

**TO THE GENERAL MEETING OF SHAREHOLDERS OF SAVA REINSURANCE COMPANY**

**Explanation of the proposals for resolutions for the 26th General Meeting of Shareholders  
of Sava Reinsurance Company**

**Ad agenda item 1 (Explanation of the Management Board):**

**OPENING OF THE MEETING, ESTABLISHMENT OF QUORUM AND ELECTION OF MEETING BODIES**

Pursuant to the Slovenian Companies Act and the Articles of Association of Sava Reinsurance Company, the Management Board has the power and is responsible for calling the General Meeting of Shareholders.

In the capacity of convenor, the Management Board proposes meeting bodies for election, as follows:

for Chairperson of the General Meeting: Bojan Pečenko

for members of the Verification Committee: two representatives of Ixtlan Forum, d.o.o. and one representative of Sava Reinsurance Company

The General Meeting will also be attended by the invited notary Miro Košak.

Ljubljana, 29 November 2012

Chairman of the Management Board  
Zvonko Ivanušič

Member of the Management Board  
Mateja Treven

## TO THE GENERAL MEETING OF SHAREHOLDERS OF SAVA REINSURANCE COMPANY

### Explanation of the proposals for resolutions for the 26th General Meeting of Shareholders of Sava Reinsurance Company

#### Ad agenda item 2 (Explanation of the Management Board and the Supervisory Board):

##### **CAPITAL INCREASE WITH MONETARY CONTRIBUTIONS**

Nova KBM d.d. informed Sava Re that Sava Re was selected as the only potential buyer and that the company would be included in negotiations for the acquisition of 50,9963% in Zavarovalnica Maribor, d.d. We are convening the general meeting in order to ensure successful completion of said negotiations and consequently the acquisition of the remaining share in Zavarovalnica Maribor, d.d., which has been recognised in recent years as one of the key factors in the implementation of our strategic goals and in the increasing of shareholder value.

The vision of Sava Re is to be recognisable for the highest quality of insurance services in the markets where it operates (Slovenia, Western Balkans and international reinsurance markets). The Group operates in three key segments: reinsurance, non-life insurance and life insurance. In Slovenia, it owns 100% of Zavarovalnica Tilia, d.d. and 48,64% of Zavarovalnica Maribor, d.d. A 100% share in the latter will allow the Group to strengthen its position in the domestic insurance market and to create value, through synergy effects, for its shareholders, clients, employees and other stakeholders. This acquisition will make us one of the leading and largest insurance groups in Slovenia and the Western Balkans.

We expect positive effects on our operations in the following three segments: quality improvement, cost optimisation and greater development potential based on good practice transfer. As regards the first segment, we expect improvement in the underwriting, claims handling, product development and other processes in the insurance companies members of the Group. As regards the second segment, we expect to exploit synergy effects arising from certain support units being merged at Group level. As regards the third segment, there will be a larger number of experts employed with the Group who will use their knowledge and good practices to achieve development in Slovenia, as well as in companies outside Slovenia or in markets with growth potential.

Shareholders will see said effects in the form of performance indicators being better than currently foreseen in the strategic plan, while the admission to listing in an additional regulated market will lead to more effective trading in and better recognition of our shares'

inherent value. All this explains how the acquisition of the remaining share in Zavarovalnica Maribor, d.d. will increase shareholder value.

In the last three years, Sava Re has stabilised the results of operations at Group level so that all key performance indicators now show a positive trend, which we expect to improve further after the acquisition of Zavarovalnica Maribor, d.d. In the first nine months of 2012 we increased gross premiums by 6,7% compared to the same period in 2011, which is attributable to growth in the Slovenian insurance market and in foreign reinsurance markets, above all Asian. The net combined ratio in the first three quarters of 2012 was 97,8%, while the underwriting result was EUR 2,5 million, up 78% compared to last year. Investment income was EUR 12,9 million, up by as much as 176,9% compared to the same period last year. Net consolidated profit was EUR 11,9 million, while return on equity was above the target at 7,6%. It must be pointed out that Group companies operating outside Slovenia significantly improved their performance compared to the same period last year, thanks to certain measures taken to stabilise their operations and representing the basis for their future profitability in all segments.

Sava Re is a financially stable reinsurance company and wants to maintain solvency ratios at high levels also in the future, thus maintaining also the trust of investors. With its proposal to increase share capital, Sava Re observes the capital adequacy criteria for an A rating. The models used by the relevant rating agencies to calculate capital adequacy include all the key risks and the complexity of operations. The company wants to maintain these ratings also in the future.

With its proposal to increase share capital, Sava Re also wants to raise funds sufficient to acquire an additional share in Zavarovalnica Maribor, d.d. For this reason, it proposes an increase in share capital with cash contributions of up to EUR 32.787.276,75 to EUR 71.856.376,23 at maximum through the issue of up to 7.857.143 new shares of the same class as the existing ones, with the highest number of new shares and the highest amount of the increase in share capital being limited by the total amount of the issue of EUR 55.000.001,00 and the issue price of one new share.

The range of the proposed price of the increase in share capital is based on the market situation prevailing when the invitation to the general meeting was issued. The final price of the increase in share capital will be fixed by Sava Re and approved by the Supervisory Board in accordance with the process set out in the public offering prospectus.

In the public offering process, new shares will be offered first to the existing shareholders who will be able to exercise their pre-emptive right to subscribe and pay a number of new shares proportional to their existing share of capital of Sava Re, and then to the general or specific public or third persons.

In connection with said increase in share capital and public offering of shares, it is reasonable to initiate the procedures for all shares, including the new ones, to be admitted

to listing in at least one other developed regulated market, thus ensuring the conditions for their improved liquidity and price transparency.

Ljubljana, 29 November 2012

Chairman of the Management Board  
Zvonko Ivanušič

Chairman of the Supervisory Board  
Branko Tomažič

Member of the Management Board  
Mateja Treven