

**Gorenje, d.d., Management Board**

Pursuant to Article 11 of the Rules of Procedure for the Gorenje, d.d., Shareholders Assembly, the Management Board of Gorenje, d.d., hereby proposes the following

**Resolution Proposal to Item 1 of the agenda:**

The bodies of the General Assembly shall be elected.

Appointed Notary Public for recording the official Records of Proceedings is Mrs. Katja Fink from Celje.

**E x p l a n a t i o n :**

The Management Board has the authority and responsibility to propose to the Shareholders Assembly election of the bodies of the Assembly, i.e. the Assembly Chairman and members of the verification committee for the voting and election procedure, and to arrange the presence of a notary public. Mrs. Katja Fink, notary public, was invited by a written invitation to attend the Assembly; she accepted the invitation and confirmed her attendance.

Velenje, June 2<sup>nd</sup> 2012

President of the Management Board  
Franc Bobinac

## **Report of the Supervisory Board on the Review of the Annual Report for the Year 2011**

Dear shareholders,

In 2011 the Supervisory Board supervised the business operation of Gorenje, d.d. and the Gorenje Group within the scope of powers and authorisations bestowed by applicable legal regulations, the Articles of Association of the Company and its rules of procedure, and also performed other tasks within its competences.

The Supervisory Board is comprised of the following members: Uroš Slavinec as Chairman, Dr. Maja Makovec Brenčič as Deputy Chairwoman, Dr. Marcel van Assen, Dr. Peter Kraljič, Keith Miles, Bernard Pasquier (representatives of shareholders), Krešimir Martinjak as Deputy Chairman, Peter Kobal, Drago Krenker and Jurij Slemenik (representatives of employees). Immediately after their election, all members of the Supervisory Board signed a statement declaring they had no conflicts of interest and that they were entirely independent in their work.

### **1. ACTIVITIES OF THE SUPERVISORY BOARD**

In 2011 the Supervisory Board had thirteen meetings, of which six were correspondence meetings.

In December 2010 the Supervisory Board approved the business plan for 2011, which embodied the goals whose implementation we had monitored during the year. At the August meeting, we approved the new Strategic Plan for the period up to the end of 2015. The strategy's adjustment was dictated by numerous changes occurring in the environment and the Company as a result of the current economic and financial crisis. The entry of IFC into the share structure of the Company increased its share capital, the Swedish company Asko joined the Gorenje Group together with all its subsidiaries, and in July of last year Gorenje disposed of its share in Istrabenz Gorenje, d.o.o..

The new strategic plan is very ambitiously conceived. In line with this plan, the net sales in 2015 will exceed EUR 1.5 billion, the net profit EUR 40 million, and the EBIT margin 5%. The net debt/EBITDA ratio will be below 3.0 from 2014 onward. The share of trademarks and concepts in the high price class will surpass 25% in 2015, and sales outside Europe will exceed EUR 150 million. As until now, the Supervisory Board will closely monitor the achievement of goals and the implementation of all activities laid down in the strategic plan.

The business environment in 2011 was extremely challenging. It was imperative to ensure the maximally stable business operation of the Company, and to reduce the debt on one side and create value for all stakeholders on the other side. We regularly called on the Management Board to do all in its power to improve the profitability of operations and, by controlling working capital, attain a maximum free cash flow, which may be used to reduce the debt and thereby improve the Company's financial position. Special attention was devoted to restructuring the Home Interior Division, which for the past two years has represented the greatest problem of the Gorenje Group. We are monitoring the report on business operation and steps taken in this area at every meeting.

Through the Audit Committee we devoted adequate attention to the attainment of indicators defined in the loan agreement concluded with IFC. In line with previous practice, the Management Board regularly informed the Supervisory Board on significant business events, comparative analyses with competitors, conditions in sales markets, movements in the prices of materials and raw materials, and risk management. Given the harsh operating conditions, the Supervisory Board has assessed that business operation was good in 2011, which is by all means the result of the work of the Management Board and all employees of the Company.

The Supervisory Board also regularly monitored the implementation of resolutions adopted at its meetings, and has established that the Management Board implemented all of them.

