, payables to suppliers rose by SIT 4,319,733 thousand as a result of increased supply volumes and extended payment periods granted by suppliers.

### Geographical segments

	In SIT '000			
	Purchase cost of goods, materials and services		Payables to suppliers	
	2002	2001	2002	2001
Slovenia	106,840,829	93,109,734	24,674,833	19,442,117
SE Europe	9,492,960	9,333,509	971,978	1,006,593
EU	15,817,554	15,930,665	3,555,851	3,431,163
Overseas countries	135,681	91,640	3,528	1,790
East Europe	4,622,790	4,025,202	1,952,520	566,370
<b>Total</b>	<b>136,909,814</b>	<b>122,490,750</b>	<b>31,158,710</b>	<b>24,448,033</b>

### Business areas

	In SIT '000			
	Purchase cost of goods, materials and services		Payables to suppliers	
	2002	2001	2002	2001
Household appliances	112,229,672	98,923,688	26,655,375	21,585,525
Furniture	5,870,759	5,208,082	1,101,223	805,261
Services	16,944,374	16,219,582	2,804,114	1,646,029
Machine construction and tool making	1,865,009	2,139,398	597,998	411,218
<b>Total</b>	<b>136,909,814</b>	<b>122,490,750</b>	<b>31,158,710</b>	<b>24,448,033</b>

## Balance Sheet

### Note 28 - Accrued costs and deferred revenues SIT 2,319,502 thousand

Short-term accrued costs and expenses were formed for accrued costs of unsolved complaints related to sales, accrued discounts, accrued interest expenses, accrued costs of unused employees' leave and other accrued costs of services. An important part of Short-term accrued costs refers to the companies Gorenje, d.d. in the amount of SIT 402,557 thousand, Gorenje Vertiebs GmbH in the amount of SIT 374,415 thousand, Gorenje Spol. s r.o. in the amount of SIT 128,309 thousand, Gorenje Beteiligung GmbH in the amount of SIT 115,376 thousand and Gorenje Koerting Italia S.r.l. in the amount of SIT 112,328 thousand.

	In SIT '000	
	2002	2001
Short-term deferred revenues	498,807	599,901
Short-term accrued costs and expenses	1,820,695	1,695,291
<b>Total</b>	<b>2,319,502</b>	<b>2,295,192</b>

Short-term accrued revenues mainly refer to accrued revenues from default interest charged to customers.

### Note 29 - Off-balance-sheet records

	In SIT '000	
	2002	2001
Issued guarantees	10,509,673	9,946,047
Liabilities from bills-of-exchange	568,909	0
Other off-balance-sheet liabilities	1,896,220	1,423,425
<b>Total</b>	<b>12,974,802</b>	<b>11,369,472</b>

## Other Disclosures

### Note 30 - Data on personnel

	In SIT		
	Management board and company directors*	Supervisory board	Employees with individual employment contracts
Total amount of earnings			
- wages and salaries	526,492,901	35,005,600	513,592,696
- profit related bonus	27,911,169	18,359,081	
- fringe benefits	45,137,754	57,944	4,130,689
- other earnings	18,869,371	10,455,208	36,901,055
<b>Total</b>	<b>618,411,195</b>	<b>63,877,833</b>	<b>554,624,440</b>

\* Earnings of the parent's Management Board, Directors of 10 subsidiary companies in Slovenia and 19 subsidiary companies abroad have been included.

## Other Disclosures

### Note 31 - Business areas

In SIT '000	Household appliances		Furniture		Services		Machine construction		Elimination's		Group	
	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001	2002	2001
Net revenues from sales from third parties	153,651,099	133,651,101	7,749,196	7,977,996	18,624,603	17,931,218	1,493,073	970,324	0	0	181,517,971	160,530,639
Net revenues from sales from Group companies	99,800,921	86,440,634	3,665,870	3,203,603	1,943,827	1,599,396	2,550,905	3,188,699	-107,961,523	-94,432,332	0	0
Costs of goods, materials and services	218,512,711	192,674,347	7,747,571	5,419,632	18,759,957	17,784,104	2,102,110	2,487,770	-110,212,535	-95,875,103	136,909,814	122,490,750
Labour costs	24,768,337	21,026,673	3,212,102	2,286,175	1,194,044	981,289	1,489,632	1,309,575	0	0	30,664,115	25,603,712
Depreciation	7,541,232	6,520,679	799,828	595,087	207,094	189,924	314,416	265,651	0	0	8,862,570	7,571,341
Operating profit or loss	5,132,700	4,240,965	-118,191	135,239	471,415	623,466	191,968	48,182	-507,084	-259,232	5,170,808	4,788,620
Financial result	371,753	-370,950	173,866	35,938	-229,814	-373,302	-31,367	-16,510	-1,023,750	-910,388	-739,312	-1,635,212
Tax on profits	598,996	295,339	29	1,783	64,161	76,150	22,684	34,619	0	0	685,870	407,891
Net profit or loss	5,211,625	4,027,573	75,249	227,460	197,417	210,825	172,853	69,823	-1,530,834	-1,192,173	4,126,310	3,343,508
Assets	171,791,806	148,936,617	9,217,181	8,070,085	10,907,351	8,423,622	2,956,919	2,418,954	-54,989,746	-45,865,573	139,883,511	121,983,705
Investments	21,683,355	15,721,570	20,498	0	0	0	0	0	-21,703,853	-15,721,570	0	0
Capital	69,463,982	60,887,040	5,244,568	4,342,195	3,415,505	1,878,805	1,511,677	1,361,417	-24,396,614	-17,957,180	55,239,118	50,512,277
Long-term provisions	10,053,795	9,206,958	271,316	325,117	134,210	170,327	45,197	106,855	339,281	339,281	10,843,799	10,148,538
Fixed assets investments	12,006,592	11,916,026	363,913	798,689	2,318,936	586,645	436,617	372,607	0	0	15,126,058	13,673,967

### Note 32 - Geographical segments

In SIT '000	Slovenia		SE Europe		EU	
	2002	2001	2002	2001	2002	2001
Net revenues from sales from third parties	53,799,018	45,159,323	38,650,433	33,445,224	70,991,834	67,697,216
Assets	126,657,334	111,557,459	19,109,747	13,473,260	34,961,299	31,220,670
Fixed assets investments	10,175,059	12,334,989	2,745,797	838,350	266,668	241,039

In SIT '000	Overseas countries		East Europe		Elimination's		Group	
	2002	2001	2002	2001	2002	2001	2002	2001
Net revenues from sales from third parties	587,422	320,562	17,489,264	13,908,314	0	0	181,517,971	160,530,639
Assets	632,704	629,402	13,512,173	10,968,488	-54,989,746	-45,865,574	139,883,511	121,983,705
Fixed assets investments	13,740	7,522	1,924,794	252,067	0	0	15,126,058	13,673,967

Data for each geographical segment include subsidiaries data operating on relevant geographical segment and not actual sales by countries.

## Other Disclosures

### Note 33 – Performance indicators and ratios

	2002	2001
Return on sales - ROS	2.3 %	2.1%
Return on equity - ROE	7.8 %	6.8 %
Return on assets - ROA	3.0 %	2.7 %
Net debt (in SIT '000)	27,585,952	19,709,975
Net debt/Capital (gearing )	0.50	0.39
Assets turnover ratio	1.3	1.3
Participation rate of Current assets (in %)	52.3 %	54.0 %
Participation rate of Short-term liabilities and Accrued costs and deferred revenues (in %)	43.6 %	41.2 %
Long-term coverage of Long-term assets	1.2	1.3
Equity to Liabilities	0.39	0.41
Total capital to Liabilities	0.56	0.59
Operating fixed assets to Assets	0.43	0.44
Long-term assets to Assets	0.48	0.46
Equity to Operating fixed assets	0.92	0.95
Acid test ratio	0.14	0.21
Quick ratio	0.80	0.91
Current ratio	1.24	1.36
Operating efficiency ratio	1.03	1.03
Dividend to Share capital	/	/

## Other Disclosures

Return on sales-ROS	Net profit / Net revenues from sales
Return on equity-ROE	Net profit / (Capital - Reserves for treasury shares - Net profit)
Return on assets- ROA	Net profit / Assets
Net debt	Financial liabilities - Liquid assets
Net debt / Capital (gearing)	(Financial liabilities - Liquid assets) / Capital
Assets turnover ratio	Net revenues from sales / Assets
Participation of current assets	Current assets / Assets * 100
Participation rate of Short-term liabilities and Accrued costs and deferred revenues (in %)	(Short-term financial liabilities + Short-term operating 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
Equity to Liabilities	Capital / Total liabilities
Total capital to Liabilities	(Capital + Long-term debts + Long-term provisions) / Total liabilities
Operating fixed assets to Assets	Fixed assets / Assets
Long-term assets to Assets	(Fixed assets + Long-term investments + Long-term operating receivables) / Assets
Equity to Operating fixed assets	Equity / Fixed assets
Acid test ratio	Liquid assets / Short-term liabilities
Quick ratio	(Liquid assets + Short-term receivables) / Short-term liabilities
Current ratio	Short-term assets / Short-term liabilities
Operating efficiency ratio	Operating revenues / Operating expenses
Dividend to Share capital	Dividends for the year / Average share capital

