



Summary of business operations of the Sava Group and Sava d.d. in the first quarter 2013

In the adverse economic circumstances of this year, the companies of the Sava Group continue to implement its strategy of business-financial restructuring until the end of 2014.

The major strategic achievements of the past months were: firstly, the finalised divestment of Rubber Manufacturing, which owing to a generated profit enabled a significant decrease in Sava's financial liabilities, and, secondly, harmonisation of the umbrella agreement, the so-called term-sheet, between the lending banks; the latter represents the platform for a final agreement on reprogramming of total loan obligations that Sava has and facilitates its further development.

In the first quarter, Sava d.d. generated a total profit of €24.8 million, while total profit at the level of the Sava Group amounted to €0.2 million.

At the end of the first quarter the Sava Group consisted of 12 companies (the parent company Sava d.d. and 11 subsidiaries), which is 10 companies less than at the end of 2012. The largest Group's divisions deal with managing of financial investments of Sava d.d., in which the major share have investments in the banking sector, and with the hospitality industry in the merged Tourism division. The companies of Other Operations represent a minor part of the Group and are mainly intended for being divested in the future.

In the first three months of this year, the Sava Group companies generated sales revenues of €12.4 million, which was 13% down on the same Group's structure last year and 6% below the plan for this period. The value of sales revenue in the same period last year when the Group still included the Rubber Manufacturing division amounted to €45.4 million.

The major part of total Group's sales with 89.5% is now made by the Tourism division. A decline in purchasing power, which is particularly strong in the Slovene market, is intensely being compensated through re-orienting to the market segments and markets less affected by the crisis. A thorough upgrade in the health services sector, which represents an important segment in further growth of the division, is in progress. The operative performance is being improved through rationalisation measures with inclusion of the projects that aim at higher energy efficiency.

In this year, the largest investment in Tourism refers to acquisition of the remaining tourist real property from the parent company Sava d.d. carried out this January. A substantial volume of investments in the renovation of capacities and enrichment of the tourist offer is thus planned for the upcoming quarters of this year.

In the first quarter this year, Sava d.d. generated a total profit of €24.8 million or a net profit of €23.9 million. The Sava Group companies generated a total pre-tax profit of €0.2 million, yet after the corporate income tax computation, the net result turned negative in the amount of €0.8 million.

The value of the unplanned impairments of financial investments amounted to €1.8 million at the level of the Sava Group, out of which a sum of €1.1 million referred to impairments of investments in connection with the associated companies of Sava d.d. Owing to the movements in the stock exchange market and general economic circumstances no significant impairments at Sava d.d. level were necessary; they amounted to €0.7 million.

The generated operating result of Sava d.d. was greatly influenced by the profit made at divesting the Rubber Manufacturing division totalling €23.5 million and the profit made in selling the company's fixed assets totalling €5.2 million. A significant positive contribution was due to cost rationalisations, including a continued optimisation of internal organisation and employee downsizing in the company. Sava d.d. made an EBIT of €3.7 million. At the 19th Shareholders' Meeting a resolution was endorsed about decreasing share capital of Sava d.d. to about €25.4 million, which will be taken into consideration in the financial statements after the resolution from the Shareholders' Meeting is entered in the court register.

The operating result of the Sava Group was substantially influenced by the profit of Sava d.d. generated in divesting the Rubber Manufacturing division (€23.5 million). The operating result was reduced by an operating loss of Group's subsidiaries totalling €3.1 million, which is due to the seasonal character of business and was expected for the respective period of the year. A high negative impact in value arose from excluding the past profit of the sold Rubber Manufacturing already considered in the Group in the past years; this decrease amounted to €14.7 million.

Total financial liabilities of Sava d.d. amounted to €229.1 million at the end of March and reduced by €69.4 million with regard to the end of 2012. The amount of total financial liabilities of the Group is lower by €51.1 million and at the end of the first quarter it amounted to €294.5 million.

The key condition for a long-term provision of solvency and liquidity of Sava d.d. and thus a continued implementation of the restructuring strategy is still a final agreement with the banks about a suitable maturity of the company's assets. The umbrella agreement, the so-called term-sheet, which is the basis of the final reprogramming agreement, has already been harmonised between the banks and endorsed by the great majority of the banks' credit boards. We estimate that we are in the final phase of making the agreement on long-term reprogramming for total loan liabilities Sava has.

As a result of the reprogramming agreement and further consistent implementation of the restructuring strategy, the financial position of the company will improve, which is expected to renew shareholder confidence in the business and long-term development of Sava.

At the end of the first quarter, the book value of the Sava share amounted to €32.4, thereby significantly surpassing the levels, which owing to the generally negative economic movements and low liquidity of the Slovene capital market have been formed in the stock exchange market for quite a long time. Its market value moved between €3.4 and €5.4. In comparison with the end of the year the market capitalisation of Sava shares increased notwithstanding the fact that the volume of total market capitalisation in the Ljubljana Stock Exchange dropped during this period.