

REPORT OF THE SUPERVISORY BOARD OF GORENJE, d.d. ON THE REVIEW OF THE 2008 ANNUAL REPORT

Dear shareholders,

In 2008 the Supervisory Board supervised the business operation of Gorenje, d.d. and the Gorenje Group within the scope of powers and authorizations bestowed by applicable legal regulations and the Articles of Association of the Company, and performed other tasks within its competences.

The Supervisory Board, which is comprised of ten members, carried out its tasks in 2008 in the following composition: Dr. Jože Zagožen as Chairman, Ivan Atelšek as Deputy Chairman, Peter Ješovnik, M.Sc., Milan Podpečan, Andrej Presečnik, Gregor Sluga, M.Sc., Peter Kobal, Drago Krenker, Krešimir Martinjak, and Jurij Slemenik.

1. ACTIVITIES OF THE SUPERVISORY BOARD

During the course of the year, the Supervisory Board devoted most of its attention to the business and financial development of the Gorenje Group and the parent company, significant business events, and to the implementation of general strategic and business policies. In 2008 the Supervisory Board held seven meetings, of which one was a correspondence meeting.

In line with its established practice, the Supervisory Board adopted the business plan of the parent company and the Gorenje Group in December 2007, i.e. before the beginning of the financial year. Having thus determined the framework of its business goals for the year 2008, the Supervisory Board monitored their implementation during the year. The Supervisory Board reported to the Management Board, on a quarterly basis, on the current business operations and financial position of the Gorenje Group and the parent company. The Management Board regularly and promptly informed the Supervisory Board on the operating conditions, particularly the situation in world markets, changes in the prices of materials and raw materials, hedging, and on the possibilities of expanding the activities of the Gorenje Group in the area of its basic activity, i.e. home appliances, as well as in other areas of its operation. The Supervisory Board has paid special attention to the working capital management, especially inventories and receivables, which increased due to the strong growth of the volume of sales, extend of sales in some markets, due to the entering into some new markets and also due to the changed sales structure of home appliances. The Board stressed the synergies, which they could be achieved between home appliances and home interior division, to also achieve stronger sales of kitchen furniture, by competitive prices and better services. Important place in the discussion had also the question of education and age structure of employees and working conditions. The Supervisory Board has all these questions discussed from the point of view of the globalisation and the economy growth, which was characteristic of the World economy, as also of the purchasing power strengthening by end consumers, the Board also estimated, that no longer is to be expected such a high growths several years running, because it is normal, to calm down.

The first nine months of operation were marked by favourable sales trends, good cost management (materials and raw materials), and relatively favourable profitability. With regard to the laws of sales in the last quarter of the financial year, it was expected that the Company would fully achieve the planned goals. But due to the significantly changed circumstances triggered by the world financial crisis on an international scale and within the European framework, which is of paramount importance for Gorenje, a sharp drop in orders occurred particularly in the last two months of 2008, leading to a decrease in production and substantial changes in operating conditions, especially in certain new EU member states, the Ukraine and Russia, some countries

of South Eastern Europe, as well as Scandinavia and England, where the decline in demand was accompanied by a strong devaluation of local currencies and in some areas even general insolvency, which significantly influenced the final business results of the parent company, Gorenje, d.d., and the Gorenje Group. For this reason the Supervisory Board closely monitored the announced activities and measures of the Management Board, which were strongly associated with managing the financial crisis and its consequences. In such essentially changed circumstances, the Supervisory Board approved the business plan for the year 2009.

The Supervisory Board devoted special attention to possibilities for external growth of the Company. In the spring of 2008, the Supervisory Board was informed of the Management Board's intention to purchase the entire ownership share in the company ATAG Europe B.V., and consented that the Company's own shares be used to finance part of this acquisition on the basis of authorisation granted by the General Meeting of Shareholders for the disposal of own shares.

In May 2008, the Supervisory Board discussed the earnings and new employment contracts of members of the Management Board, who in 2008 began a new five-year term of office pursuant to a resolution on appointment adopted in 2007. In determining the earnings of members of the Management Board, the Supervisory Board duly observed the fact that the fixed basic salaries of members of the Management Board had not changed since 2003, and for this reason raised the fixed basic salaries of Management Board members. The Supervisory Board also assessed that it would be necessary to modify and amend the Criteria for the Assessment of Business Performance of the Gorenje Group from 2005, which serve as a basis for granting incentive remunerations to members of the Management Board. For this purpose a working group was formed and instructed to prepare a new proposal of criteria, which has not yet been discussed by the Supervisory Board. On the proposal of the Management Board and in connection with the introduction of a 36-hour work week for employees and the resulting 10% reduction of basic salaries of employees, the Supervisory Board also reduced the monthly salaries of members of the Management Board by 10%.

Further in connection with the acquisition of ATAG Europe B.V., on 26 August 2008 the Supervisory Board appointed Philip Alexander Sluiter to the Management Board. Mr. Sluiter was responsible for the Benelux area, the supplementary program, and the ATAG brand name, but was recalled by the Supervisory Board on 26 February 2009 at his own request.