The term of office of Mirjana Dimc Perko, Member of the Management Board in charge of finance and economics, having expired at the beginning of the past year, the Supervisory Board appointed Marko Mrzel to this position at

its meeting held in March. Mr. Mrzel had previously successfully managed the company Gorenje d.o.o. in Belgrade for eight years.

On the personal request of Franc Košec, Member of the Management Board co-responsible for the Household Appliances Division and responsible for the areas of toolmaking and industrial equipment manufacture, the Supervisory Board consented to the premature termination of his term of office, and relieved him from his position as Member of the Management Board on 19 April 2011.

In addition to the plan for 2012, we also adopted at the December meeting the Company's Code of Conduct, which is posted on our website. The newly adopted document will contribute to the increased transparency of operations and improve corporate governance in the Gorenje Group.

The Supervisory Board also discussed the earnings of the Management Board, which had been reduced by ten percent upon the introduction of a 36-hour work week in the beginning of 2009. In November 2009 the Supervisory Board repeatedly reduced the earnings of Management Board members (again on the proposal of the Management Board) on average by an additional 25 percent. Owing to the uncertain conditions, the earnings of the President and members of the Management Board remained on reduced levels throughout the year 2011.

The members of the Management Board renounced their incentive bonuses for the 2008, 2009 and 2010 financial years. In harsh operating conditions, they have significantly contributed to the attainment of a net profit of EUR 9.1 million and a free cash flow of EUR 35.8 million. As in the year 2008, 2009 and 2010, when the Management Board had renounced their incentive bonus, the members of the Management Board are renouncing their incentive bonus also for the business year 2011.

### **Supervisory Board Committees**

The Supervisory Board also evaluated the performance of committees. All of these carried out their work in line with their competences and the resolutions of the Supervisory Board. The Supervisory Board has established that the committees performed their tasks professionally and precisely, and that they provide strong support to the Supervisory Board in its work. The Supervisory Board has also established that no circumstances exist in connection with any members of the Supervisory Board or its committees that could lead to the occurrence of a conflict of interest or dependence, and that the composition of the Supervisory Board is appropriate.

The **Audit Committee**, comprised of the following members: Keith Miles as Chairman, Drago Krenker, and Aleksander Igličar, M.Sc., performed its work in line with the competences bestowed by applicable legislation. With respect to periodical reports, the Audit Committee verified whether the principles of conservativeness and consistency of reporting had been observed. By raising questions prior to the discussion of a particular issue at a meeting of the Supervisory Board, the Committee resolved the majority of obscurities in respective reports.

The Audit Committee had six meetings in 2011. In addition to examining periodical reports, the committee also discussed many other issues related to the operation of the Group, such as the work of Internal Audit, the structure of short-term and long-term loans, employee, promotion and salary system, and the transfer price system.

In line with a resolution of the Supervisory Board, the Audit Committee devoted special attention to the repeated verification of the adequacy of a loan granted to the Inter Solar company. The loan has been disclosed in the approved annual reports of companies; auditing companies and a law office have confirmed its adequacy. Due to certain allusions in the media, the Supervisory Board decided to conduct a new, independent verification of the loan.

The internationally recognised Grant Thornton company examined in detail all the relevant documents, conducted numerous interviews, and acquired a new legal opinion on the loan. Its conclusion was that the Management Board did not act unlawfully by granting the loan, but that the manner employed in granting the loan was not in line with the best principles of corporate governance. The entire documentation of the Grant Thornton company was available to all members of the Audit Committee and the Supervisory Board for inspection. Based on the above-mentioned, the Supervisory Board established that the granting of the loan had not been a violation of applicable law, and concluded the discussion on this topic. The Supervisory Board did, however, recommend to the Management board that certain provisions of the loan agreement be amended. The Management Board has already complied with this request, and supervision of the implementation of the amended loan agreement will be conducted by the Audit Committee.

The **Benchmark Committee** is comprised of Dr. Maja Makovec Brenčič as Chairwoman, Dr. Marcel van Assen, Dr. Peter Kraljič, Bernard Pasquier, and Peter Kobal. In the past year, the committee continued to implement the goals and tasks set in 2010. The Supervisory Board is regularly informed on the work of the committee, and has

assessed that it is performing its tasks excellently. The committee has already identified Gorenje's principal competitors, as well as the markets and activities on which the Company will focus. The committee has already determined the frequency of preparing reports in this area, and will regularly inform the Supervisory board thereon.

