

# REPORT BY THE SUPERVISORY BOARD

*Dear shareholders,*

*The Supervisory Board of Sava d.d. carefully examined the operations of Sava d.d. and the Sava Group in the 2014 business year. Within the powers conferred and in accordance with the statutory provisions, the Supervisory Board Rules and good business practice, the Supervisory Board exercised a substantive and formal supervision over the activities carried out by the Management Board.*

## Composition of the Supervisory Board

The composition of the Supervisory Board changed in the course of 2014.

### SHAREHOLDER REPRESENTATIVE

- **Miran Kraševac**  
Deputy Chairman until 17 July 2014  
Chairman as of 17 July 2014
- **Robert Ličen, MSc,**  
Deputy Chairman as of 17 July 2014
- **Roman Ambrož**
- **Miro Medvešek**
- **Rok Ponikvar**
- **Aleš Skok**  
Member and Chairman until 16 May 2014

### EMPLOYEE REPRESENTATIVES

- **Lučka Pogačnik**
- **Gregor Rovnšek**
- **Aleš Aberšek**  
Member until 28 January 2014
- **Jasmina Kovačič,**  
Member as of 17 July 2014

## Activities of the Supervisory Board

In 2014, the Supervisory Board held five regular meetings, which took place on 26 March, 16 May, 17 July, 28 August and 8 December and had one correspondence meeting on 28 January 2014. It especially concentrated on monitoring the activities associated with renewing the Sava Group with emphasis on business cost rationalisations, provision of liquidity and solvency of Sava d.d., and fulfilment of commitments defined by the Master Restructuring Agreement.

Besides dealing with and adopting the business plan and reports on regular operations of Sava d.d. and the Sava Group, it also addressed the strategic business plan formulated by Sava Turizem d.d. for healthcare business until 2018. The Supervisory Board carefully dealt with the past business events, which might lead to damages or other unlawful actions.

It made decisions on personnel changes in the Management Board of Sava d.d. and the composition of the Supervisory Board. In the correspondence meeting held on 28 January 2014, it was briefed about a temporary appointing of the then member of the Management Board of Sava d.d., Andrej Andoljšek, to the position of the President of the Management Board of Gorenjska banka d.d. For the time of Andrej Andoljšek's absence, the Supervisory Board of Sava d.d. appointed Aleš Aberšek from among its members as a temporary member of the Manage-

ment Board of Sava d.d. in accordance with the second paragraph of Article 273 of the Companies Act. On the day of being appointed a temporary member of the Management Board of Sava d.d., Aleš Aberšek assumed all work tasks of the absent Management Board member and managed the company jointly with Matej Narat, President of the Management Board of Sava d.d. Having noted the written letter of resignation by Andrej Andoljšek, based on which he had irrevocably resigned from the position of the Management Board member of Sava d.d., the Supervisory Board appointed Aleš Aberšek a member of the Management Board of Sava d.d. on 17 July 2014 with the term of office until 31 March 2016.

On 16 May 2014, the Supervisory Board was made acquainted with resignation of Aleš Skok from the Supervisory Board chairman and member positions. After his resignation, the Deputy Chairman of the Supervisory Board Miran Kraševac exercised the function of the Supervisory Board Chairman until appointing a new Chairman as provided by the rules of procedure. On 17 July 2014, Miran Kraševac was appointed the Chairman of the Supervisory Board and Robert Ličen, MSc, the Deputy Chairman. Jasmina Kovačič became a member of the Supervisory Board – employee representative.