## Appendix 1

Companies	Share capital (in SIT '000)	Net profit or loss (in SIT '000)	Number of employees
Gorenje d.d., Slovenia	12,200,000	3,906,831	5,411
Gorenje Orodjarna, d.o.o., Slovenia	222,076	105,964	209
Gorenje Indop, d.o.o., Slovenia	139,748	66,890	153
Gorenje IPC, d.o.o., Slovenia	22,196	3,416	678
Gorenje GTI, d.o.o., Slovenia	32,676	88,122	81
Gorenje Gostinstvo, d.o.o., Slovenia	908,148	21,880	168
LINEA, d.o.o., Slovenia	4,260	1,778	13
Gorenje TIKI, d.o.o., Slovenia	26,687	82,317	266
Biterm, d.o.o., Slovenia	42,897	74,546	129
Gorenje Notranja oprema, d.d., Slovenia	919,033	146,733	919
Energygor, d.o.o., Slovenia	2,100	-1,349	/
Gorenje Beteiligung GmbH, Austria	2,763,208	156,852	7
Gorenje Austria Handels GmbH, Austria	754,125	8,914	59
Gorenje Küchen GmbH, Austria	8,059	252	76
Gorenje Vertrieb GmbH, Germany	1,312,524	52,169	62
Gorenje Körting Italia S.r.l., Italy	240,077	2,010	7
Gorenje France SA, France	742,612	12,901	26
Gorenje BELUX S.a.r.l., Belgium	4,281	927	1
Gorenje UK Ltd., Great Britain	35,409	3,425	4
Gorenje Skandinavien A/S, Denmark	339,126	130,538	38
Gorenje Sverige AB, Sweden	50,335	2,096	4
Gorenje Pacific Pty. Ltd., Australia	174,190	2,945	/
Gorenje USA Inc., USA	1,769	369	2
Gorenje Spol. s r.o., Czech Republic	897,820	26,221	52
Gorenje Real Spol. s r.o., Czech Republic	454,535	2,679	/
Gorenje Kuchyne Spol. s r.o., Czech Republic	219,582	6,622	74
Gorenje Slovakia Spol. s r.o., Slovakia	125,255	20,437	26
Gorenje Budapest Kft., Hungary	146,520	13,672	16
Gorenje Real Kft., Hungary	5,861	1,803	/
Gorenje Polska Sp. z o.o., Poland	382,788	21,624	34
Gorenje Bulgaria EOOD, Bulgaria	59,124	32,991	5
Gorenje Zagreb, d.o.o., Croatia	1,579,060	196,139	120
Hyundai auto Zagreb d.o.o., Croatia	694,635	85,372	31
Gorenje Skopje, d.o.o., Macedonia	57,516	9,755	11
Gorenje Commerce, d.o.o., Bosnia and Herzegovina	301,880	145,771	46
Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina	23,964	-3,552	4
Gorenje, d.o.o., Serbia	28,429	126,583	16
Hyundai Auto, d.o.o., Serbia	115,487	-17,869	4
Gorenje Podgorica, d.o.o., Montenegro	9,047	17,970	5
Gorenje OY, Finland	23,027	1,426	1

## Appendix 2

In 2002 the companies were run by the following Directors:

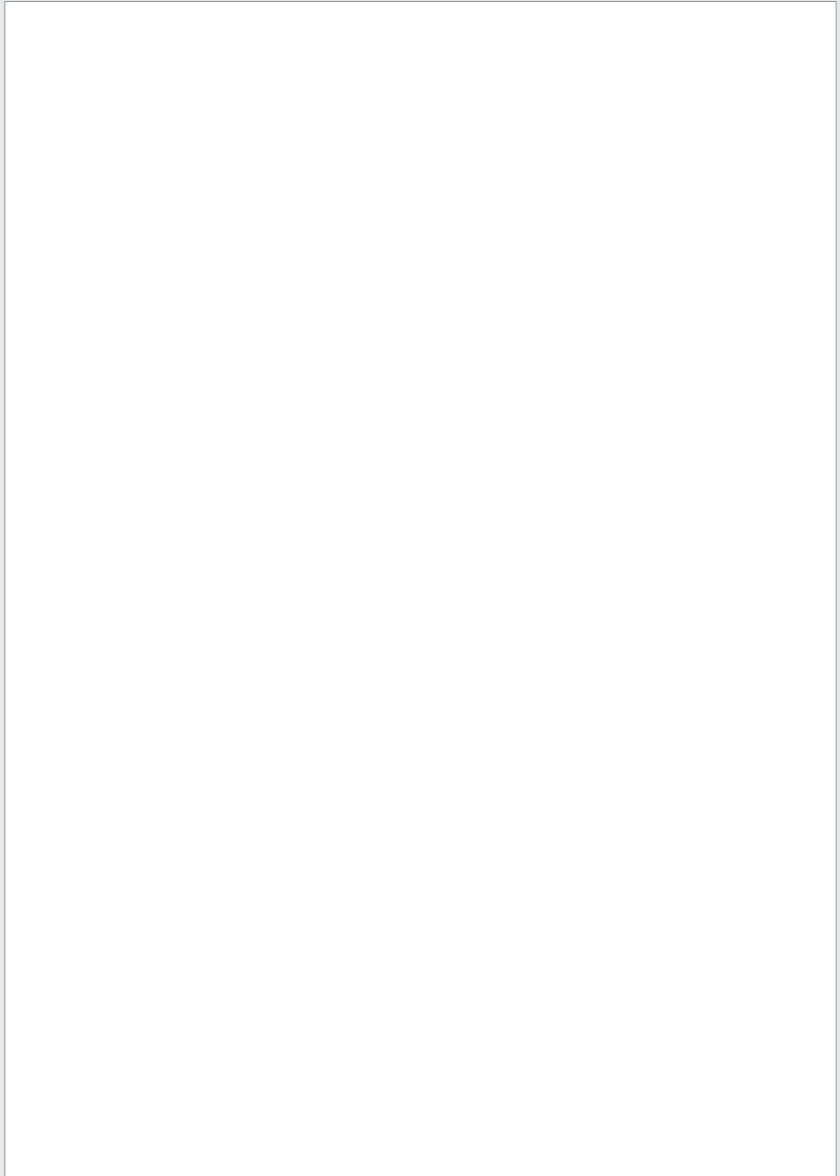
Companies	Director
Gorenje d.d., Slovenia	(Management Board) Jože Stanič (Management Board) Franjo Bobinac, (Management Board) Marija Miheljčak, (Management Board) Drago Bahun
Gorenje Orodjarna d.o.o., Slovenia	Marjan Kovač
Gorenje Indop d.o.o., Slovenia	Rihard Grudnik
Gorenje IPC d.o.o., Slovenia	Franc Plaskan
Gorenje GTI d.o.o., Slovenia	Vincenc Turk
Gorenje Gostinstvo d.o.o., Slovenia	Saša Oprešnik
LINEA, Stanovanjsko podjetje d.o.o., Slovenia	Franjo Gjerkeš
Gorenje TIKI d.o.o., Slovenia	Brane Apat
Biterm d.o.o., Slovenia	Simon Kumer
Gorenje Notranja oprema d.d., Slovenia	Gregor Verbič
Energygor, d.o.o., Slovenia	Vincenc Turk
Gorenje Beteiligung. GmbH, Austria	Ivan Vitežnik
Gorenje Austria Handels GmbH, Austria	Stanko Kranjc
Gorenje Küchen GmbH, Austria	Leo David
Gorenje Vertriebs GmbH, Germany	Rudi Šepič, Alojz Gabrovec from 1.1.2003
Gorenje Körting Italia S.r.l., Italy	Andrej Pucer
Gorenje France SA, France	Joško Vučemilo, Matjaž Geratič from 1.1.2003
Gorenje BELUX S.a.r.l., Belgium	Milan Osterman
Gorenje UK Ltd, Great Britain	Jure Fišer
Gorenje Skandinavien A/S, Denmark	Franc Vrankar
Gorenje Sverige AB, Sweden	Franc Vrankar
Gorenje Pacific Pty Ltd., Australia	Martin Puh
Gorenje USA, Inc., USA	Martin Puh
Gorenje Spol s r.o., , Czech Republic	Esad Mujakič, Suad Hadžić from 1.3.2003
Gorenje Real Spol. s r.o., Czech Republic	Esad Mujakič
Gorenje Kuchyne Spol. s r.o, Czech Republic	Esad Mujakič, Suad Hadžić from 1.3.2003
Gorenje Slovakia Spol s r.o, Slovakia	Bogdan Urh
Gorenje Budapest Kft, Hungary	Jožef Kocon
Gorenje Real KFT., Hungary	Jožef Kocon
Gorenje Polska Sp. z o.o., Poland	Anton Prislan, Uroš Marolt from 1.4.2002
Gorenje Bulgaria EOOD, Bulgaria	Darko Mlinar
Gorenje Zagreb d.o.o., Croatia	Janez Živko
Hyundai auto Zagreb d.o.o., Croatia	Boris Antolovič
Gorenje Skopje d.o.o., Macedonia	Nebojša Jovanovič, Nenad Jovanovič from 1.4.2002
Gorenje Commerce d.o.o., Bosnia and Herzegovina	Janez Kumer
Gorenje Kuhinje, d.o.o., Bosnia and Herzegovina	Tomaž Urleb
Gorenje, d.o.o., Serbia	Jure Toplak
Hyundai Auto, d.o.o., Serbia	Nenad Ignjatovič
Gorenje Podgorica d.o.o., Montenegro	Darko Vukčević
Gorenje OY, Finland	Franc Vrankar

## Appendix 3

### Currency exchange rates

Country	Currency	Unit	2002		2001	
			Opening exchange rate in SIT	Average exchange rate in SIT	Closing exchange rate in SIT	Average exchange rate in SIT
Austria	EUR	1	230.267	226.224	221.410	217.185
Australia	AUD	1	124.422	130.461	127.621	125.518
Belgium	EUR	1	230.267	226.224	221.410	217.185
Czech Republic	CZK	1	7.319	7.350	6.923	6.382
Germany	EUR	1	230.267	226.224	221.410	217.185
Denmark	DKK	1	30.999	30.445	29.771	29.144
European Union	EUR	1	230.267	226.224	221.410	217.185
France	EUR	1	230.267	226.224	221.410	217.185
Great Britain	GBP	1	354.094	360.008	363.503	349.374
Croatia	HRK	1	30.838	30.591	30.182	29.130
Hungary	HUF	1	0.977	0.933	0.903	0.848
Italy	EUR	1	230.267	226.224	221.410	217.185
Poland	PLN	1	57.633	58.892	63.305	59.317
Sweden	SEK	1	25.168	24.700	23.724	23.492
Slovakia	SKK	1	5.530	5.306	5.182	5.020
USA	USD	1	221.071	240.245	250.946	242.749
Bosnia and Herzegovina	BAM	1	117.418	115.480	112.863	110.838
Bulgaria	BGL	1	118.247	115.667	111.707	111.023
Macedonia	MKD	1	3.764	3.699	3.617	3.559
Switzerland	CHF	1	158.510	154.193	149.561	143.850
Finland	EUR	1	230.267	226.224	221.410	217.185
Yugoslavia	YUM	1	3.791	3.751	3.731	3.663

Auditor's Report



## Profit and Loss Account of Gorenje, d.d.

Principles of preparation of Financial Statements of Gorenje Group explained into article Principles of Preparation of Consolidated Financial Statement are valid also for Gorenje, d.d.

