

Statement of Compliance with the Corporate Governance Code for Public Joint-stock Companies

The corporate governance of the Company is presented in more detail in the 2004 Annual Report. In 2005 the Company developed good governance practice in line with the recommendations of the Code and on the basis of its own good business practice. In this Statement, which is also published in the 2005 Annual Report, the Company has given due consideration to the changed Corporate Governance Code for public joint-stock companies (Official Gazette of RS, no.118/05) relating to the period of the last year. In preparing the Statement, the Company considered the explanations in the Preamble of the Code, which distinguish between those recommendations which, in the opinion of the signatories of the Code, need to be disclosed in the event of any deviations, and the nonbinding provisions of a good governance system. The Code is published in the Slovene and English languages on the website: www.ljse.si.

The Management Board and Supervisory Board of the Company declare that Gorenje, d.d. observes the Corporate Governance Code for public joint-stock companies. Certain deviations from the provisions of the Code signify good governance practice and contribute to its development, and point to the high degree of transparency of operations of the public joint-stock company and the responsibility of the Company's bodies towards all participants, particularly its owners. In preparing this Statement the Management Board and the Supervisory Board could not avoid repeating certain known facts from the public announcements of the Company.

The Management Board and the Supervisory Board acknowledge that the Company has not implemented certain principles of the Code for the reasons specified below:

Chapter 1: Relationship between the Corporation, Shareholders and other Stakeholders

1.1. Company goals

- Recommendation under item 1.1.1. – The goals of the Company are not defined in the Articles of Association of Gorenje, d.d.. The Company's bodies nevertheless function in accordance with the key goal defined by the Code, i.e. to maximize the Company's value.

Chapter 1: Relationship between the Corporation, Shareholders and other Stakeholders

1.2. Equal treatment of shareholders and protection of their rights

- Recommendation under item 1.2.5. – On 7th July 2004 and 4th July 2005, the General Meeting of Shareholders adopted a resolution granting authorization to the Management Board of the Company for the acquisition and disposal of own shares in accordance with the Commercial Companies Act. By virtue of this resolution, the General Meeting excluded the pre-emptive right to the acquisition and disposal of own shares. On the basis of this resolution, the Company acquires its own shares from Slovenska odškodninska družba, d.d. (Slovene Indemnity Company), i.e. under the Option Agreement concluded on 21 June 2004. Because the Contract comprises four call options, the General Meeting discussed these issues on two occasions due to legal restrictions on the term of acquisition of own shares to 18 months. Upon the adoption of the first resolution, the Management Board presented to the General Meeting a report on the reasons for the proposed total exclusion of the pre-emptive right in the acquisition and disposal of own shares. Upon the adoption of the second resolution, the

Management Board also prepared a report on the acquisition of own shares on the basis of an authorization granted by the General Meeting of Shareholders. Both resolutions and the above-mentioned reports were published in their entirety upon the convening of the General Meeting. In the 2005 Annual Report, the Management Board reports on further acquisitions of shares under the above-mentioned Agreement in 2005 and 2006. The Management Board of the Company regularly informs the public on the execution of an individual option via the stock exchange's electronic information system. In accordance with the resolution, the Management Board also published the opinion of an independent financial advisor on the justness of the acquisition of own shares from the point of view of the Company and shareholders. The resolution adopted by the General Meeting also defines the purposes for which the own shares will be used and the conditions under which the Management Board may dispose of such shares, all of which was published in the stock exchange's electronic information system and in the Delo newspaper.

- Recommendations under items 1.2.6. to 1.2.9. – The Company has always encouraged its shareholders to actively exercise their rights, in particular their voting rights, through the organized collection of proxies. The persons authorized to collect proxies were generally certain members of the Management Board, a member of the Supervisory Board, a representative of the Employee Council, and a representative of the trade union. This was specified in the proxy sent to all shareholders of the Company entered in the share register on the last day of the month prior to the commencement of collection of proxies. In this way the existing shareholders were precisely informed of the names of proxies authorized to collect proxies, and were able to select one proxy from the list who will exercise their voting rights at general meetings of shareholders. The proxies were collected in accordance with the provisions of the Take-over Act.

The Company shall also provide for the organized collection of proxies in future, as our long-standing practice has proven this to be an important institution for directly informing shareholders on resolutions proposed to the General Meeting of Shareholders and the reasons for proposed resolutions, as well as the means of exercising shareholders' rights during decision-making at general meetings. For these reasons the Company will continue to finance the organized collection of proxies in future. The Company shall publish in the stock exchange's electronic information system a list of persons authorized for the organized collection of proxies in order to ensure broader informing of the interested public.

