

**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 3<sup>rd</sup> 2013

President of the Management Board  
Franc Bobinac

## **Report of the Supervisory Board on the Review of the Annual Report for the Year 2012**

Dear shareholders,

In 2012, the Supervisory Board supervised the business operation of Gorenje, d. d. and the Gorenje Group within the scope of powers and authorisations stipulated by legal regulations, the Articles of Association of the Company, its Rules of Procedure and the Code of Conduct, and performed other tasks within its competences.

The Supervisory Board is composed of: Uroš Slavinec as Chairman, Maja Makovec Brenčič as Deputy Chairwoman, Marcel van Assen, Keith Miles, Bernard Pasquier (representatives of shareholders), Krešimir Martinjak as Deputy Chairman, Peter Kobal, Drago Krenker and Jurij Slemenik (representatives of employees). Peter Kraljič was member of the Supervisory Board until 24 August 2012, when he resigned from the office of the member of the Supervisory Board on his own wish.

Immediately after their election, all members of the Supervisory Board signed a written statement of independence and loyalty declaring that they had no conflict of interest and were entirely independent in their work.

### **Activities of the supervisory board**

In 2012, the Supervisory Board had twelve meetings, of which three were correspondence meetings.

In December 2011, we approved the business plan for 2012 and carefully monitored the development of activities for the achievement of the set goals during the year. Business environment was extremely challenging in 2012. Even at the end of the third quarter the Gorenje Group still recorded a high negative result of EUR 6.4m. Thanks to very good business results in the last quarter the Company achieved a net profit by the end of the year, which is result of highly commendable effort of all employees. The complicated obtaining of long-term loans, deteriorating recession, ongoing downward trend in prices and decline in customer confidence in the global market were only some of the factors that made business rather difficult for Gorenje in 2012.

In the past year, the Supervisory Board supported by its Remuneration Committee started the nomination procedures for the new term of the Management Board. In October, the Supervisory Board nominated Franjo Bobinac the President of the Management Board with the term of office until mid-July 2018, thereby authorising him to propose the other members of the Management Board to the Supervisory Board. It is important that clear goals have been set for all business areas, which the Management Board is obliged to meet. After the proposal of the President of the Management Board regarding its composition had been confirmed by the Remuneration Committee, the Supervisory Board appointed all the other members of the Management Board for the new term of office at its meeting of 11 January 2013. The composition of the Management Board in the next term will be the same as so far

with the exception of Uroš Marolt who will, however, after the expiry of his term remain with the Gorenje Group.

In the past year, the Supervisory Board devoted special attention to the furniture segment of the Gorenje Group. Having carefully monitored the proposals of the Management Board and striving to find the best solutions for the Company's future operations, the Supervisory Board approved the divestment of the companies Gorenje Kuhinje, d. o. o., and Gorenje Notranja oprema, d. o. o. to the investment firm CoBe Capital in February this year. We believe to have found a very good solution for this long-lasting negative performance of both mentioned companies. The Supervisory Board is well aware of the importance of maintaining the jobs and we have certainly contributed to this goal by confirming the sale. On the other hand, we all share the opinion that the Gorenje brand is well recognised and renowned for its kitchen furniture, especially in the Western Balkans, and that own kitchen furniture is an important channel for the sale of home appliances. This was one of the reasons why we approved a solution that will allow Gorenje to keep kitchen furniture in its offer of home products.

Deleveraging remains one of the most important goals of the Company. Profitability of business operations, working capital management, capital expenditures and the divestment process were thoughtfully discussed at every meeting of the Supervisory Board in the past year. The Supervisory Board estimates that the efforts of the Management Board in this field brought results as EUR 43.7 m of free cash flow was generated, which enabled Gorenje to reduce its debts with banks in a similar amount. We have carefully monitored the production optimisation procedures as well. We are well aware of the employees' enormous work in the past year, as the relocation procedures will be completed this year. Given the increasingly difficult terms of operations and the fact that most of the competitors in the industry already relocated their manufacturing facilities to low-cost countries, the decision to take such steps was undoubtedly right. By the end of the current year, the relocation will bring some savings to the Company, but its full effect will first be visible in the financial year of 2014. The Supervisory Board is very pleased that the Management Board signed an agreement with representative trade unions on maintaining the level of employment in Velenje during the production relocation process. The workforce is an important asset of Gorenje and requires transparent, consistent and timely communication on measures such as production relocation, as it was correctly done in this concrete case.