		In SIT '000	
	Notes	2002	2001
1. Net revenues from sales	1	119,577,258	102,378,072
2. Changes in the value of inventories	2	170,697	-374,771
3. Value of capitalised own products	3	667,166	657,877
4. Other operating revenues	4	693,207	1,090,239
<b>5. Total</b>		<b>121,108,328</b>	<b>103,751,417</b>
6. Costs of goods, materials and services	5	-93,102,449	-80,297,336
7. Labour costs	6	-17,727,784	-14,651,301
8. Depreciation	7	-6,482,622	-5,474,340
9. Revalued operating expenses	7	-414,713	-275,367
10. Other operating expenses	8	-264,082	-221,944
11. Provisions	9	-151,928	-134,796
<b>12. Profit from operations</b>		<b>2,964,750</b>	<b>2,696,333</b>
13. Financial revenues	10	3,223,615	3,076,176
14. Financial expenses	11	-2,230,208	-2,817,364
<b>15. Profit from ordinary activities</b>		<b>3,958,157</b>	<b>2,955,145</b>
16. Extraordinary revenues	12	176,310	289,433
17. Extraordinary expenses	13	-100,936	-35,612
<b>18. Total profit</b>		<b>4,033,531</b>	<b>3,208,966</b>
19. Tax on profits	14	-126,700	-1,210
<b>20. Net profit for the financial year</b>	15	<b>3,906,831</b>	<b>3,207,756</b>

## Balance Sheet of Gorenje, d.d.

		In SIT '000	
	Notes	2002	2001
<b>Assets</b>		<b>103,259,621</b>	<b>90,375,850</b>
<b>A. Fixed assets</b>		<b>59,134,078</b>	<b>51,283,325</b>
I. Intangible fixed assets	17	616,666	727,243
II. Tangible fixed assets	18	38,553,307	36,731,406
III. Long-term investments	19	19,964,105	13,824,676
<b>B. Current assets</b>		<b>43,894,096</b>	<b>39,076,459</b>
I. Inventories	20	11,546,400	9,531,538
II. Operating receivables		29,462,774	24,140,917
a) Long-term operating receivables	21	368,819	299,720
b) Short-term operating receivables	22	29,093,955	23,841,197
III. Short-term investments	23	2,581,227	5,072,553
IV. Bank balances, cheques, cash	24	303,695	331,451
<b>C. Deferred costs and accrued revenues</b>	25	<b>231,447</b>	<b>16,066</b>
Off-balance-sheet records	32	9,462,430	8,131,866
<b>Capital and liabilities</b>		<b>103,259,621</b>	<b>90,375,850</b>
<b>A. Capital</b>	26	<b>54,310,490</b>	<b>48,058,394</b>
I. Called-up capital		12,200,000	12,200,000
II. Capital surplus			
III. Reserves		16,162,032	8,645,374
IV. Retained net profit or loss		2,357,602	3,462,967
V. Net profit or loss for the year		1,541,445	1,603,878
VI. Capital revaluation adjustments		22,049,411	22,146,175
<b>B. Provisions</b>	27	<b>6,433,407</b>	<b>6,029,844</b>
<b>C. Financial and operating liabilities</b>		<b>41,574,701</b>	<b>35,424,171</b>
I. Long-term financial liabilities	28	9,049,317	8,615,941
II. Long-term operating liabilities	28	1,004	1,004
III. Short-term financial liabilities	29	6,515,628	5,719,387
IV. Short-term operating liabilities	30	26,008,752	21,087,839
<b>D. Accrued costs and deferred revenues</b>	31	<b>941,023</b>	<b>863,441</b>
Off-balance-sheet records	32	9,462,430	8,131,866

## Cash Flow Statement of Gorenje, d.d.

	In SIT '000	
	2002	2001
<b>A. Cash flows from operating activities</b>		
a) Inflows from operating activities	4,978,915	4,355,183
Profit before taxes	4,033,531	3,208,966
Depreciation	6,482,622	5,474,340
Opening minus closing Operating receivables	-5,321,857	-4,323,056
Opening minus closing Deferred costs and accrued revenues	-215,381	-5,067
b) Outflows from operating activities	2,856,933	3,942,900
Tax on profits	-126,700	-1,210
Closing minus opening Inventories	-2,014,862	1,274,024
Opening minus closing Operating liabilities	4,920,913	2,529,388
Opening minus closing Accrued costs and deferred revenues	77,582	140,698
c) Net inflow from operating activities or Net outflow from operating activities	7,835,848	8,298,083
<b>B. Cash flows from investment activities</b>		
a) Inflows from investment activities	2,491,326	0
Offset decrease in Short-term investments	2,491,326	0
b) Outflows from investment activities	-10,987,267	-16,478,947
Offset increase in Intangible fixed assets	-129,626	-469,979
Offset increase in Tangible fixed assets	-8,064,320	-11,794,777
Offset increase in Long-term investments	-2,793,321	-2,809,509
Offset increase in Short-term investments	0	-1,404,682
c) Net inflow from investment activities or Net outflow from investment activities	-8,495,941	-16,478,947
<b>C. Cash flows from financing activities</b>		
a) Inflows from financing activities	1,633,180	8,160,918
Increase in Capital	0	2,045,832
Offset increase in Long-term provisions	403,563	1,371,014
Offset increase in Long-term financial liabilities	433,376	3,775,872
Offset increase in Short-term financial liabilities	796,241	968,200
b) Outflows from financing activities	-1,000,843	0
Decrease in Capital	-1,000,843	0
c) Net inflow from financing activities or Net outflow from financing activities	632,337	8,160,918
<b>D. Closing balnce of cash and cash equivalents</b>	303,695	331,451
x) Net cash flow for the financial year	-27,756	-19,946
y) Opening balance of Cash and cash equivalents	331,451	351,397

## Statement of Changes in Capital of Gorenje, d.d.

	In SIT '000					
	Share capital	Reserves	Retained net profit or loss	Net profit or loss for the financial year	Capital revaluation adjustments	Total
Opening balance at 1 January 2002	12,200,000	11,463,612	5,691,479		18,703,303	48,058,394
<b>Movements to capital</b>				3,906,831	3,346,108	7,252,939
Entry of Net profit for the financial year				3,906,831		3,906,831
Entry of capital revaluation adjustments					3,346,108	3,346,108
<b>Movement in capital</b>		4,698,420	-2,333,034	-2,365,386		0
Allocation of distributable Net profit for 2001 to forming Other reserves		2,333,034	-2,333,034			0
Allocation of Net profit or loss for 2002 to forming Reserves for treasury shares		823,941		-823,941		0
Allocation of Net profit or loss for 2002 to forming Other reserves pursuant to Management and Supervisory Board resolutions		1,541,445		-1,541,445		0
<b>Movements from capital</b>			-1,000,843			-1,000,843
Payment of dividends			-1,000,843			-1,000,843
Closing balance at 31 December 2002	12,200,000	16,162,032	2,357,602	1,541,445	22,049,411	54,310,490

Pursuant to the Companies Act the Management Board allocated part of Net profit to setting up Reserves for treasury shares in the amount of SIT 823,941 thousand, and in agreement with the Supervisory Board allocated part of the remaining Net profit to setting up Other reserves in the amount of SIT 1,541,445 thousand.

### Distributable Net Profit as supplement to the Statement of changes in Capital:

	In SIT '000
Remaining of Net profit or loss for the financial year	1,541,445
+ retained Net profit	2,357,602
+ decreased Reserves	1,113,946
= distributable Net profit	5,012,993

The Management Board formed a Distributable net profit totalling SIT 5,012,993 thousand.

# Analysis of and Notes to the Financial Statements

## Profit and Loss Account

The Profit and Loss Account is prepared by types of cost.

In addition an overview of costs by functional group has been prepared:

	In SIT '000	
	2002	2001
Purchase value of goods and materials sold	-8,825,165	-7,364,646
Production costs of products sold	-84,149,295	-73,670,046
Gross profit or loss from sales	26,602,798	21,343,380
Selling costs	-8,239,899	-6,473,466
General and administrative costs	-16,091,355	-13,263,820
Other operating revenues	693,206	1,090,239
Operating profit	2,964,750	2,696,333

### Note 1 - Net revenues from sales

SIT 119,577,258 thousand

Net revenues from sales in the amount of SIT 119,577,258 thousand are stated at invoice value less discounts given to customers, quantity and other rebates. Revenues from sales of white goods amounted to SIT 107,136,533 thousand in 2002, from the purchased components line SIT 6,812,744 thousand, from the sale of services SIT 780,982 thousand and other sales SIT 4,846,999 thousand. The major part of Revenues was generated by sales in the European Union - in the amount of SIT 52,692,898 thousand, followed by sales in the South-east Europe including Albania in the amount of SIT 30,793,017 thousand, in East Europe in the amount of SIT 18,297,775 thousand, in Slovenia in the amount of SIT 15,138,760 thousand and in Overseas countries in the amount of SIT 2,654,808 thousand.

	In SIT '000	
	2002	2001
Revenues from sale of products in Slovenia	8,498,790	7,052,415
Revenues from sale of products in foreign markets	98,637,743	85,128,160
Revenues from sale of goods in Slovenia	2,503,288	1,818,545
Revenues from sale of goods in foreign markets	4,309,456	3,169,545
Revenues from sale of services in Slovenia	631,675	603,332
Revenues from sale of services in foreign markets	149,307	441,467
Revenues from sale of materials and semi-finished products in Slovenia	3,462,155	2,817,058
Revenues from sale of materials and semi-finished products in foreign markets	1,384,844	1,347,550
Total	119,577,258	102,378,072

Sales of goods and materials include Revenues from sales of semi-finished products, from the sale of materials to manufacturers of component parts and the sale of spare parts for Gorenje's product range.

Net revenues from sales to Group companies amount to SIT 86,042,776 thousand.

### Note 2 - Change in the value of Inventories

SIT 170,697 thousand

The increase of SIT 170.697 thousand represents the difference between the balance of inventories of semi-finished and finished products at the beginning and at the end of the year.

## Profit and Loss Account

### Note 3 - Capitalised own products and services SIT 667,166 thousand

This item states the value of products and services of the profit centre Vzdrževanje (Maintenance) in the amount of SIT 541,157 thousand and Point at manufacturing Fixed assets in the amount of SIT 126,009 thousand.

