Pozavarovalnica Sava, d. d.

Pursuant to Article 300 of the Slovenian Companies Act (ZGD-1) and the Rules of the Ljubljana Stock Exchange, d.d., Sava Reinsurance Company d.d. hereby publishes a counter proposal to agenda point 2 of the 26th General Meeting of Shareholders of the Company received on 4 December 2012 from Blaž Vodopivec.

COUNTER-PROPOSAL

Re: Counter proposal to agenda point 2 of the regular General Meeting of Sava Reinsurance Company to be held on 11 January 2013

Dear Sirs,

I, the undersigned Blaž Vodopivec, shareholder of Sava Reinsurance Company, in compliance with Article 300 of the Slovenian Company's Act (ZGD-1), hereby make the following counter proposal to agenda point 2 of the regular General Meeting of Sava Reinsurance Company to be held on 11 January 2013. Furthermore, I hereby advise that at the meeting I will object to the proposal of the Management Board and will persuade other shareholders to vote for my proposal.

The counter proposal is as follows:

2.1. The share capital of Sava Reinsurance Company, which on the day of adopting this resolution totals EUR 39.069.099,48 and is divided into 9.362.519 ordinary registered freely transferable no-par-value shares (hereinafter: "existing shares", "POSR shares"), shall be increased through monetary contributions of no more than EUR 17.000.813,72, by issuing no more than 4.074.075 new ordinary registered freely transferable no-par-value shares (hereinafter: "newly issued shares"), which are of the same class as existing shares, so that after the capital increase the share capital of Sava Reinsurance Company does not exceed EUR 56.069.913,20.

2.2. The issue price (purchase price) for one newly issued share shall not be less than EUR 13,50 and no more than EUR 14,50. The issue price for one newly issued share shall be determined by the Management Board of Sava Reinsurance Company with the consent of the Supervisory Board, where the total issue price of all newly issued shares as per this resolution shall not exceed EUR 55.000.001,00, with regard to which the final number of newly issued shares shall be adjusted accordingly. The final amount of the capital increase shall be equal to the number of newly issued shares to be subscribed and paid in multiplied by the relevant amount for one share in the share capital.

Points 2.3–2.9 of the counter proposal are the same as in the proposal of the Management Board.

Rationale:

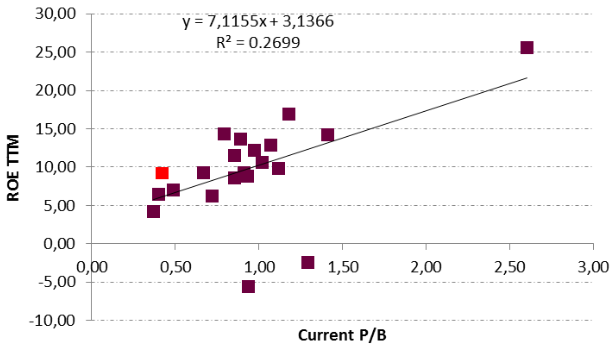
The proposer of the counter proposal notes that the proposed issue value of the new POSR shares is completely disproportionate to the anticipated price of 51% of Zavarovalnica Maribor ("ZM"), which according to media reports should be around EUR 60m. Based on three most frequently used valuation indicators, **with an issue price of new POSR shares of EUR 9, the average acquisition premium for the ZM share is 92% while with an issue price of new POSR shares of EUR 7, the average acquisition premium for the ZM share is as high as 148% !!!**

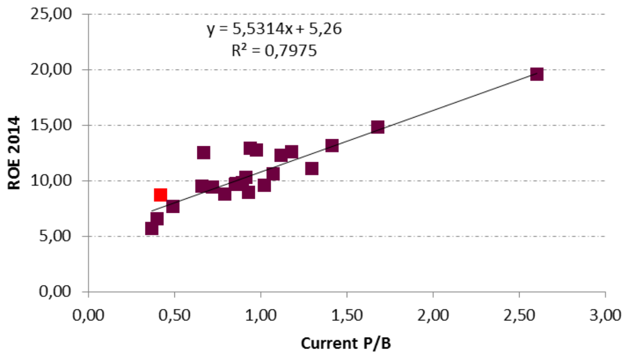
(The valuation indicators used are ratios of the price to gross premium, net profit and equity; in ZM these indicators are 0,44; 14,3; 1,35, respectively; with POSR at EUR 9, the indicators are 0,31; 7,9; 0,53, respectively; with POSR at EUR 7, the indicators are 0,24; 6,1; 0,41, respectively; all indicators are calculated based on planned figures for 2012.)

