

Clarification to the item on the agenda of the general meeting of Sava Re, d.d.: INFORMATION ON PROCEEDING FOR REVIEW OF MANAGEMENT BOARD'S TRANSACTION RELATED TO PURCHASE OF OFFICE BUILDING OF ACH, D.D.

The supervisory board of Pozavarovalnica Sava, d.d. has within its competences, pursuant to Article 281 of the Companies Act, reviewed the transactions related to the purchase of the office building of ACH, d.d., at the address Baragova 5, 1000 Ljubljana.

With regard to the respective transaction, the supervisory board explains that prior to the conclusion of the sales agreement concluded between Pozavarovalnica Sava, d.d. (as purchaser) and Metalka Commerce d.d. (as seller), it has not been informed of the main characteristics of the transaction by the management board, i.e. despite the fact that providing detailed information about the respective transaction to the supervisory board would have been, in the opinion of the supervisory board, reasonable and expected, particularly taking into account (i) the reputational risks due to the price difference and connections with the seller of the real estate, and (ii) the size of the investment which was not envisaged in the strategic plans of Pozavarovalnica Sava, d.d., although the management board has not been (legally) obliged to obtain approval from the supervisory board for a transaction of this kind.

To review the respective transaction of the management board, the supervisory board, together with the management board, engaged independent external financial experts who, after reviewing the relevant documentation and assessing other circumstances, prepared the "*Report on a special review for Sava Re d.d.*", prepared particularly to provide, *inter alia* (but not exclusively), support in identifying: (i) whether from the financial point of view the transaction has been detrimental to the owners/shareholders of Pozavarovalnica Sava, d.d.; (ii) whether anyone participating in the transaction on the side of Pozavarovalnica Sava, d.d. gained any personal benefit therefrom; and (iii) whether the transaction has been carried out with due care and in a transparent, responsible and competitive manner as well as in line with comparable practice.

In the "*Report on a special review for Sava Re d.d.*", the business and financial experts found out, among other findings, that the management board of Pozavarovalnica Sava, d.d. (i) did not obtain publicly available information on the ACH's sales efforts in 2014 and in the first half of 2015 regarding the real estate at the address Baragova 5, 1000 Ljubljana, (ii) did not obtain the publicly available information on the sale transaction regarding the real estate in question (transaction between ACH, d.d. and Metalka Commerce d.d.), (iii) did not examine other opportunities in the real estate market, and (iv) did not carry out the analysis of economic justification of the purchase (especially why the sale is more favourable than the lease). Moreover, experts have identified that in the decision making process on the purchase of purchase of office building of ACH, d.d. the management board obtained several appraisal reports from the same appraiser, whereby the management board has not obtained explanations as to why the real estate appraisal significantly exceeds the value of the transaction between ACH, d.d. and

Metalka Commerce d.d. and appraisal of the same property by GURS (The Surveying and Mapping Authority of the Republic of Slovenia). On the basis of the established facts, financial experts delivered an opinion that it is not possible to confirm that anyone that was involved in the transaction on the side of Sava RE personally benefited from or in relation to the respective transaction. However, the facts and circumstances show a potential negligence of the management board and therefore a violation of the principle of diligence and responsibility and that the transaction of purchase of office building of ACH, d.d. could represent a forbidden repayment of capital contribution pursuant to Article 227 of the Companies Act.

Given the above findings of financial experts for the purposes of further review of all legally relevant circumstances of the transaction, the supervisory board of Pozavarovalnica Sava, d.d. has also engaged independent legal experts in order to obtain an analysis whether the respective transaction has caused damage to the company and if grounds for pursuing damage/indemnity claims and other claims against the responsible persons exist. After obtaining additional external expert opinions, the legal experts have provided preliminary findings on the review of the transaction made by the members of the management board related to the purchase of the respective real property.

The Supervisory board will, considering company's interests, continue to inform shareholders regarding further important steps and proceedings. In its decisions regarding further steps, the Supervisory board will, consider the findings of final reports provided by external experts and all other economic consequences of potential measurements taken.

In conclusion, the supervisory board of svet Pozavarovalnica Sava, d.d. also explains that pursuant to Article 305 of the Companies Act and other provisions of the legislation in force as well as bylaws of Pozavarovalnica Sava, d.d., it is not obliged to provide detailed information on the review of transactions of the management board and answer potential questions of shareholders in relation therewith at or within the preparations for the general meeting (with no prejudice to the obligation of equal treatment/informing of shareholders). The supervisory board carried out the notification of the current status of the review of the management board's transactions related to the purchase of the office building of ACH, d.d., within a special item on the agenda, due to the high profile of the case and current business processes, whereby it limited the level of disclosure of information to protect the interests of the company and prevent possible damage that might have been caused through disclosure.

THE SUPERVISORY BOARD OF SAVA REINSURANCE COMPANY
Branko Tomažič, chairman