### Note 4 - Other operating revenues SIT 693,207 thousand

The item Other operating revenues states Revenues from leases and rents in the amount of SIT 170,310 thousand, of which to Group companies in the amount of SIT 132,183 thousand and other revenues in the amount of SIT 522,897 thousand.

### Note 5 - Costs of goods, materials and services SIT 93,102,449 thousand

- In 2002 the purchase value of merchandise amounted to SIT 8,825,165 thousand. It resulted from the purchase of merchandise from the purchased components line and sale of materials to manufacturers of component parts, semi-finished products and spare parts in subsidiary companies.

	In SIT '000	
	2002	2001
Purchase value of goods sold	8,825,165	7,364,646
Costs of materials	72,645,553	62,708,043
Costs of services	11,631,731	10,224,647
<b>Total</b>	<b>93,102,449</b>	<b>80,297,336</b>

#### • Costs of materials SIT 72,645,553 thousand

	In SIT '000	
	2002	2001
Costs of basic materials and auxiliaries	69,524,868	59,895,212
Costs of energy	1,396,015	1,325,135
Costs of spare parts required for maintenance	1,280,894	1,107,576
Costs of office stationary and literature	203,383	146,632
Write-off of small tools and inventory difference	30,650	35,286
Other costs of materials	209,743	198,202
<b>Total</b>	<b>72,645,553</b>	<b>62,708,043</b>

#### • Costs of services SIT 11,631,731 thousand

	In SIT '000	
	2002	2001
Costs of manufacturing products and providing services	1,924,190	1,338,289
Costs of transportation	4,139,987	3,782,494
Costs of maintenance services	793,272	1,689,200
Rental costs	120,023	90,689
Reimbursement of costs of employees related to work	427,705	364,914
Costs of payment operations and bank charges	445,340	372,099
Costs of professional and personal services	338,273	178,781
Costs of trade fairs, advertising and entertainment	2,511,368	1,556,510
Costs of services by individuals from outside the industry	56,282	27,227
Costs of other services	875,291	824,444
<b>Total</b>	<b>11,631,731</b>	<b>10,224,647</b>

## Profit and Loss Account

### Note 6 - Labour costs

SIT 17,727,784 thousand

Social security contributions include the Costs of supplementary pension insurance plan of SIT442,160 thousand.

	In SIT '000	
	2002	2001
Wages, salaries and allowances	12,040,538	10,335,996
Social security contributions	2,439,483	2,073,232
Transport allowance costs	459,854	386,480
Costs of meal allowance	1,248,427	1,041,000
Holiday allowance	812,901	667,955
Jubilee and retirement payments	112,153	70,429
Other labour costs (bonus payments, social assistance)	614,428	76,209
<b>Total</b>	<b>17,727,784</b>	<b>14,651,301</b>

### Note 7 - Write-offs

SIT 6,897,335 thousand

	In SIT '000	
	2002	2001
Depreciation of Intangible fixed assets	240,203	192,117
Depreciation of Tangible fixed assets	6,242,419	5,066,041
Revalued operating expenses of IFA and TFA	37,706	309,202
Revalued operating expenses of current assets	377,007	182,347
<b>Total</b>	<b>6,897,335</b>	<b>5,749,707</b>

### Note 8 - Other operating expenses

SIT 264,082 thousand

	In SIT '000	
	2002	2001
Duties independent of labour costs and other costs	141,895	130,727
Expenses for environment protection	75,626	48,602
Scholarships	26,997	27,066
Other expenses	19,564	15,549
<b>Total</b>	<b>264,082</b>	<b>221,944</b>

### Note 9 - Provisions

SIT 151,928 thousand

In 2002 additional provisions of SIT 3,123,431 thousand were set up of which SIT 151,928 thousand were charged to costs of provisions.

### Note 10 - Financial revenues

SIT 3,223,615 thousand

	In SIT '000	
	2002	2001
Interest from intra-group relations	341,001	412,729
Interest from relations with others	252,696	133,046
Revenues from dividends and other participation's	917,825	1,028,478
Revenues related to given loans	57,858	0
Revenues from valuation allowance for receivables to maintain the value*	801,073	1,319,102
Other financial revenues	853,162	182,821
<b>Total</b>	<b>3,223,615</b>	<b>3,076,176</b>

\* Exchange rate gains

## Profit and Loss Account

In 2002 the Company recorded Financial revenues from participation in Group companies in the amount of SIT 890,643 thousand.

Financial revenues related to given loans and revenues from valuation allowance to maintain the value in the total amount of SIT 858,931 thousand are made up of Financial revenues from Long-term receivables of SIT 39,047 thousand and Financial revenues from Short-term receivables of SIT 819,884 thousand.

### Note 11 - Financial expenses SIT 2,230,208 thousand

	In SIT '000	
	2002	2001
Interest from intra-group relations	155,985	154,960
Interest from relations with others	756,760	726,688
Expenses from valuation allowance for liabilities to maintain the value *	1,281,380	935,351
Other financial expenses	36,083	1,000,365
<b>Total</b>	<b>2,230,208</b>	<b>2,817,364</b>

\*Exchange rate loss

### Note 12 - Extraordinary revenues SIT 176,310 thousand

	In SIT '000	
	2002	2001
Recovered bad debts	40,877	17,190
Collected penalties and indemnity claims	135,433	33,203
Revenues from previous years	0	205,132
Other extraordinary items	0	33,908
<b>Total</b>	<b>176,310</b>	<b>289,433</b>

### Note 13 - Extraordinary expenses SIT 100,936 thousand

	In SIT '000	
	2002	2001
Expenses from previous years	0	28,357
Penalties and indemnity claims	100,936	5,952
Other extraordinary expenses	0	1,303
<b>Total</b>	<b>100,936</b>	<b>35,612</b>

### Note 14 - Tax on profits SIT 126,700 thousand

Gorenje d.d., Velenje calculated Tax on profits using a principal Tax rate of 25%, which resulted in SIT 126,700 thousand for 2002.

## Profit and Loss Account

### Note 15 - Net profit or loss

SIT 3,906,831 thousand

	In SIT '000	
	2002	2001
Operating profit or loss	2,964,750	2,696,333
Financial result	993,407	258,812
Extraordinary result	75,374	253,821
Tax on profits	-126,700	-1,210
Total	3,906,831	3,207,756

### Note 16 - Net profit or loss after calculation of capital in Euro and considering the cost of living

	In SIT '000			
	Capital	% of growth	Calculated effect	Reduced Net profit or loss
Capital - calculated according to growth in EUR exchange rate	47,057,551	3.99	1,877,596	2,029,235
Capital - calculated according to growth in cost of living	47,057,551	7.20	3,388,144	518,687

The above stated reduced Net profit or loss does not include the new calculation of Tax on net profit and the effect it could have on the calculation.

The table shows that in calculating the reduced Net profit or loss in accordance with the provisions of the new Slovene Accounting Standards (SAS), which entered into force on 1 January 2002, only calculation of capital according to the growth in exchange rate of EUR, and to the growth in the cost of living have been considered, while active items (Revaluation of tangible and intangible fixed assets) have not been considered as was the case in the financial statements for previous accounting periods, pursuant to the then valid SAS.

## Balanca Sheet

### Note 17 - Intangible fixed assets

SIT 616,666 thousand

	In SIT '000	
	2002	2001
Long-term deferred operating costs	470,224	519,054
Long-term deferred development costs	9,616	0
Long-term property rights	41,518	64,998
Other intangible fixed assets	95,308	143,191
<b>Total</b>	<b>616,666</b>	<b>727,243</b>

### Movements in Intangible fixed assets in 2002

	In SIT '000				Total
	Long-term deferred operating costs	Long-term deferred development costs	Long-term property rights	Other intangible fixed assets	
<b>Purchase cost</b>					
At 31 Dec. 2001	705,604	0	121,278	465,155	1,292,037
Purchase, capitalisation	113,186	11,095	0	13,814	138,095
Disposals, write-offs, capitalisation	-8,469	0	0	-453	-8,922
Revaluation	0	0	0	0	0
Balance at 31 Dec. 2002	810,321	11,095	121,278	478,516	1,421,21
<b>Accumulated depreciation</b>					
Balance 31 Dec. 2001	186,550	0	56,280	321,964	564,794
Purchase	0	0	0	0	0
Disposals and write-offs	0	0	0	-453	-453
Depreciation	153,547	1,479	23,480	61,697	240,203
Depreciation on revaluation	0	0	0	0	0
Balance at 31 Dec. 2002	340,097	1,479	79,760	383,208	804,544
<b>Carrying value</b>					
Balance at 31 Dec. 2001	519,054	0	64,998	143,191	727,243
Balance at 31 Dec. 2002	470,224	9,616	41,518	95,308	616,666

Long-term deferred operating costs account states Long-term deferred organisation costs related to major construction works.

Other intangible fixed assets in the amount of SIT 95,308 thousand refer to software.

### Note 18 - Tangible fixed assets

SIT 38,553,307 thousand

	In SIT '000	
	2002	2001
Land	3,590,485	2,676,454
Buildings	9,868,958	9,896,648
Equipment	18,920,559	21,628,266
Small tools	216,346	231,128
Fixed assets under construction or manufacture	5,765,003	2,053,353
Advances for fixed assets	191,956	245,557
<b>Total</b>	<b>38,553,307</b>	<b>36,731,406</b>

## Balanca Sheet

### Movements in Tangible fixed assets in 2002

	Land	Buildings	Equipment	Fixed assets under constr. or manufact.	Advances for fixed assets	In SIT '000 Total
<b>Purchase cost</b>						
Balance at 31 Dec. 2001	2,676,454	26,130,357	64,883,750	2,053,353	245,557	95,989,471
Purchase, capitalisation	914,031	664,511	2,691,521	8,376,467	0	12,646,530
Disposals, write-offs, Capitalisation	0	-1,879	-3,247,103	-4,664,817	-53,601	-7,967,400
Balance at 31 Dec. 2002	3,590,485	26,792,989	64,328,168	5,765,003	191,956	100,668,601
<b>Accumulated depreciation</b>						
Balance at 31 Dec. 2001	0	16,233,709	43,024,356	0	0	59,258,065
Purchase	0	0	1,628	0	0	1,628
Disposals and write-offs	0	-116,301	-3,270,517	0	0	-3,386,818
Depreciation	0	806,623	5,435,796	0	0	6,242,419
Balance at 31 Dec. 2002	0	16,924,031	45,191,263	0	0	62,115,294
<b>Carrying value</b>						
Balance at 31 Dec. 2001	2,676,454	9,896,648	21,859,394	2,053,353	245,557	36,731,406
Balance at 31 Dec. 2002	3,590,485	9,868,958	19,136,905	5,765,003	191,956	38,553,307

#### Land SIT 3,590,485 thousand

The increase on the land account refers mainly to the purchase of land in Ljubljana in the amount of SIT 592,683 thousand.