In February of this year, the Supervisory Board approved, on the proposal of the President of the Management Board, a new division of work between the members of the Management Board. Franc Bobinac, President of the Management Board, is also responsible for the Ecology, Energy and Services Division, Branko Apat is responsible for the Home Appliances Division, Franc Košec is co-responsible for the Home Appliances Division and for the areas of industrial equipment and tool & die making, Uroš Marolt is responsible for the Home Interior Division, while the areas of work of Board members Mirjana Dimc Perko and Drago Bahun have remained unchanged.

In December 2008, the Supervisory Board adopted the fundamental position that it undertakes not to propose the payment of any incentive remunerations to members of the Supervisory Board for 2008, if the circumstances related to the Company's business operation remain unchanged or do not attain at least the figures recorded in the first six months of 2008. With respect to the 2008 Annual Report, on the proposal of the Management Board, the Supervisory Board did not decide on the payment of incentive remunerations to members of the Management Board for 2008 because the Management Board had renounced its right to remuneration as a sign of solidarity with employees and in response to the strained economic situation.

2. ANNUAL REPORT

On 14 April 2009 the Management Board of the Company presented the audited Annual Report of Gorenje, d.d. and the Gorenje Group for the Year 2008 to the Supervisory Board for approval. The Supervisory Board discussed the Annual Report at its meeting held on 23 April 2009.

The Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2008 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 2009 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 2008.

In December 2008, the Supervisory Board appointed an audit committee, which examined the Annual Report for 2008 together with the auditor's report and the letter to the management, and in connection therewith presented its comments and opinion.

In reviewing the submitted Annual Report for the year 2008 and given the fact that it regularly monitored the management and business operations of the Company and the Gorenje Group and regularly discussed the operating results, financial position and assets, as well as the changed circumstances in the markets where Gorenje is present, the Supervisory Board has assessed that:

- The business operation of the Company in 2008 was successful despite the unforeseen financial crisis and recession in global markets. The Management Board's responses to the signs of declining economic growth in the second half of the year were timely and appropriate. Particularly important was the Company's open communication with the public in connection with the worsening conditions for the sale of household appliances, as well as in connection with the activities and policies of Gorenje's management for the elimination of negative effects, which contributed to an awareness of the actual situation in the narrow and broader environments and among employees;
- Although the Company did not attain all of its planned goals in 2008 due to the substantially changed circumstances over which it had no control (sharp decline in demand for durable consumer goods, devaluation of currencies, illiquidity of buyers or financial conditions in individual countries, decline in the value of investments, whose consequence is the weakening of investments, worsening of liquidity situation and inaccessibility of long-term financial sources, rise of interest rates, etc.), it did operate more successfully than the majority of its competitors in the white goods branch in the given circumstances.

The Supervisory Board has established that the Annual Report for 2008, as prepared by the Management Board and reviewed by the auditing company, has been compiled clearly, transparently and in accordance with the provisions of the Companies Act and applicable International 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 gives a fair account of the business development and position of the Company and the Gorenje Group.

On the basis of the above-mentioned findings, the Supervisory Board approved, at its meeting held on 23 April 2009, the Annual Report of Gorenje, d.d. and the Consolidated Annual Report of the Gorenje Group for the Year 2008 as proposed by the Management Board.

3. DETERMINATION AND PROPOSED APPROPRIATION OF ACCUMULATED PROFIT

In line with the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board of the Company decided that part of the net profit for the 2008 financial year shall be appropriated for the creation of reserves for own shares in the amount of EUR 111,820.58 for the purpose of repurchasing 7,969 own shares, for the creation of statutory reserves in the amount of EUR 1,186,028.37, and for the creation of other revenue reserves in the amount of EUR 5,337,127.67, which has been approved by the Supervisory Board.

The Supervisory Board has approved the proposal of the Management Board on the determination of the Company's accumulated profit for 2008, which amounts to EUR 35,062,963.38.

The Management Board and the Supervisory Board have proposed to the General Meeting of Shareholders that the accumulated profit for the 2008 financial year in the amount of EUR 35,062,963.38 EUR be appropriated as follows:

- part of the accumulated profit in the amount of EUR 28,050,370.70 shall be used for the creation of other revenue reserves,
- the remainder of accumulated profit in the amount of EUR 7,012,592.68 shall remain unappropriated.

In preparing the proposed resolution on the appropriation of accumulated profit for 2008, the Management Board and the Supervisory Board acted in line with the long-term development policy embodied in the strategic plan of the Gorenje Group; the current circumstances, which are the consequence of the global crisis that has resulted in the reduction of orders, revenues and, ultimately, profit, justify the proposal as presented. For the previously mentioned reasons, the Management Board has also proposed that no dividend payments be made for 2008. The Supervisory Board approved the Management Board's proposal and emphasizes that it will only be possible to overcome this crisis, which has deeply affected in particular that part of the economy which exports almost all of its products, through the joint efforts of all players: the management of the Company and its employees, who carry the burden of reduced salaries in real terms, as well as with the support of owners.

The Supervisory Board further proposes to the General Meeting of Shareholders that the members of the Management Board be discharged of their duties in 2008.

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.

Dr. Jože Zagožen
Chairman of the Supervisory Board

Velenje, Slovenia, 23 April 2009