In compliance with the current practice, the Management Board regularly informed the Supervisory Board of significant business events, comparative competition analyses, market conditions, price movements of raw materials and risk management. Given the harsh operating conditions, the Supervisory Board has assessed that the Management Board and all employees of the Company have done their work very well by generating high free cash flow and net profit for the year and thus deleveraging the Company.

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

Upon approval of the new organisational structure of Gorenje, Marko Mrzel was appointed as the member of the Management Board in charge of sales and marketing as of 1 January 2012; therefore, the Supervisory Board had to appoint a new member of the Management Board in charge of finance and economics. Following the procedures carried out by the Supervisory Board Remuneration Committee, and upon approval by the President of the Management Board, the Supervisory Board appointed Dr. Peter Groznik member of the Management Board in charge of finance and economics at its April meeting.

The Supervisory Board also took notice of the measure of salary cuts in the Gorenje Group, which is in force since 1 October 2012. As proposed by members of the Management Board, however, their earnings were reduced by 15% starting with 1 September 2012.

In the last four years the Management Board renounced their incentive bonuses to which they were entitled according to the criteria applicable for the remuneration of the members of the Management Board. They also waived the right to incentive bonuses for the year 2012.

### **Committees of the Supervisory Board**

In the past year, the Supervisory Board also evaluated the performance of its committees. All of these carried out their work in line with their competences and/or the resolutions of the Supervisory Board. We assessed that the committees performed their tasks professionally and precisely, and that they provide strong support to the Supervisory Board in its work. We 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** which consists of Keith Miles as Chairman, Drago Krenker, and Aleksander Igličar, performed its work in line with the competences stipulated by applicable legislation. With respect to periodical reports, the Audit Committee verified whether the principles of conservativeness and consistency of reporting have 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 2012. In addition to examining periodical reports, the committee also discussed many other issues related to Gorenje operations. In order to make operations as transparent as possible, the Audit Committee is presented at each session a report by the chief audit executive (head of internal audit) on the activities conducted by internal audit. The Supervisory Board believes this is a very good practice. In line with the Code of Conduct, the Audit Committee represents the body to which any employee may turn in case of reasonable doubt that the operation of the Company is not in compliance with legislation and rules of ethics. The Supervisory Board is convinced that the Audit Committee is very important for the work of the Supervisory Board, since it deals with many issues aiming at the improvement of corporate governance in Gorenje and securing the ultimate transparency of operation.

The **Benchmark Committee** is comprised of Maja Makovec Brenčič as Chairwoman, Marcel van Assen, Bernard Pasquier, and Peter Kobal. The consistent reporting of the Committee and obvious progress in its work deserve commendation. In addition, excellent cooperation with Gorenje employees needs to be emphasised. The Committee reported on profitability of individual product groups, sales strategies of competitors, complexity reduction, winning new markets and some other important issues. We estimate that the Committee's work significantly contributes to better business decisions.

The **Corporate Governance Committee** had no meetings in the past year. The Committee played its key role in 2011, when it selected the consulting company Roland Berger to help reform the organisational structure of the Gorenje Group. The Management Board reported on the implementation of the project during Supervisory Board meetings. In the past year important work was done by the **Remuneration Committee** comprised of Bernard Pasquier, Marcel van Assen, Maja Makovec Brenčič, Keith Miles, Uroš Slavinec, Krešimir Martinjak and Jurij Slemenik. In April last year, after having searched for and conducted interviews with potential candidates, the Committee together with the President of the Management Board proposed Peter Groznik as the member of the Management Board in charge of finance and economics. Groznik was then appointed member of the Management Board at the April

meeting. At the end of summer, the Committee commenced the appointment procedures for the President and members of the Management Board in the new term of office. Having carried out the required procedures and after thoughtful consideration we were proposed by the Committee to select Franjo Bobinac as President of the Management Board for the new term from 19 July 2013 to 19 July 2018, which we have also approved at our meeting at the end of October last year.