In addition to the abovementioned, the Supervisory Board in 2014 also dealt with and:

- became acquainted with the report by the audit commission on the 2013 annual report,
- endorsed the annual reports of Sava d.d. and the Sava Group for 2013,
- adopted the Report by the Supervisory Board on the results of examining the audited 2013 annual report of the company Sava d.d. and the audited 2013 consolidated annual report of the Sava Group,
- became acquainted with the report by the personnel and audit commission for 2013,
- proposed the Shareholders' Meeting to grant discharge from liability to the Management Board and Supervisory Board for the work performed in 2013,
- proposed the Shareholders' Meeting to appoint Deloitte revizija d.o.o. as the auditor of the financial statements of Sava d.d. and the Sava Group for 2014,

- proposed the Shareholders' Meeting to adopt a resolution on reducing the share capital, which read: *"The share capital of the company shall reduce from the present amount of €25,441,851.48 by the amount of €11,381,256.97, after which it amounts to €14,060,594.51. A simplified reduction in the share capital is carried out according to Article 379 of the Companies Act-1. The purpose of reducing the company's share capital is to cover the loss from the previous business year. The share capital is reduced on the basis of the audited financial statements as at 31 December 2013. Since the share capital of the company is distributed into 2,006,987 ordinary personal no-par value shares, the attributable amount of each share in the share capital is reduced due to share capital reduction. As the attributable amount of each share in the share capital after its reduction amounts to €7.006, the reduction is carried out without aggregating the shares and with the unchanged number of shares, respectively. Owing to a simplified reduction in the share capital, the Shareholders' Meeting adopts an amendment to the Article 3.1 of the Articles of Association as follows: 3.1. The company's share capital amounts to €14,060,594.51.*
- adopted the Statement of Compliance with the Corporate Governance Code for Public Joint-Stock Companies,
- appointed Jasmina Kovačič a member of the personnel commission,
- became acquainted with the business plan of Sava d.d. and the Sava Group for 2015,
- confirmed the calendar of Supervisory Board meetings and financial calendar for 2015.

## Work of the Supervisory Board commissions

Two commissions operate within the Supervisory Board: the audit commission whose tasks are defined by Article 280 of the Companies Act, and the personnel commission that operates in accordance with Article 13 of the Supervisory Board Rules and whose members deal with the matters associated with appointing of the Management Board and remunerations of the management and supervisory bodies. Both commissions regularly briefed the Supervisory Board on their work.

In 2014, the **audit commission**, which in accordance with Article 279 of the Companies Act-1 is obligatory for joint-stock companies, met once a quarter. It held its meetings on 25 March, 15 May, 27 August and 4 December. The meetings were attended by the commission chairman Robert Ličen, MSc, and the members Roman Ambrož and Gregor Rovnšek, as well as the external member Janko Gedrih. Within its scope of work, the audit commission addressed the areas defined by Article 280 of the Companies Act-1. It devoted much attention to monitoring the financial reporting procedures, efficiency of internal controls, risk management systems and supervised the integrity of financial information. It actively performed its

role in procedures connected with the preparation of the annual report and cooperated with the external auditor. The commission had an in-depth discussion with the auditor at the meeting, on the occasion of which the auditor presented his opinion on financial statements and the auditing procedure. The external auditor also attended the Supervisory Board meeting in March 2014, when the annual report was adopted and the Shareholders' Meeting of Sava d.d. in April 2014.

**Personnel commission** met three times in 2014: on 24 January, 26 March and 17 July. It consisted of the commission chairman Miran Kraševac, member Rok Ponikvar, member Aleš Skok until 16 May 2014, member Jasmina Kovačič as of 17 July 2014. The commission was briefed on appointing Andrej Andoljšek, the Management Board member of Sava d.d. a temporary member of the Management Board of Gorenjska banka d.d., and the fact that for the period of a temporary member function in the Management Board of Gorenjska banka d.d., his Management Board member office at Sava d.d. was suspended. In accordance with the second paragraph of Article 273 of the Companies Act-1 the personnel commission

proposed the Supervisory Board to appoint Aleš Aberšek a temporary Management Board member of Sava d.d. It became acquainted with the letter of resignation by the Management Board member of Sava d.d. Andrej Andoljšek, based on which he irrevocably resigned from the Management Board

member of Sava d.d. position on 20 June 2014. Based on his work in the recent years, the commission proposed the Supervisory Board to appoint Aleš Aberšek a Management Board member with the term of office from 17 July 2014 to 31 March 2016.