#### Buildings SIT 9,868,958 thousand

Capitalisation of the new plastics plant HZA represents the major increase on the buildings account.

#### Equipment SIT 19,136,905 thousand

The item equipment increased mostly on account of capitalisation of production and computer equipment. The major reduction refers to disposal of machines unsuitable for new production technology.

#### Fixed assets under construction or manufacture SIT 5,765,003 thousand

The major part of Fixed assets under construction or manufacture refers to Investments in reconstruction, new tools and Investments in the new information system SAP. Compared with 2001 the item increased 2.81 times.

#### Advances for Fixed assets SIT 191,956 thousand

Advances for Fixed assets are lower by 22 % compared with the year before and mainly refer to employment of advances for the purchase of land.

## Balanca Sheet

### Note 19 - Long-term investments

SIT 19,964,105 thousand

In SIT '000

	Shares and stakes in Group companies	Other shares and stakes	Other long-term investments	Long-term loans given to Group companies	Long-term loans given to others	Purchased treasury shares	Total
<b>Gross value</b>							
Balance at 31 Dec. 2001	11,333,015	467,470	0	2,100,589	74,411	0	13,975,485
Increase	2,087,156	986,529	79,007	161,949	0	823,941	4,138,582
Decrease	-113,835	-95,758	0	-744,468	-30,432	0	-984,493
Revaluation	2,441,906	10,933	0	0	0	529,342	2,982,181
Balance at 31 Dec.2002	15,748,242	1,369,174	79,007	1,518,070	43,979	1,353,283	20,111,755
<b>Valuation allowance</b>							
Balance at 31 Dec.2001	47,201	66,349	0	0	37,259	0	150,809
Increase	0	0	0	0	0	0	
Decrease	0	-3,122	0	0	-37	0	-3,159
Balance at 31 Dec.2002	47,201	63,227	0	0	37,222	0	147,650
<b>Net value at 31 Dec.2001</b>	<b>11,285,814</b>	<b>401,121</b>	<b>0</b>	<b>2,100,589</b>	<b>37,152</b>	<b>0</b>	<b>13,824,676</b>
<b>Net value at 31 Dec.2002</b>	<b>15,701,041</b>	<b>1,305,947</b>	<b>79,007</b>	<b>1,518,070</b>	<b>6,757</b>	<b>1,353,283</b>	<b>19,964,105</b>

a) Shares and stakes in the Group as at 31 December 2002 refer to:

The item shares and stakes in the Group companies refer to the increase in capital of the companies Gorenje Gostinstvo, d.o.o., Velenje and Gorenje Zagreb, d.o.o., Croatia and additional purchase of shares of the company Gorenje Notranja oprema, d.d., Velenje with the purpose to increase the participating interest to 96.9 %.

Name	% of interest held	Company's capital at 31.12.2002	Interest of Gorenje d.d. at 31.12.2002	Company's Net profit or loss for 2002
Gorenje IPC, d.o.o., Velenje	100.00	521,134	521,134	3,416
Gorenje GTI, d.o.o., Velenje	100.00	419,282	419,282	88,122
Gorenje Gostinstvo, d.o.o., Velenje	100.00	1,445,478	1,445,478	21,880
BITERM, d.o.o., Bistrica ob Sotli	75.00	320,328	240,246	74,546
LINEA, d.o.o., Velenje	87.25	42,879	37,412	1,778
Gorenje Orodjarna, d.o.o., Velenje	100.00	930,018	930,018	105,964
Gorenje Indop, d.o.o., Velenje	100.00	581,659	581,659	66,890
Gorenje Notranja oprema, d.d, Velenje	96.90	4,838,037	4,688,058	146,733
Gorenje Tiki, d.o.o., Ljubljana	51.00	1,068,814	545,095	82,317
Gorenje Skopje, d.o.o., Macedonia	100.00	198,787	198,787	9,755
Gorenje Zagreb, d.o.o., Croatia	100.00	2,098,860	2,098,860	196,139
Gorenje Beteiligungs GmbH, Austria	100.00	4,039,179	4,039,179	156,851

b) Among other shares and stakes the major Investments were in Maksima 1 d.d., PID, Ljubljana in the amount of SIT 396,938 thousand, in Nova LB d.d., Ljubljana in the amount of SIT 348,167 thousand, in Geoplin d.o.o., Ljubljana in the amount of SIT 230,323 thousand and in Zavarovalnica Triglav d.d., Ljubljana in the amount of SIT 180,172 thousand.

c) The increase in Other long-term investments refers to the transfer of works of art from Tangible fixed assets in the amount of SIT 79,000 thousand.

d) Among the domestic related companies the highest Long-term loan in the amount of SIT 1,091,662 thousand was given to the company Gorenje GTI, d.o.o., Velenje, followed by Gorenje Tiki, d.o.o., Ljubljana with SIT 420,108 thousand and Stanovanjsko podjetje Linea, d.o.o., Velenje with SIT 6,300 thousand.

## Balanca Sheet

e) Under the item Long-term loans given to others the most extensive was given to Bira Bihać in the past and its total amount has been recognised under valuation allowance for some years. The item also includes the loan to EKI Črnomelj in the amount of SIT 6,136 thousand.

### Note 20 - Inventories

SIT 11,564,400 thousand

The Company assesses and writes off un-saleable Inventories using a special method adopted in June 2000.

Inventories are written down in the % of carrying value in relation to the number of months inventories are kept in store without registered use.

	In SIT '000	
	2002	2001
Materials	7,392,194	5,981,673
Work in progress	1,278,241	1,244,582
Products	2,137,388	2,000,351
Goods	644,582	291,963
Advances for inventories	93,995	12,969
<b>Total</b>	<b>11,546,400</b>	<b>9,531,538</b>

A two-phase procedure of assessing un-saleable Inventories is applied where the time indicator and printout of un-saleable Inventories are the basis for reviewing Inventories in appropriate departments which confirm or amend the status of un-saleable Inventory.

At 31 December 2002 un-saleable inventories amounted to SIT 511,386 thousand, adjustments to SIT 189,390 thousand and carrying value to SIT 321,996 thousand. The major part of un-saleable Inventories and adjustments refer to inventories for maintenance and servicing.

The value of differences in Inventories is negligible. Inventories are not pledged.

### Note 21 - Long-term operating receivables

SIT 368,819 thousand

Long-term operating receivables comprise:

	In SIT '000	
	2002	2001
Long-term commercial credits given in Slovenia	36,356	8,613
Long-term commercial credits given abroad	99,857	0
Long-term receivables from finance lease	320,416	396,351
Allowance for Long-term operating receivables	-87,810	-105,244
<b>Total</b>	<b>368,819</b>	<b>299,720</b>

The major part of Long-term receivables from finance lease (SIT 300,896 thousand) refers to loans for houses purchased pursuant to the housing act. Valuation allowance in the amount of SIT 87,810 thousand refers to Liabilities to the housing and restitution funds in line with the Loan amortisation plan.

## Balanca Sheet

### Note 22 - Short-term operating receivables

SIT 29,093,955 thousand

Gorenje, d.d. insured its trade receivables with the Slovene Export Company. The insurance includes receivables of subsidiary companies: Gorenje Austria Handels GmbH, Austria, Gorenje Körting S.r.l, Italy, Gorenje UK Ltd. Great Britain, Gorenje Zagreb, d.o.o., Croatia, Gorenje Skandinavien A/S, Denmark, Gorenje Spol s r.o., Czech Republic, Gorenje Poljska Sp. z o.o., Poland, Gorenje Slovakia Spol s r.o., Slovakia, Gorenje, d.o.o., Serbia, Gorenje Bulgaria EOOD, Bulgaria, Gorenje Skopje, d.o.o., Macedonia, Gorenje Podgorica, d.o.o., Montenegro, Gorenje Vertriebs GmbH, Germany.

	In SIT '000	
	2002	2001
Short-term receivables due from customers - Group companies	19,217,533	17,091,736
Short-term receivables due from customers - third parties	8,117,345	5,738,829
Other short-term operating receivables	1,759,077	1,010,632
<b>Total</b>	<b>29,093,955</b>	<b>23,841,197</b>

#### ● Short-term receivables due from Group companies SIT 19,217,533 thousand

	In SIT '000	
	2002	2001
Short-term receivables from customers in Slovenia	461,276	428,407
Short-term receivables from customers abroad	18,756,257	16,663,329
<b>Total</b>	<b>19,217,533</b>	<b>17,091,736</b>

#### ● Short-term receivables due from customers – third parties SIT 8,117,345 thousand

	In SIT '000			
	Gross value	Valuation allowance	Net value 2002	Net value 2001
Receivables due from customers in Slovenia	3,614,306	289,451	3,324,855	2,930,673
Receivables due from customers abroad	5,292,511	500,021	4,792,490	2,808,156
<b>Total</b>	<b>8,906,817</b>	<b>789,472</b>	<b>8,117,345</b>	<b>5,738,829</b>

#### ● Other short-term operating receivables

SIT 1,759,077 thousand

	In SIT '000	
	2002	2001
Advances for services	25,755	10,582
Other short-term operating receivables	1,733,322	1,000,050
<b>Total</b>	<b>1,759,077</b>	<b>1,010,632</b>

The major part of Other short-term operating receivables at 31 December 2002 refers to Short-term receivables due on account of entry VAT in the amount of SIT 1,380,313 thousand.