The **Corporate Governance Committee** is comprised of two members: Dr. Peter Kraljič and Bernard Pasquier. In the past year, the committee significantly contributed to the idea of modifying the organisational structure and corporate governance in line with the Group's increasing international presence and need to adjust in all areas of its operation. The committee proposed three internationally recognised companies for advising the Company in connection with such changes. After several interviews and evaluations of candidates, the Company finally selected Roland Berger. The modifications in the organisation of the Gorenje Group have already begun to be implemented, primarily as regards the competences of members of the Management Board and the organisation of the Sales Department, which will be followed by reorganisation in other areas.

On 1 January 2012 the Supervisory Board entrusted the management of sales of major and small appliances to Marko Mrzel, previously Member of the Management Board in charge of finance and economics. This was followed by the establishment of the **Remuneration Committee** comprised of the following members: Bernard Pasquier as Chairman, Dr. Peter Kraljič as Vice-Chairman, Dr. Maja Makovec Brenčič, Keith Charles Miles, Uroš Slavinec, Krešimir Martinjak, and Jurij Slemenik. The committee was established in conformity with the recommendations of the Corporate Governance Code for Public Limited Companies, and its first task was to prepare for the Supervisory Board a list of candidates for new member of the Management Board responsible for finance and economics.

## 2. ANNUAL REPORT

On 11 April 2012 the Management Board of the Company presented the audited Annual Report of Gorenje, d.d., and the Gorenje Group for the year 2011 to the Supervisory Board for approval. The Supervisory Board discussed the Annual Report at its meeting held on 19 April 2012.

The Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2011 was audited by the auditing company KPMG Slovenija, d.o.o. The audit was also performed in all subsidiary companies of the Gorenje Group. On 6 April 2012 the auditing company issued an unqualified opinion on the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the year 2011.

Prior to the meeting of the Supervisory Board, the Audit Committee discussed in detail the 2011 Annual Report together with the Auditor's Report and the Letter to the Management, and presented its views and opinion, which the Supervisory Board took into consideration.

The Supervisory Board has established that the Company's operation in 2011 can be assessed as good, but only moderate in the area of free cash flow. The Supervisory Board finds that the Management Board is continuing to control costs well, but will need to devote more attention in future to increasing the margin, market shares and profitability.

The year 2012 will again be challenging and very important for the Gorenje Group. The conditions on financial markets are still very uncertain, an end to the European debt crisis is nowhere in sight, the fate of the euro is just as uncertain, economic growth has slowed down, and unemployment is persisting on a high level. In such circumstances it is hardly possible to expect any substantial increase in the demand for household appliances. Given the high level of uncertainty in the Group's key markets in 2012, the Management Board will need to further its endeavours for stable operation, reduction of debt, and creation of value for all stakeholders while observing the approved business plan for the year 2012.

The Supervisory Board has established that the Annual Report for 2011, as prepared by the Management Board and reviewed by the auditing company, has been compiled clearly, transparently and in line with the provisions of the Companies Act and applicable International Financial Reporting Standards. The Supervisory Board has also examined and approved the Auditor's Report, and has no comments in connection therewith. On the basis thereof, the Supervisory Board has assessed that the Annual Report presents a true and fair picture of the assets, liabilities, financial position and operating results, and presents a true view of the development of operations and the financial position of the parent company and the Gorenje Group.

Based on the above-mentioned findings, the Supervisory Board approved, at its meeting held on 19 April 2012, the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the year 2011 as proposed by the Management Board.

### 3. DETERMINATION AND PROPOSED APPROPRIATION OF ACCUMULATED PROFIT

Pursuant to the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board decided to appropriate a portion of profit for 2011, which amounted to EUR 7,288,175.94, to statutory reserves in the amount of EUR 728,817.59 and to other revenue reserves in the amount of EUR 3,279,679.17. The Supervisory Board agreed with this decision.

The Supervisory Board has approved the proposal of the Management Board for the creation of accumulated profit of the Company for the year 2011 in the amount of EUR 5,524,499.87.