## Business performance in 2014

### INTRODUCTORY EXPLANATION

The largest operations of the Sava Group in 2014 were management of financial investments of Sava d.d., with its major investment in the banking sector, and Tourism. The exacting economic environment affected the performance of the Sava Group companies in 2014. In Tourism, which generates almost total sales revenues of the Group, the planned sale was not entirely achieved, which was due to bad weather in the summer months, stricter conditions imposed by the health insurance company in the field of concession healthcare, certain outdated accommodation capacities and loss of revenues, especially in the Russian market. Owing to cost rationalisations, the loss of revenues was successfully compensated and Tourism ended the financial year 2014 with a profit of €1.0 million.

Impairments of financial investments, the highest one with €26.7 million being the one in Gorenjska banka d.d., led to a loss of the Group amounting to €47.0 million, and, as a consequence, the Group's equity reduced to a negative value of €21.2 million.

The Master Restructuring Agreement for financial liabilities of Sava d.d. expired on 30 November 2014. On 26 November 2014, Sava d.d. filed a proposal for initiating preventive restructuring proceedings under Article 44 b of the ZFPPIPP Act. On 2 December 2014, the court issued the decision on initiating preventive restructuring proceedings.

### BUSINESS OPERATIONS OF THE SAVA GROUP

The Sava Group made a net loss of €47.0 million in 2014. The biggest share of loss was due to impairments of financial investments and impairments of real property in total amount of €31.0 million, and a reversal of deferred tax receivables amounting to €10.9 million:

- impairment of financial investments in the shares of Gorenjska banka d.d. amounting to €26.7 million,
- impairment of investment property and inventories in real property in the Real Estate companies amounting to €2.6 million,
- impairment of securities available for sale amounting to €0.8 million,
- other impairments of assets amounting to €0.9 million,
- reversal of deferred tax receivables amounting to €10.9 million.

The **balance sheet total** of the Sava Group companies amounted to €285.5 million at 31 December 2014, and was €40.8 million or 12% below the value at the end of 2013. The net decrease was mainly due to the performed impairments, lower investments if compared to the accounted for depreciation and the sale of financial investments available for sale.

Financial investments had a 34% share in the *assets structure*, property, plant and equipment a 55% and other assets (inventories, operating receivables, granted loans and others) had an 11% share.

The parent company *Sava d.d.* had a *negative capital* of €23.5 million at 31 December 2014, thereby affecting the capital of the Sava Group, which at 31 December 2014 was negative amounting to €21.2 million. The liabilities of the Sava Group thus exceeded the assets value of the Group by €21.2 million.

In 2014, the companies of the Sava Group repaid a sum of €7.9 million to financial creditors.

## BUSINESS OPERATIONS OF SAVA D.D.

In 2014, Sava d.d. carried on a comprehensive reorganisation. Operating expenses achieved €3.6 million and compared year-on-year they were lower by 50%, and 6% lower than planned.

Sava d.d. made a net loss of €48.0 million in 2014. The major part of loss was due to impairments of financial investments totalling €31.1 million and a reversal of deferred tax receivables totalling €10.9 million:

- impairment of financial investment in the shares of Gorenjska banka d.d. amounting to €26.6 million,
- impairment of investments and granted loans in subsidiaries amounting to €3.2 million,
- impairment of long-term securities available for sale amounting to €0.8 million,

- impairment of investments and granted loans in NFD Holding d.d. amounting to €0.5 million,
- reversal of deferred tax receivables amounting to €10.9 million.

*The balance sheet* total of Sava d.d. amounted to €211.2 million at 31 December 2014 and was €37.2 million or 15% lower than at the end of 2013.

The biggest, i.e. a 90% share, in the *assets structure* had long-term financial investments. Granted loans had a 6% share and other assets a 4% share.

At 31 December 2014, Sava d.d. had a *negative capital* totalling €23.5 million. Its liabilities thus exceeded the assets value of the company by €23.5 million.

In 2014, Sava d.d. settled its liabilities in accordance with the Master Restructuring Agreement.

## Auditor's report

The Supervisory Board became acquainted with the auditor's reports and established that the auditor issued qualified opinions for Sava d.d. and the Sava Group.

The auditor also presented his views to the Supervisory Board and participated in the meeting of the audit commission of the Supervisory Board.