**Note 23 - Short-term investments****SIT 2,581,227 thousand**

	In SIT '000	
	2002	2001
Short-term interest receivables	47,582	29,255
Other short-term receivables related to financial revenues	15,749	15,749
Short-term loans given	1,666,623	1,904,082
Other shares bought for trading purposes	537,041	3,176,953
Other securities bought for trading purposes	6,122	0
Allowance for short-term investments due to strengthening	363,927	0
Allowance for short-term financial receivables impairment	-20,303	-19,401
Allowance for short-term investments due to impairment	-35,514	-34,085
<b>Total</b>	<b>2,581,227</b>	<b>5,072,553</b>

Short-term loans include the following items:

	In SIT '000	
Short-term portion of Long-term loans to Group companies		153,561
Short-term loans to Group companies		83,730
Short-term portion of Long-term loans to domestic third parties		26,124
Short-term loans to domestic third parties		1,369,123
Other short-term loans		34,085
<b>Total</b>		<b>1,666,623</b>

**Note 24 - Bank balances, cheques, cash****SIT 303,695 thousand**

	In SIT '000	
	2002	2001
Cash in hand and realisable securities	895	1,127
Cash at bank	302,800	330,324
<b>Total</b>	<b>303,695</b>	<b>331,451</b>

**Note 25 - Deferred costs and accrued revenues****SIT 231,447 thousand**

	In SIT '000	
	2002	2001
Short-term deferred costs related to Group companies	0	2,886
Short-term deferred costs related to other companies	71,660	4,695
Short-term accrued revenues in the Group	119,482	0
Short-term accrued revenues from others	40,305	8,485
<b>Total</b>	<b>231,447</b>	<b>16,066</b>

**Note 26 - Capital****SIT 54,310,490 thousand**

In 2002, pursuant to the resolution adopted at the Annual General Meeting, the Company's capital was reduced on account of payment of part of Profit in the amount of SIT 1,000,844 thousand. On the basis of the AGM resolution other reserves in the amount of SIT 2,333,034 thousand were formed out of distributable Net profit for 2001. In 2002 capital was increased by the Net profit for 2002 in the amount of SIT 3,906,831 thousand.

## Balance Sheet

### Movements in the specific capital revaluation adjustment

	Balance at 1 Jan. 2002	Increases	Decreases	In SIT '000 Balance at 31 Dec. 2002
On account of Long-term investments	0	10,933	0	10,933
On account of investments in the equity of Group companies	0	2,441,906	0	2,441,906
On account of Short-term investments	0	363,927	0	363,927
On account of treasury shares	0	529,342	0	529,342
<b>Total</b>	<b>0</b>	<b>3,346,108</b>	<b>0</b>	<b>3,346,108</b>

### Note 27 - Long-term provisions

SIT 6,433,407 thousand

	2002	2001
Long-term provisions for salaries in arrears	6,990	21,436
Long-term provisions for other indemnity claims	198,811	134,796
Long-term provisions for major repairs	1,178,207	1,897,455
Long-term provisions for warranties	4,520,303	2,467,074
Long-term provisions for opening up new markets	379,027	527,267
Long-term provisions for negative goodwill	0	981,816
Reorganisation costs	150,000	0
Small tools obtained free of charge	69	0
<b>Total</b>	<b>6,433,407</b>	<b>6,029,844</b>

### Movements in Long-term provisions are shown in the following table:

Balance sheet item	Balance at beginning of year	Utilisation during the year	Release during the year	Additional formation during the year	In SIT '000 Balance at end of year
Salaries in arrears	21,436	-16,279	0	1,833	6,990
Requests from labour relations	134,796	-333	0	64,348	198,811
Major repairs	1,897,455	-719,248	0	0	1,178,207
Warranties	2,467,074	-853,952	0	2,907,181	4,520,303
New markets	527,267	-148,240	0	0	379,027
Negative goodwill	981,816	0	-981,816	0	0
Reorganisation costs	0	0	0	150,000	150,000
Small tools free of ch.	0	0	0	69	69
<b>Total</b>	<b>6,029,844</b>	<b>-1,738,052</b>	<b>-981,816</b>	<b>3,123,431</b>	<b>6,433,407</b>

Provisions for opening up new markets refer to unutilised provisions for additional investments in the markets of East Europe and will be used by 2005.

Reorganisation costs refer to provisions for termination pay to redundant staff, payment of remaining contributions of pension insurance plan for the purpose of fulfilment of retirement requirements and payment of any penalties related to the insurance, for salary substitutes for new employees and encouragement of retirement in the period between 2003 and 2004.

In accordance with new SAS the Company released provisions for negative goodwill in the amount of SIT 981,816 thousand, which refer to the purchase of shares of the company Gorenje Notranja oprema d.d., Velenje in 2001. In 2002 the before said amount was increased by the specific capital revaluation adjustment related to Long-term investments.

## Balance Sheet

### Note 28 - Long-term financial and operating liabilities SIT 9,050,321 thousand

	In SIT '000	
	2002	2001
Long-term financial liabilities	9,049,317	8,615,941
Long-term operating liabilities	1,004	1,004
<b>Total</b>	<b>9,050,321</b>	<b>8,616,945</b>

### Long-term financial liabilities comprise: SIT 9,049,317 thousand

	In SIT '000	
	2002	2001
Long-term loans from domestic banks	4,516,561	4,042,667
Long-term loans from other domestic entities	1,398,051	895,013
Long-term loans from foreign banks	3,131,305	3,674,861
Long-term deposits received	3,400	3,400
<b>Total</b>	<b>9,049,317</b>	<b>8,615,941</b>

All Long-term loans are nominated in foreign currency (EUR) and were bearing interest at the end of year at the weighted average interest rate of 4.23% in nominal terms. They are mostly secured by exchange bills. Mortgage loans amount to SIT 874,519 thousand. Assignment-backed loans amount to SIT 1,224,089 thousand.

### Note 29 - Short-term financial liabilities SIT 6,515,628 thousand

	In SIT '000	
	2002	2001
Short-term loans from domestic companies	255,524	236,972
Short-term loans from domestic banks	3,596,502	2,767,619
Short-term liabilities from interest payable	26,033	14,386
Short-term liabilities associated with distribution of profit	61,472	11,033
Short-term portion of Long-term financial liabilities	2,576,097	2,689,377
<b>Total</b>	<b>6,515,628</b>	<b>5,719,387</b>

Short-term loans include foreign currency loans (in EUR and USD) and domestic currency (SIT) loans. The major part of loans is nominated in EUR, which at the end of year were bearing interest at the weighted average interest rate of 3.93%. The nominal interest rate on the UDS loan was 2.04% at the year end.

The majority of loans are secured by bianco bills of exchange, one loan in the amount of SIT 1,151,336 thousand is backed by pledged receivables from exports to the amount of the loan.

Two loans are nominated in domestic currency (SIT), whose weighted average interest rate at the end of year was 6.31% in nominal terms.

Short-term liabilities associated with distribution of profit refer to unpaid dividend. They are more extensive than the year before due to the introduction of transaction accounts with the shareholders.

## Balance Sheet

### Note 30 - Short-term operating liabilities

SIT 26,008,752 thousand

	In SIT '000	
	2002	2001
Short-term payables to suppliers from the Group	3,432,324	2,313,994
Short-term payables to other suppliers	20,706,751	16,358,822
Short-term payables to employees	1,264,513	935,466
Short-term payables to the state and other institutions	364,161	172,071
Short-term liabilities for advances	3,859	24,950
Other short-term liabilities	237,144	1,282,536
<b>Total</b>	<b>26,008,752</b>	<b>21,087,839</b>

#### • Short-term payables to suppliers - Group companies SIT 3,432,324 thousand

	In SIT '000	
	2002	2001
Payables to suppliers in Slovenia	1,997,250	1,579,360
Payables to suppliers abroad	1,435,074	734,634
<b>Total</b>	<b>3,432,324</b>	<b>2,313,994</b>

#### • Short-term payables to other suppliers SIT 20,706,751 thousand

	In SIT '000	
	2002	2001
Payables to suppliers in Slovenia	10,473,798	7,736,252
Payables to suppliers abroad	10,232,953	8,622,570
<b>Total</b>	<b>20,706,751</b>	<b>16,358,822</b>

#### • Short-term payables to employees SIT 1,264,513 thousand

Payables to employees refer to salaries for December 2002 paid in January 2003, and other payables to employees.

	In SIT '000	
	2002	2001
Liabilities from net salaries and other emoluments	611,050	439,534
Liabilities for contributions from gross salaries	252,846	187,977
Liabilities for salary tax	157,183	105,253
Liabilities for other payroll earnings	23,648	8,223
Liabilities for payroll contributions not calculated with wages and salaries	1,703	0
Liabilities for tax on other payroll earnings not calculated with wages and salaries	3,559	0
Liabilities from wage and salary deductions and other emoluments	214,524	194,479
<b>Total</b>	<b>1,264,513</b>	<b>935,466</b>

#### • Short-term liabilities for advances SIT 3,859 thousand

	In SIT '000	
	2002	2001
Short-term advances	2,112	23,252
Short-term collateral from companies in Slovenia	1,747	1,698
<b>Total</b>	<b>3,859</b>	<b>24,950</b>

## Balance Sheet

- Other short-term liabilities in the amount of SIT 237,144 thousand refer to Liabilities from lawsuit claims abroad.

### Note 31 - Accrued costs and deferred revenues SIT 941,023 thousand

Short-term deferred revenues refer to deferred revenues from interest charged.

	In SIT '000	
	2002	2001
Short-term deferred revenues	47,378	76,920
Short-term accrued costs and expenses	893,645	786,521
<b>Total</b>	<b>941,023</b>	<b>863,441</b>

Short-term accrued costs and expenses refer mainly to setting up provisions for quality in relation to associated parties in the amount of SIT 379,921 thousand, accrued benefits for 2002 in the amount of SIT 371,479 thousand, accrued interest expenses in the amount of SIT 80,953 thousand and other accrued costs of services in the amount of SIT 61,293 thousand.

### Note 32 - Off-balance-sheet assets/liabilities SIT 9,462,430 thousand

Off-balance-sheet records state insurance provided and taken out and small tools, which have been written off but are still in use.