The proposer notes that the transaction proposed by the Management Board does not increase the value of POSR shares as indicated in the Management Board explanation but decreases it. The transaction could potentially increase the value of the POSR share if the premium in the acquisition of the remaining share of ZM approximated market averages. In the given situation where Sava Reinsurance Company already holds half of ZM, I estimate that such a premium should not exceed 30%. This means that with a price of EUR 60m for 51% of ZM, the issue price of the new POSR shares must not be below EUR 13,5.
Although the Company has been posting profits, Sava Reinsurance Company has not paid out dividends to its shareholders for the last three years. This indicates that the Company is confronted with a shortage of capital. In such a situation it is not advisable to plan such a large acquisition. Such a move can only be justified if the Company can access capital to finance the transaction at an adequate price, i.e. that it can ensure an issue price for new shares within the range as proposed in this counter proposal. Otherwise, the envisaged transaction does not reflect concern for shareholder value but rather an irrational desire of the Management Board for accelerated inorganic growth, which experts often cite as the destroyer of shareholder value. Furthermore, I would expect that such a huge transaction that is to almost double the number of shares and consequently dilute holdings of existing shareholders not participating in the capital increase, would have to be substantiated with precise calculations and projections not merely with platitudes.

POSITION OF THE MANAGEMENT BOARD OF SAVA REINSURANCE COMPANY D.D. ON THE COUNTER-PROPOSAL

The Management Board of Sava Re fixed the recapitalisation price based on several criteria in order to first increase the likelihood of a successful public offering and second to protect the investment value of the existing shareholders. We believe that the acquisition of Zavarovalnica Maribor is strategically important for our future growth and consolidation of our position. For this reason, we fixed the price so as to attract a very broad circle of investors to subscribe to the public offering, but above all to attract the existing shareholders who already know our story and who will be able to be part of our future growth by exercising their pre-emptive right in the public offering.
In the last 12 months, **market price** of our shares was between **EUR 4.5 and EUR 7.44**, with stock exchange transactions amounting to only **EUR 2.27 million**. We intend to raise EUR 55 million through the public offering at the proposed price, which is close to the highest price at which stock exchange transactions were executed in the past year. The Management Board would like the price to be even higher, but market data show that there is no demand for our shares at significantly higher price levels. If there was, market price would be higher, too.
Taking account of the current market expectations, the valuation of insurance undertakings and the liquidity discount, we think that the public offering can not be completed at a price significantly different from the market price. The valuation of comparable insurance undertakings shows that the current price-to-book ratios (P/B) better reflect the current expectations of future returns on equity (ROE, one of the key factors in the valuation of financial undertakings) than current performance indicators. The regression analysis graphs below show that there is a much stronger correlation between P/B and ROE for the 2014 expectations than for for the last reported period expectations. Higher ROEs justify higher P/B ratios and vice versa.





	P/B	ROE 2012	ROE 2013	ROE 2014
Sava Re	0.42	8.70	8.70	8.70
Zavarovalnica Triglav	0.67	13.40	13.70	12.50

We can therefore conclude that a recapitalisation price significantly above the market price would not be more convenient for the existing shareholders, but would rather prevent us from raising the funds needed to take over Zavarovalnica Maribor. This is particularly true in the current situation when the number of successful IPOs in comparable foreign markets is very low (in 2012, there were none in Slovenia and Austria, and only nine in Poland, of which only one larger than ours).
We must also be aware that the current performance estimates for the Sava Re Group assume a 50 percent ownership of Zavarovalnica Maribor. Should the takeover not succeed and should the expectations be adjusted, this would affect investors' expectations (the effect of disposal of Zavarovalnica Maribor on ROE).
Performance and takeover premium expectations must be considered in the context of the insurance undertakings valuation and takeover premiums. Future ROEs of Zavarovalnica Maribor should be around 8%, which would reflect on market transactions being made at a P/B ratio of 0.7 to 0.9. On the other hand, the takeover transactions completed in the past couple of years show a P/B median of around 1.33, with the results of the majority of the insurance companies involved being in the red. We can therefore conclude that the takeover premium or takeover valuation mentioned by the shareholder who submitted the counter-proposal (P/B = 1.35) reflects the performance results of Zavarovalnica Maribor and is comparable to that reached in takeover transactions completed.
The counter-proposal submitter states that the takeover premium should be lower, as Sava Re already owns 50 percent in Zavarovalnica Maribor. However, this would only be true if Sava Re controlled Zavarovalnica Maribor. However, its share being below 50 percent, the Management Board is not in a position that would allow for its downward pressure on the takeover premium.
The acquisition of Zavarovalnica Maribor and the relevant financial construction must be considered integrally. Recapitalisation of the Sava Re Group can only be made at a price close to the market price. On the other hand, the newly issued shares will be used to finance an investment that will benefit both new and the existing shareholders as soon as operations of Zavarovalnica Maribor are optimised and synergies arise. On the other hand, a high recapitalisation price would make the acquisition of Zavarovalnica Maribor impossible, which would prevent Sava Re and its shareholders to grab the unique opportunity to increase the value of their investment.
Strengthening of the stable insurance business, as well as consolidation and therefore optimisation of insurance undertakings in Slovenia, will contribute towards the first dividend pay-outs. The submitter also mentions weak capital adequacy, which is not true: both Sava Re Group and Sava Re are significantly above the current capital adequacy requirements, while internal calculations show that their solvency ratios are also above the future Solvency II ratios.

The Sava Re Management Board