The qualified opinions for Sava d.d. and the Sava Group have been based on:

### **a) Limitation of Scope - Financial Expenses from Impairments:**

In 2013, the auditor's reports in connection with the evaluation of financial investment in Gorenjska banka d.d. were modified. The Management Board prepared an estimate of the recoverable amount of investment as at 31 December 2014. The full effect of the impairment was recorded as financial expense in 2014. The auditors were unable to satisfy themselves as to what amount of determined impairment of the quoted investment should have been recorded in 2013 and what amount should have been recorded in 2014.

### **b) Limitations of Scope – Deferred Tax:**

In 2013, the auditor's reports on deferred tax were modified. In 2014, the Management Board impaired deferred tax receivables and the total amount of impairment was recorded in 2014. The auditors were unable to satisfy themselves as to what amount of the performed impairment should have been recorded in 2013 and what amount should have been recorded in 2014.

The auditor explained that assets and liabilities of the controlling company Sava d.d. and the Sava Group at 31 December 2014 were suitably presented. As to its substance, the qualified opinion refers to auditors' inability to satisfy themselves as to what amount of impairments performed in 2014 should have been recorded in the past, comparison financial year, and what amount in the current financial year.

As regards the emphasis of matter - a going concern, in respect of which the opinion is not modified, it was explained that the risks were suitably presented and disclosed in the annual report.

As regards the emphasis of matter – contingent liabilities, in respect of which the opinion is not modified, it was explained that a long-lasting process in connection with resolving the initiated denationalisation claims was expected, which is why it is not possible to estimate or project the probability for settlement of liabilities. The conditions for recognition of provisions have therefore not been met.

The Supervisory Board determines that the auditor's report contains the constituents prescribed in paragraph 2 of Article 57 of the Companies Act-1. The auditor has confirmed that the financial reports have been produced in accordance with Slovene Accounting Standards, the accounting policies of the company and by employing corresponding provisions of International Financial Reporting Standards as adop-

## Reviewing the work of the Management Board and Supervisory Board

The work of both bodies and their mutual cooperation was performed in accordance with the statutory provisions, the rules of the Ljubljana Stock Exchange, Supervisory Board Rules and good business practice of a two-tier corporate governance system.

The Supervisory Board establishes that in 2014 the Management Board of Sava d.d. provided suitable information regularly and timely, thereby providing a basis for a quality exercising of the supervisory function. The materials were prepared professionally and accurately, and structured in a transparent manner, which enabled ongoing monitoring of business performance of Sava d.d. and the Sava Group with emphasis on the implementation of restructuring strategy. The Supervisory Board members were well prepared for the meetings; they participated constructively and adopted decisions for the benefit of the company.

Considering the starting point of Sava d.d. prior to adopting the restructuring strategy of the Sava Group in 2011, and certain macroeconomic and structural changes in connection with the operation of the newly-established DUTB d.d. (BAMC), the Supervisory Board evaluates the work of the Management Board as successful. The management of Sava d.d. efficiently performed strategic activities in the course of 2014, which along with the optimisation of operating costs at Sava d.d. and a regular fulfilment of all commitments in connection with the Master Restructuring Agreement, provided a suitable basis for initiating preventive restructuring proceedings in accordance with the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (the ZFPPIPP Act). The Supervisory Board is thus of opinion that a successful implementation of preventive restructuring proceedings presents the fundamental step towards a sustainable long-term business and the enhanced value of the company's assets, which is in the interest of creditors and other stakeholders of the company Sava d.d.

## Endorsing the annual report and consolidated annual report for 2014

At its 16<sup>th</sup> meeting held on 25 March 2015, the Supervisory Board dealt with and endorsed both annual reports for 2014 in the presence of a certified auditor.

The Supervisory Board gives a positive opinion on the independent auditor's reports on the financial statements of Sava d.d. and the Sava Group, and endorses without comment the annual report of Sava d.d. for 2014 and the consolidated annual report of the Sava Group for 2014.



Miran Kraševac  
Chairman of the Supervisory Board

Ljubljana, 25 March 2015