	In SIT '000	
	2002	2001
Liabilities from guarantees issued to third parties	8,069,594	6,584,729
Liabilities from guarantees issued to associated companies	146,811	190,983
Liabilities to SDC for assets in former Yugoslavia	810,581	1,157,819
Other off-balance-sheet liabilities	435,444	198,335
<b>Total</b>	<b>9,462,430</b>	<b>8,131,866</b>

## Other Disclosures

### Note 33 - Data on personnel

Type of earnings	in SIT		
	Management Board	Supervisory Board	Employees with individual employment contracts
Salary (net amount)	107,503,998	35,005,600*	274,957,131
Profit related bonus	23,759,698	16,659,081	0
Fringe benefits	3,336,580	57,944	4,063,757
Other earnings:			
Travel allowance	2,221,351	203,889	13,121,489
Holiday allowance	660,000	601,917	3,140,119
Meal allowance	743,733	868,370	4,103,614
Transport to work	0	315,601	643,636
Attendance fee	0	8,335,431	0
<b>Total</b>	<b>138,225,360</b>	<b>62,047,833</b>	<b>300,029,746</b>

\*The salaries refer to Representatives of Employees in the Supervisory Board

## Other Disclosures

### Note 34 - Performance indicators and ratios 2002

Dividend to Share capital for 2002 has not been calculated as the precise amount of dividend allocated to payment for shareholders for the year ended 31 December 2002 is not yet known.

Return on equity - ROE	7.5 %
Equity to Liabilities	0.53
Total capital to Liabilities	0.68
Operating fixed assets to Assets	0.38
Long-term assets to Assets	0.58
Equity to Operating fixed assets	1.39
Acid test ratio	0.09
Quick ratio	0.98
Current ratio	1.34
Operating efficiency ratio	1.03
Dividend to Share capital	/

### Note 35: Number of shares and % of share capital owned by Management and Supervisory board

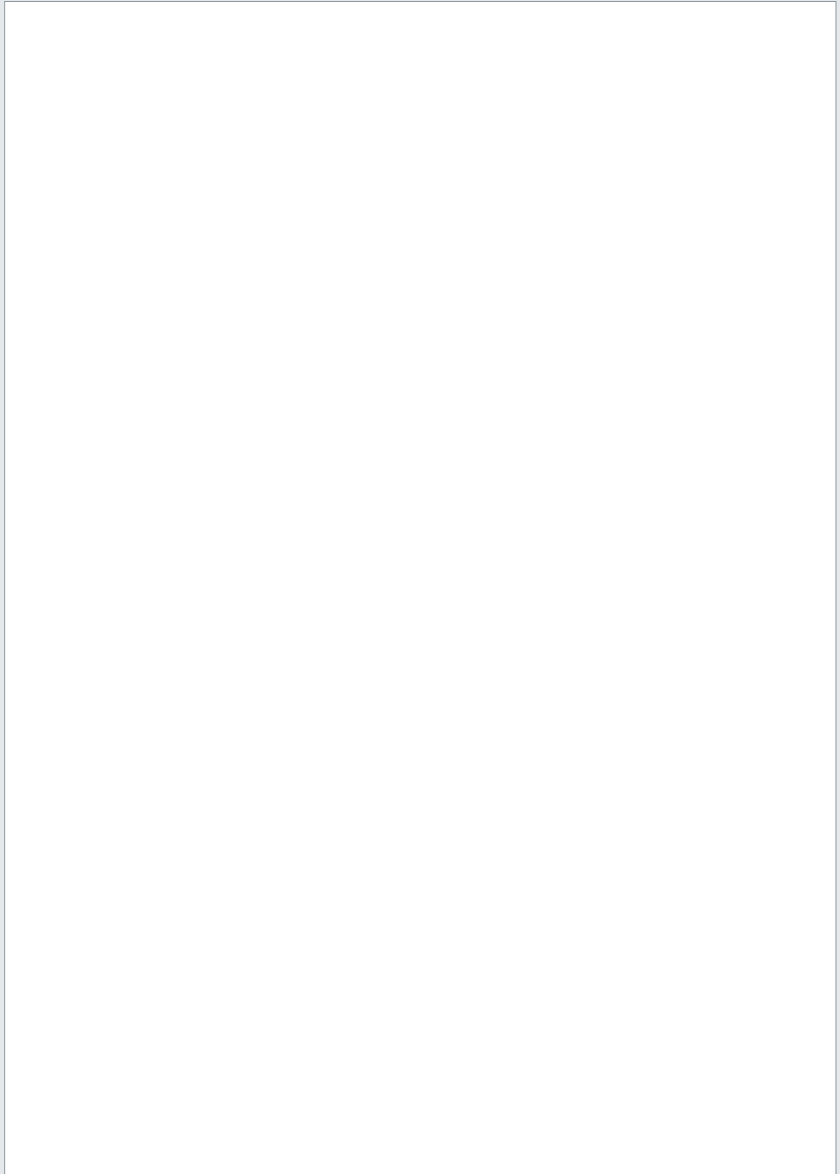
On December 31, 2002 13,754 (0.113) Gorenje's shares were owned by Management Board Members, namely: Jože Stanič 2,093 shares (0.017 %), Franjo Bobinac 322 shares (0.003 %), Marija Miheljak 5,007 shares (0.041 %) in Drago Bahun 6,332 shares (0.052 %).

Supervisory Board Members owned 18,009 (0.148 %) Gorenje's shares, namely: Ivan Atelšek 12,058 shares (0.099 %), Anton Majzelj 1,064 shares (0.009 %), Jurij Slemenik 1,511 shares (0.012 %), Krešimir Martinjak 100 shares (0.001 %), Peter Kobal 1,178 shares (0.010 %) and Drago Krenker 2,098 shares (0.017 %).

## Auditor's Opinion

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The Financial Report of the Gorenje Group according to IAS is available in Investor Relation Department, Gorenje, d.d.



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

	In SIT '000	
	2002	2001
Net revenues from sales	181,517,971	160,441,661
Value of capitalised own products or services	815,223	807,248
Changes in the value of inventories	508,754	-378,214
Other operating revenues	4,588,325	4,715,311
Costs of goods, materials and services	-137,983,521	-123,378,716
Labour costs	-30,701,829	-25,778,645
Depreciation	-8,195,863	-6,449,127
Other operating expenses	-2,539,893	-2,054,684
Net costs of financing	-1,006,711	-1,817,571
Revenues from participation in profit	90,330	231,544
Provisions	-1,665,822	-2,040,252
Profit before taxation	5,426,963	4,298,555
Tax on profits	-787,328	-442,996
Profit after taxation	4,639,635	3,855,559
Extraordinary items		
Net profit for the period	4,639,635	3,855,559
Minority interest	83,846	121,288
Majority interest	4,555,789	3,734,271

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

	In SIT '000	
	2002	2001
<b>Assets</b>	<b>137,024,933</b>	<b>116,715,896</b>
Intangible fixed assets	901,858	572,855
Tangible fixed assets	57,149,847	47,119,966
Other long-term investments	5,126,696	2,737,664
Long-term receivables	378,765	476,520
<b>Fixed assets</b>	<b>63,557,167</b>	<b>50,907,005</b>
Inventories	26,095,555	21,308,980
Trade receivables	35,533,569	31,344,662
Short-term investments	4,031,500	6,169,024
Cash and cash equivalents	3,090,159	2,683,272
Other receivables and other assets	4,474,304	3,950,991
Deferred tax	242,679	351,962
<b>Current assets</b>	<b>73,467,766</b>	<b>65,808,891</b>
<b>Capital and Liabilities</b>	<b>137,024,933</b>	<b>116,715,896</b>
Shares	12,200,000	12,200,000
Reserves	28,674,503	24,955,241
Capital revaluation adjustments	6,417,328	
Retained net profit	5,110,125	5,466,494
Treasury stock	-823,941	0
Minority interest	771,334	2,513,745
<b>Capital</b>	<b>52,349,348</b>	<b>45,135,480</b>
Provisions	9,782,772	9,058,467
Deferred tax	1,190,761	1,198,586
Long-term loans	12,838,168	11,061,968
Other long-term liabilities	21,612	10,131
Deferred revenues	462,493	417,575
Payables to suppliers	31,567,768	24,566,579
Short-term loans	22,715,145	18,872,764
Other short-term liabilities	4,641,981	5,130,801
<b>Financial and operating liabilities</b>	<b>83,220,700</b>	<b>70,316,871</b>
Accrued costs	1,454,885	1,263,545

### Statement of Changes in Shareholders' Equity and Reserves in 2002

	In SIT '000					
	Balance at 1 January	Increase to capital	Increase in capital	Decrease from capital	Decrease in capital	Balance at 31 December
Share capital	12,200,000					12,200,000
Reserves	24,955,241		4,698,420		979,158	28,674,503
Retained profit from previous years	3,505,867		2,747,731	1,000,843	2,333,034	2,919,722
Undistributed profit for the year	1,960,627	4,639,635			4,409,859	2,190,403
Treasury stock				823,941		-823,941
Revaluation adjustment		5,334,582	1,082,745			6,417,328
Minority interest	2,513,745	116,347	162,690	1,051,913	969,535	771,334
<b>Total</b>	<b>45,135,481</b>	<b>10,090,565</b>	<b>8,691,587</b>	<b>2,876,697</b>	<b>8,691,587</b>	<b>52,349,348</b>

## Consolidated Cash Flow Statement for 2002 according to IAS

	In SIT '000	
	2002	2001
<b>Cash Flows From Operating Activities</b>		
Profit before taxation and extraordinary items	5,426,963	4,298,555
Adjustment for:		
Depreciation	8,195,863	6,449,127
Included deferred revenues and accrued costs	236,258	416,595
Financial expenses	916,381	1,586,027
Increase in Long-term provisions	724,305	2,997,391
Increase in deferred taxes	-7,825	120,365
<b>Operating profit before change in Net current assets</b>	<b>15,491,945</b>	<b>15,868,060</b>
Increase in receivables	4,505,183	-6,788,562
Decrease in inventories	4,786,575	334,538
Increase in operating liabilities	6,523,850	3,077,853
<b>Assets from operating activities</b>	<b>-2,767,908</b>	<b>-3,376,171</b>
Paid interest and exchange differences	-916,381	-1,586,027
Paid tax on profits	-361,516	-442,996
<b>Cash flows from operating activities</b>	<b>11,446,140</b>	<b>10,462,866</b>
<b>Cash Fows From Investment Activities</b>		
Purchase of stakes and shares in companies	-251,506	-2,232,415
Purchase of fixed assets	-16,466,238	-14,924,897
<b>Cash flows from investment activities</b>	<b>-16,717,744</b>	<b>-17,157,312</b>
<b>Cash Flows From Financing Activities</b>		
Long-term loans raised	1,776,200	4,289,065
Short-term loans raised	3,842,381	1,701,903
<b>Cash flows from financing activities</b>	<b>5,618,581</b>	<b>5,990,968</b>
Cash flows from exchange differences	59,910	1,273,779
<b>Increase (decrease) in cash and cash equivalents</b>	<b>406,887</b>	<b>570,301</b>
Cash and cash equivalents as at 1 January	2,683,272	2,112,971
<b>Cash and cash equivalents as at 31 December</b>	<b>3,090,159</b>	<b>2,683,272</b>

## Consolidated Financial Statements Prepared in Accordance with International Accounting Standards

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### Consolidated Financial Statements Prepared in Accordance with International Accounting Standards

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The companies of the Gorenje Group have prepared their consolidated financial statements for 2002 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 2001 and 2002 have been prepared in accordance with IAS, adopted by the International Accounting Standards Committee and pursuant to the explanatory notes issued by the Standing Interpretations 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 Slovene Accounting Standards (SAS) 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 differences resulting from the translation into the reporting currency are accounted for as a special item of reserves within shareholders' equity.

