

Istrabenz Gorenje energetski sistemi Group Partner in the GEN-I Joint Venture

Krško, Slovenia, 6 October 2006 – **Having received green light by the supervisory boards of both companies, IGES and GEN-energija signed the following documents at Krško today:**

- Agreement on the sale and purchase of a 50-percent share in Istrabenz Gorenje d.o.o., previously 100-percent owned by IGES;
- Agreement Between Stockholders of GEN-I, trgovanje in prodaja električne energije, d.o.o., (with head office in Krško), a joint venture company based on equal partnership established by the aforementioned document; and
- Cover Agreement for the purchase of electricity, which allows GEN-I to market and sell a set percentage of electricity at the disposal of GEN energija as follows: 30 percent in 2007, 50 percent in 2008 and 60 percent in the subsequent years.

The key objectives of GEN-I d.o.o. are as follows:

- Marketing of electricity both in the Republic of Slovenia and EU as well as in the markets of SE Europe;
- Sales of electricity to end consumers in the Republic of Slovenia;
- Dispatch of power generation sources;
- Effective risk management in relation to the sales of electricity acquired by the company from GEN-energija as well as on the basis of existing and future contracts in the electricity market in Slovenia and abroad;
- Augmentation of the existing balance group.

The company will also supply GEN-energija with electricity in the case of unplanned outages of GEN-energija power generation facilities and during the scheduled annual overhauls of those facilities.

GEN-energija will use the GEN-I pool of resources to provide current updates on the situation in the electricity markets in the EU member states as well as in the countries of SE Europe, analyses and risk assessments, with the aim of facilitating business decisions in relation to the power generation facilities of GEN-energija and future investment in those facilities.

In 2006 the electricity trading volume of Istrabenz-Gorenje i.e. GEN-I will reach 1,900 GWh while over the next ten years the volume of the company's trading portfolio is expected to exceed 4,000 GWh.

ISTRABENZ GORENJE ENERGETSKI SISTEMI GROUP

Since 2003 the Istrabenz Gorenje energetski sistemi Group (IGES) has developed the know-how and all associated business infrastructure required for independent trading in the European electricity markets, as follows:

- Infrastructure for cross-border electricity trading in Slovenia, West Europe and SE Europe (next to HSE, IGES is the only other Slovenian corporation with such extensive infrastructure);

- Sales infrastructure in Slovenia and West Europe (the only Slovenian corporation with a sales network outside Slovenia);
- Independent and fully operational balance group in Slovenia;
- Investment in new peaking (accumulation) hydropower plants abroad.

In the beginning of 2004, the Istrabenz holding company (through its then subsidiary Istrabenz energetski sistemi d.o.o. (IBES)) and Gorenje d.d. established a trading company, Istrabenz-Gorenje d.o.o.. IG Prodaja d.o.o., whose core business involved the sales of electricity to end consumers in Slovenia, was established at the end of the same year. In July 2006 IG Prodaja d.o.o. was amalgamated into Istrabenz-Gorenje d.o.o., which resulted in improved business performance.

In July 2006 Istrabenz d.d. sold a 50-percent share in IBES. The company was renamed Istrabenz Gorenje energetski sistemi d.o.o.. That same month Gorenje d.d. sold their 50-percent shares in Istrabenz Gorenje and IG Prodaja to IGES. This effectively made IGES the sole owner of both companies.

IGES is also the sole owner of Austrian Power Vertriebs GmbH (APC) of Vienna, a supplier of electricity to end consumers in Austria and Germany. APC sales volume will exceed 3,500 GWh of electricity in 2006. With a 15-percent market share in the segment of large industrial consumers the company is ranked third among all the electricity suppliers in the Austrian market.

IGES also holds a 51-percent share in Intrade eneregija Sarajevo (ITE), the owner of four small hydropower plants, which is the only foreign investment in hydropower plants in Bosnia and Herzegovina so far.

In 2004 Intrade energija applied to the government of the Federation of Bosnia and Herzegovina for a concession for the utilisation of hydropower potential on the Bosna, the Drina and the Neretva. Following a lengthy process, in June 2006 the BH government adopted a decision to initiate negotiations. In September 2006 it eventually decided to grant the concession for the utilisation of the energy potential on the upper Neretva to Intrade energija, the first privately owned company ever to receive one.

It is anticipated that the negotiations and the signing of the concession contract will be completed by the end of this year. The proposed hydropower system on the upper Neretva will comprise two peaking accumulation hydropower plants with the total rated output of 130 MW, annual output of 330 GWh, and a 600 MW pumped storage power plant.

The consolidated revenue of the IGES Group in 2006 is expected to top EUR 300 billion with net profit after tax exceeding EUR 2 million.

Additional information:

For additional information please contact Dr Robert Golob, Chairman of the Management Board of Istrabenz Gorenje energetski sistemi d.o.o., and Aleksander Mervar, Member.

The public announcement will be also available on the www.gorenje.com web-site.

The Management Board of Gorenje, d.d.