Since Peter Kraljič on his own wish ceased to be member of the Supervisory Board as of the end of last August, and considering the fact that the term of office of the current Supervisory Board expires in July next year, the Supervisory Board, in compliance with the recommendations of the Corporate Governance Code and the Management Code of Kapitalska družba, d. d. founded a six-member **Nomination Committee** of the Supervisory Board. In compliance with the applicable legislation and the two above mentioned documents, Bernard Pasquier was appointed President of the Nomination Committee. The Chairman of the Supervisory Board, Uroš Slavinec, sits in the Committee as a representative of the Supervisory Board. Other members of the Nomination Committee are representatives of the major shareholders and a representative of minority shareholders. Their names are: Tadeja Čelar, Philip Sluiter, Roman Ambrož and Mitja Svoljšak.

### **Annual Report**

On 9 April 2013, the Management Board of the Company submitted the Supervisory Board the audited Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2012. The Supervisory Board discussed the Annual Report at its meeting held on 18 April 2013. The Annual Report of Gorenje, d.d. and the Gorenje Group for the year 2012 was audited by the audit company KPMG Slovenija, d.o.o. The audit was also performed in all subsidiaries of the Gorenje Group. On 9 April 2013 the audit 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 2012.

Pursuant to the previous good practice, the Audit Committee discussed in detail the 2012 Annual Report together with the Auditor's Report and the Letter to the Management prior to the meeting of the Supervisory Board and presented its views and opinions and proposals for amendments, which the Supervisory Board took into consideration.

We have established that in view of extremely harsh circumstances the Company's operation in 2012 can be assessed as good, particularly in view of Gorenje's deleveraging. Less satisfactory was the profitability of sales, although we are aware of the extremely competitive situation on the markets and of the concern for keeping the market shares.

In this year we are witnessing major changes in Gorenje production facilities. Considering that the procedures have not yet been completed, we hope that they will proceed as planned. An end to the harsh conditions on financial markets is nowhere in sight, there is no sign yet of any economic growth trend, unemployment is persistent and growing in a number of countries. It is hardly possible to expect any substantial increase in sales on European markets in 2013, and these markets still account for by large the biggest sales share of Gorenje. The Management Board will need to successfully continue deleveraging which will allow for more stable operations, whereas special focus will have to be devoted to improving profitability and higher margins and, consequently to create value for all stakeholders. We will closely monitor the achievements by way of criteria accepted by the Management Board on the appointment for the new term and, of course, approved in the business plan for the year 2013.

The Supervisory Board is hereby establishing that the Annual Report for 2012, as prepared by the Management Board and reviewed by the audit company, has been compiled clearly, transparently and in line with provisions of the Companies Act and applicable International Financial Reporting Standards. The Supervisory Board has also examined and approved the Independent 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 view of the assets, liabilities, the financial position and the operating results, and presents fairly the development of operations and the financial position of the parent company and the Gorenje Group. With regard to all the above findings, the Supervisory Board adopted at the meeting of 18 April 2013 the Annual Report of Gorenje, d. d. the Consolidated Annual Report of the Gorenje Group for the year 2012, as submitted by the Management Board.

#### **Determination and proposed allocation of distributable profit**

Pursuant to the Companies Act and the Articles of Association of Gorenje, d.d., the Management Board decided upon obtaining consent from the Supervisory Board to settle the loss of the financial year 2012 in the amount of EUR 14,093,056.75 in 2012, and charge it against the following equity components:

- retained earnings from 2011 in the amount of EUR 3,138,468.47
- retained earnings from 2011 relating to unpaid dividends for treasury shares in the amount of EUR 18,196.65
- and part of other revenue reserves from 2003 in the amount of EUR 10,936,391.63.