Foreign currency transactions of the Group companies are accounted for at the exchange rates ruling on 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 39 subsidiary companies.

In 2002 the companies operating in the Republic of Slovenia started to use the new Slovenian Accounting Standards (SAS), which abolished the compulsory revalorization of assets and capital. General capital revaluation is prescribed only in extraordinary circumstances (in 2002 general capital revalorization was not necessary), however, revalorization of assets or liabilities on their value debt collection is compulsory.

The new SAS have abolished the essential contextual differences compared to IAS. Nevertheless there are still some differences, originating from:

- the SAS harmonised mode in past years, especially due to the elimination of revalued assets and their resources, which resulted in the amount of balance sheet items being revalued, as well as in the statement of profit and loss (depreciation, tax accounts settled),
- the possibilities allowed by modified standards as to the abolishment of differences towards SAS (e.g. reservations, which were made for certain purposes in the past years as e.g. investment maintenance, capturing the markets etc. which has not been permitted by IAS).
- from different presentations of Treasury stock.

## Companies by business areas

### Gorenje Group

	Household appliances		Services	Furniture	Machine constr. 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. 96.9%	Gorenje Orodjarna, d.o.o. Velenje, Slovenia
Gorenje Tiki, d.o.o. Ljubljana, Slovenia 51%	Gorenje, d.o.o. Beograd, Serbia	Gorenje Vertriebs GmbH Germany	Gorenje Gostinstvo, d.o.o. Velenje, Slovenia	Gorenje Kuchyne Spol s r.o. Czech Republic	Gorenje Indop, d.o.o. Velenje, Slovenia
Bitern, d.o.o Bistrica ob Sotli, Slovenia 75%	Gorenje Podgorica, d.o.o. Montenegro 90.58%	Gorenje Austria Handels GmbH, Austria	Linea, d.o.o. Velenje, Slovenia 87.25%	Gorenje Küchen GmbH Austria	
Gorenje I.P.C., d.o.o. Velenje, Slovenia	Gorenje Commerce, d.o.o. Bosnia and Herzegovina	Gorenje UK Ltd. Great Britain	Elgor, d.o.o. Velenje, Slovenia	Gorenje Kuhinje, d.o.o. Sarajevo, BiH	
	Gorenje DOOEL Skopje, Macedonia	Gorenje Pacific Ltd. Pty. Australia	Hyundai auto Zagreb, d.o.o. Croatia	Gorenje Glin, d.o.o. Nazarje, Slovenia	
		Gorenje Budapest Kft. Hungary	Hyundai auto, d.o.o. Serbia		
		Gorenje Bulgaria EOOD Bulgaria	Gorenje Real Kft. Hungary		
		Gorenje France S.A. France	Gorenje Real Spol. s r.o. Czech Republik		
		Gorenje Belux S.a.r.l. Belgium	Energygor, d.o.o. Velenje, Slovenia		
		Gorenje Körting Italia S.r.l. Italy	OPTE, d.o.o. Ptuj, Slovenia 99.02%		
		Gorenje Skandinavien A/S Denmark	KEMIS, d.o.o., Radomlje Slovenia 66.66%		
		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			

## Corporate profile

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The Gorenje Group “Gorenje” comprises the parent company, Gorenje gospodinjski aparati, d.d. (“Gorenje, d.d.”) and 43 subsidiaries, and is also the founder of TCL Institute, a testing and certification laboratory, and has a stake in Erico, Velenje.

Gorenje has a network of affiliates and representative offices in over 20 countries, their own network of sales representatives, warehouses, transport and after-sales services. Subsidiaries in Austria, Czech Republic and Bosnia Herzegovina also manufacture kitchen furniture.

In 2002 Gorenje continued to implement its Strategic Plan, with the following key actions having been taken:

- Further purchase of shares in Gorenje Notranja oprema, d.d. with 96.9% of the equity being held at year-end.
- Gorenje Küchen GmbH commenced operations as a wholly owned subsidiary of Gorenje Austria Handels GmbH;
- In Bosnia and Herzegovina, Gorenje Notranja oprema, d.d. bought Goretrade d.o.o., which was renamed Gorenje Kuhinje, d.o.o., Sarajevo, and manufactures and sells kitchens in its local market.
- Gorenje Beteiligung GmbH founded Hyundai Auto, d.o.o. in Belgrade to sell cars in Serbia and Montenegro.
- Goretrade, d.o.o., with offices in Belgrade, Serbia and Montenegro, changed its name to Gorenje, d.o.o.
- Gorenje Skandinavien A/S, Denmark formed a subsidiary in Finland, Gorenje OY;
- Gorenje Real Kft in Budapest and Gorenje Real spol s r.o. in Prague were founded to administer property;

In 2003 the following companies started to operate in the Gorenje Group:

- Gorenje Glin, d.o.o., formerly Glin K&M, now owned 100% by Gorenje Notranja oprema, d.d. The company manufactures furniture and processed plywood;
- Gorenje, d.d. bought Gorenje GTI's subsidiary Energygor, d.o.o., which bought a 99.8% stake in OPTE Ptuj, d.o.o., and a 66.66% stake in KEMIS, d.o.o. Radomlje. All three companies will form a new business area in the field of environmental protection;

## Gorenje, d.d. details

Gorenje, d.d. is established according to Slovenian Company law. The company is represented by its Management Board and Supervisory Board.

Company name	Gorenje, gospodinjski aparati, d.d.
Registered address	Partizanska 12
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
Issued share capital	12,200,000,000 SIT
Nominal value of individual share	1,000 SIT
Trading stock exchange	Ljubljana Stock Exchange, listed shares
Stock symbol	GRVG

### The Management Board

The Management Board consists of the Chairman and three other members

Jože Stanič	Chairman
Franjo Bobinac	Member responsible for sales and marketing
Marija Miheljak	Member responsible for finance and economics
Drago Bahun	Employee-elected member for human resources, social and general issues

### The Supervisory Board

Following the election the members of the Supervisory Board are:

The members of the Supervisory Board till 17 July 2002 were: Marko Voljč, MSc (Chairman), Tomaž Kuntarič, MSc, Anton Majzelj, Branko Pavlin, MSc, Phd Lojze Sočan, Ivan Atelšek, Peter Kobal, Irena Brložnik, Drago Krenker and Phd Emil Rojc.

On 21 June 2002 the Annual Shareholders' meeting elected five members to the Supervisory Board, and in accordance with the Statute, a further five members were appointed by the Workers' Council, all starting their term on 18 July 2002.

Six members of the former Supervisory Board were re-elected and four were elected for the first time.

#### Representatives of the shareholders:

Member	Title	Age
Marko Voljč	Chairman	54
Tomaž Kuntarič	Deputy Chairman	37
Anton Majzelj	Member	55
Igor Omerza	Member	53
Bogdan Pušnik	Member	35

#### Representatives of the employees:

Member	Title	Age
Ivan Atelšek	Deputy Chairman	75
Peter Kobal	Member	50
Drago Krenker	Member	47
Krešimir Martinjak	Member	40
Jure Slemenik	Member	43

## Members of the Supervisory Board

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### **Marko Voljč, MSc**

is the Chairman of the Supervisory Board for a second term. He obtained his master's degree at the Faculty of Economics in Ljubljana and subsequently worked in Slovenia and abroad. In the period from 1979 to 1992 he worked in the World Bank in Washington, and since 1992 has been employed by Ljubljanska banka. He is currently the President of Nova Ljubljanska banka's Management Board.

### **Tomaž Kuntarič, MSc**

graduated from the Law Faculty in Ljubljana, and obtained his master's degree at the Faculty of Economics in Ljubljana. He is employed in Kapitalska družba and is a member of its Management Board.

### **Anton Majzelj**

is a graduate of the Faculty of Science and Technology in Ljubljana. Since 1992 he has been employed by Mobitel, d.d. and for the last six years has been its General Manager. He is also a member of the Management Board of Telekom, d.d. Slovenia.

### **Igor Omerza, MSc**

obtained his master's degree at the Faculty of Economics in Ljubljana. He was the General Manager of the Public Accountancy Service and the General Manager of Gospodarsko razstavišče Ljubljana, now he is vice major of the Community of Ljubljana.

### **Bogdan Pušnik**

graduated from the Faculty of Economics in Ljubljana and subsequently has been engaged in stock trading. He is the founder and Chairman of Medvešek-Pušnik Brokerage House Management Board.

### **Ivan Atelšek**

was general manager of Gorenje for many years. Although retired he is very active in the business world.

### **Peter Kobal**

is an electro technician and has been employed in Gorenje for nearly thirty years, principally in the field of maintenance. In 1968 he was elected Chairman of the Workers' Council and holds that position for the second term of office.

### **Drago Krenker**

is an electro technician and joined Gorenje in 1974. He has had several positions of responsibility in the field of the management of production processes in the refrigerators and freezers programme. He is a member of the Workers' Council for the second term of office.

### **Krešimir Martinjak**

studied at the University of Maribor, Science of Law. Since joining Gorenje he has worked in the field of company law, labour law and law of obligations. Since last year he is President of the Conference of the Metal and Electrical Industries Trade Union in Gorenje.

### **Jure Slemenik**

is a mechanical technician and has been employed in Gorenje since 1977. He has had several responsibilities in managing the production process, currently focused on the washing machines programme. He is a member of the Workers' Council for the second term of office.

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