The Management Board and the Supervisory Board have proposed to the General Meeting of Shareholders that the accumulated profit for the financial year 2011 in the amount of EUR 5,524,499.87 be appropriated for the following purposes:

- part of the accumulated profit in the amount of EUR 2,386,031.40 for the payment of dividends (EUR 0.15 gross per share),
- the remainder of the accumulated profit in the amount of EUR 3,138,468.47 shall remain unappropriated.

In preparing the proposed resolution on the appropriation of profit for the year 2011, the Management Board and the Supervisory Board gave due consideration to the applicable provisions of the Companies Act and the Articles of Association of Gorenje, d.d.

The Supervisory Board further proposes to the General Meeting of Shareholders that the members of the Management Board be discharged of their duties in 2011.

This report was prepared by the Supervisory Board in accordance with the provisions of Article 282 of the Companies Act (ZGD-1), and is addressed to the General Meeting of Shareholders.

Velenje, 19 April 2012

Uroš Slavinec  
Chairman of the Supervisory Board

**The Management Board and the Supervisory Board of Gorenje, d.d.,**

hereby propose to the Shareholders Assembly for discussion and adoption the following

**Resolution Proposal to Item 3 of the agenda:**

1. The accumulated profit for the financial year 2011 in the amount of EUR 5,524,499.87 shall be appropriated for the following purposes:
  - Part of the accumulated profit in the amount of EUR 2,386,031.40 shall be used for the payment of dividends (EUR 0.15 gross per share),
  - The remainder of the accumulated profit in the amount of EUR 3,138,468.47 shall remain unappropriated.

All shareholders registered in the Share Register as at 9 July 2012 shall be entitled to a dividend. Dividend is scheduled for payment within 45 days following the adoption of the present resolution.

2. Acquiescence for business year 2011 is granted to the Management Board and the Supervisory Board of the Company.

**E x p l a n a t i o n :**

The Supervisory Board discussed and adopted the audited 2011 Annual Report on April 19<sup>th</sup> 2012. Pursuant to provisions of Articles 293 and 294 of the Companies Act ZGD-1, the Shareholders Assembly shall vote on the allocation of distributable profit and on granting discharge to the company Management Board and Supervisory Board.

Pursuant to the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board decided to appropriate a portion of profit for 2011, which amounted to EUR 7,288,175.94, to statutory reserves in the amount of EUR 728,817.59 and to other revenue reserves in the amount of EUR 3,279,679.17. The Supervisory Board agreed with this decision.

The Supervisory Board has approved the proposal of the Management Board for the creation of accumulated profit of the Company for the year 2011 in the amount of EUR 5,524,499.87.

The Management Board and the Supervisory Board propose to the General Meeting of Shareholders that the accumulated profit for the financial year 2011 in the amount of EUR 5,524,499.87 be appropriated for the following purposes:

- part of the accumulated profit in the amount of EUR 2,386,031.40 for the payment of dividends (EUR 0.15 gross per share),
- the remainder of the accumulated profit in the amount of EUR 3,138,468.47 shall remain unappropriated.

Furthermore, the Supervisory Board proposes to the Shareholders Assembly to grant discharge to the Management Board and Supervisory Board for their work in 2011.

Velenje, June 2<sup>nd</sup> 2012

President and CEO:  
Franc Bobinac

Supervisory Board Chairman:  
Uroš Slavinec

**The Supervisory Board of Gorenje, d.d.,**

hereby proposes to the Shareholders Assembly for discussion and adoption the following

**Resolution Proposal to Item 4 of the agenda:**

The company KPMG Slovenija, podjetje za revidiranje, d.o.o., Ljubljana, Železna cesta 8a, shall be appointed as the company auditor for the 2012 fiscal year.

**E x p l a n a t i o n :**

KPMG is a renowned international auditing company of which KPMG Slovenija, podjetje za revidiranje, d.o.o., headquartered in Ljubljana, is an integral part.

The proposal is based on the proposal by the Supervisory Board Audit Committee dated May 22<sup>nd</sup> 2012, submitted to the Supervisory Board which is, pursuant to Article 280 of the Companies Act ZGD-1, the proposing party for the appointment of a candidate for the auditor of the company Annual Report.

Velenje, June 2<sup>nd</sup> 2012

Supervisory Board Chairman:  
Uroš Slavinec