The Management Board and the Supervisory Board have proposed to the Shareholders Assembly to leave the distributable profit for the 2012 financial year in the amount of EUR 152,123.64 unallocated.

In preparing the proposed resolution on the appropriation of profit for the year 2012, 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 2012.

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, 18 April 2013

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 2 of the agenda:**

- 2.1. The Shareholders Assembly shall be presented the Management Board's Annual Report for the 2012 fiscal year, complete with disclosure of the payments made to Management Board and Supervisory Board members, and the Supervisory Board's Report on the Results of the Audit and Confirmation of the Annual Report.
- 2.2. Distributable profit for the 2012 fiscal year, in the amount of EUR 152,123.64, shall remain unallocated.
- 2.3. Discharge shall be granted to the company Management Board and Supervisory Board for the fiscal year 2012.

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

The Supervisory Board discussed and adopted the audited 2011 Annual Report on April 18<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 Article 294 of the Companies Act (ZGD-1), the Shareholders Assembly shall be informed about the payments to the Management Board and Supervisory Board members.

Pursuant to the Companies Act and Gorenje Articles of Association of Gorenje, d.d., the company Management Board decided to leave the distributable profit for the 2012 fiscal year, amounting to EUR 152,123.64, unallocated; the Supervisory Board agreed with such proposal.

The Supervisory Board confirmed the Management Board's proposal on the allocation of distributable profit for the 2012 fiscal year, amounting to EUR 152,123.64.

The Management Board and Supervisory Board propose to the Shareholders Assembly to leave the distributable profit for the 2012 fiscal year, amounting to EUR 152,123.64, unallocated.

Furthermore, the Supervisory Board proposes to the Shareholders Assembly to grant discharge from liability to the Management Board and Supervisory Board for their work in 2012.

Velenje, June 3<sup>rd</sup> 2013

President of the Management Board:

Supervisory Board Chairman:

Franc Bobinac

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 3 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 2013 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> 2013, 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. Considering the fact that Gorenje is in the midst of manufacturing operations relocation processes which include a vast number of different activities that also involve finance and accounting, it is the view of the Audit Committee that the company KPMG Slovenia, podjetje za revidiranje, d.o.o., is the best choice for the company auditor for the 2013 fiscal year. Since Gorenje is an international corporation with over eighty companies in Slovenia and abroad, and considering the facts presented above, the Audit Committee and the Supervisory Board believe that changing the auditing company at this time would present an additional burden for the management and therefore propose to the Shareholders Assembly to appoint the company KPMG Slovenija, podjetje za revidiranje, d.o.o., from Ljubljana, as the company auditor

Velenje, June 3<sup>rd</sup> 2013

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:**

Bachtiar Djalil shall be appointed Supervisory Board member representing the interests of the shareholders for the period until the end of the current Supervisory Board term, i.e. until July 19, 2014.

The appointed Supervisory Board member shall start his term of office on the day this resolution is adopted at the Shareholders Assembly.

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

Following the resignation of Peter Kraljič from the post of Supervisory Board member for personal reasons, the Supervisory Board proposes to the Shareholders Assembly, based on the proposal by the Supervisory Board Nomination Committee, to complete the Supervisory Board by appointing Bachtiar Djalil as his successor in this position, with a term lasting from the day of adoption of this resolution by the Shareholders Assembly until July 19, 2014.

The proposed candidate submitted his consent for candidacy, complete with a written statement declaring that no circumstances exist as per the provisions of the Companies Act (ZGD-1), which would render his appointment ill-advised. The candidate also declared he would act independently and for the benefit of the company.

Velenje, June 3<sup>rd</sup> 2013

Supervisory Board Chairman:  
Uroš Slavinec