Chapter 1: Relationship between the Corporation, Shareholders and other Stakeholders

1.3.: General meeting of shareholders

- Recommendation under item 1.3.1. - The Company does not observe this recommendation in the part relating to the use of modern technology in order to ensure the active exercise of shareholders' voting rights. The Company supports this proposal, but calls attention to its technical and legally appropriate implementation. Such information support must ensure the conduction of a general meeting of shareholders according to relevant laws regulating electronic operations and electronic signing, which is a complex task. It would be necessary to resolve issues such as: when is a shareholder provided with an electronic signature, how does he/she apply for attendance at a general meeting, and how to determine a shareholder's actual presence at a general meeting. All of these questions should be answered before the introduction of so-called electronic voting. It will also be necessary to observe all the provisions of the Commercial Companies Act: how to enable the giving of counterproposals during the course of a general meeting, how to inform other shareholders on counterproposals, and when to carry out voting on such counterproposals. An important issue is the time frame in which a general meeting is conducted (several hours). Furthermore, it should be determined whether notary publics are willing to accept such method of conducting a general meeting due to the obligation of preparing the minutes of a general meeting in notarized form. Such rules will have to be laid down in the Articles of Association and in

the Rules of Procedure for the Work of the General Meeting. It would be very sensible if someone in Slovenia began to work on this kind of project. It would also be necessary to assess what this method of exercising voting rights would mean for shareholders – natural persons, who represent approximately 1/3 of all shareholders. For the time being, this method of voting poses some difficulties, as modern information technology and its use is not as easy for us as it may seem. We have noticed that even the job of collecting written proxies for representation and voting at general meetings, which contain all resolutions and relevant reasons, is for many a very demanding task despite very clear instructions.

- Recommendation under item 1.3.8. - The Company observes this provision of the Code, but will include in the statement of acceptance of candidacy for membership in the Supervisory Board of the Company a provision stipulating that the candidate deems there to be no conflict of interest in connection with his/her candidacy, as specified in the Code.
- Recommendation under item 1.3.9. – The General Meeting of Shareholders does not elect the members of the Supervisory Board – representatives of capital individually, but on the basis of a list of candidates proposed by the Supervisory Board of the Company. In preparing the list of candidates, the Supervisory Board gives due consideration to the balanced composition of the Supervisory Board and to the appropriate qualifications and complementarity of professional and other experience of candidates.
- Recommendation under item 1.3.12. - Until now it has not been the Company's practice to specify in its published resolutions the percentage of voting shares with which individual resolutions were voted, or the percentage of votes for and against a resolution. The Company's published resolutions specified the percentage of voting shares present at the general meeting (quorum). The Company will observe this provision in its first next publication of resolutions of the General Meeting of Shareholders.

Chapter 2: Management Board

2.2. Composition

- Recommendation under item 2.2.1. – The areas of responsibility and duties of the members of the Management Board are allocated by the Supervisory Board in a relevant resolution upon each appointment of the Management Board based on the Company's requirements and in accordance with the goals to be fulfilled by the Management Board.
- Recommendation under items 2.3.2. and 2.3.3. – The Company considers the contents of principles embodied in the Code. The Supervisory Board assesses the work of the Management Board as a whole or on the basis of the Criteria for the Appraisal of Business Performance of the Gorenje Group, which were adopted for this purpose by the Supervisory Board of the Company.

Chapter 3: Supervisory Board

3.1. Duties and responsibilities

- Recommendation under item 3.1.7. – The Supervisory Board has established the practice of meeting without the presence of Management Board members only in cases when a candidate mandated to set up the Management Board is being appointed, up to the phase of obtaining the candidate's acceptance of the candidacy. The Supervisory Board decides on the appointment of Management Board members in the presence of the candidate (mandatory) for President of the Management Board, and on the enlargement of the Management Board in the presence of the Management Board. The Supervisory Board has assessed this practice to be a good instrument of trust between the candidate for president of the Management Board and the Management Board.
- Recommendation under item 3.1.10. – The Supervisory Board evaluates the performance of the Supervisory Board as a whole and not of individual members. This is

because the Supervisory Board generally meets in its full composition and its members contribute to the integral performance of the Supervisory Board in accordance with their responsibilities, professional and other experience. In remunerations paid to the Supervisory Board from the Company's profit, the Supervisory Board considers the higher responsibilities of the president and two deputy presidents of the Supervisory Board.

Chapter 3: Supervisory Board

3.4. Remuneration, compensation and other benefits and ownership of company's shares

- Recommendation under item 3.4.1. - For their work the members of the Supervisory Board are entitled only to meeting attendance fees and the reimbursement of expenses. At present the Supervisory Board has not considered proposing the introduction of any other types of remuneration to the members of the Supervisory Board.

Chapter 7: Disclosure

7.1. Disclosing information and reporting

Annual report and semi-annual report

- Recommendation under item 7.1.4. – The Company prepares annual and interim consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), and unconsolidated financial statements in accordance with Slovene Accounting Standards (SAS). For the needs of stock exchange reporting, the Company also prepares unconsolidated financial statements in accordance with International Financial Reporting Standards (IFRS).
- Recommendation under item 7.1.9. and section 7.5. Companies' web sites: Recommendation under item 7.5.1. – In all publications of its periodical, semi-annual and annual reports, the Company has disclosed the information contained in its prospectus. The Company will also prepare an updated prospectus, which will be published on the web pages of the Company.

Velenje, 11 April, 2006

Supervisory Board of Gorenje, d.d.
Chairman
Marko Voljč, M.Sc.

Management Board of Gorenje, d.d.
President
Franjo Bobinac, MBA