



## Report by the Supervisory Board 2015

Dear shareholders,

The Supervisory Board of Sava d.d. carefully supervised the operations of Sava d.d. and the Sava Group in the 2015 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 the 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 2015.

Shareholder representatives:

- Miran Kraševac, Chairman
- Robert Ličen, MSc, Deputy Chairman (until expiration of his term of office on 9 June 2015)
- Roman Ambrož
- Miro Medvešek
- Rok Ponikvar
- Matevž Marc, MSc (from 28 April 2014 until his appointing to a temporary Management Board member position on 3 December 2015)
- Aleš Avbreht (from 10 June 2015).

On 9 June 2015, the term of office of a Supervisory Board member Robert Ličen, MSc, expired. At the 21st Shareholders' Meeting of Sava d.d. held on 28 April 2015, shareholders appointed Matevž Marc, MSc, and Aleš Avbreht to the position of Supervisory Board members. In accordance with Article 273 of the Companies Act, Matevž Marc, MSc, was appointed to the position of a temporary Management Board member at the 21st regular Supervisory Board meeting held on 19 November 2015. The resolution on the appointment by the Supervisory Board took effect when the Court pursuant to item 1 of the first par., Article 151.a of the Financial Operations, Insolvency Proceedings and Compulsory Dissolution Act (the ZFFPPIPP Act) gave its consensus to the resolution on 3 December 2015.

Employee representatives :

- Jasmina Kovačič
- Lučka Pogačnik
- Gregor Rovnanšek.

### Activities of the Supervisory Board

In 2015, the Supervisory Board held four regular meetings, which took place on 25 March, 21 May, 27 August and 19 November. Due to the extraordinary events triggered by one of the creditors of Sava d.d., the Supervisory Board met at two extraordinary meetings held on 8 June and 28 October. It especially

concentrated on monitoring the activities associated with a strategic renewal of the Sava Group with emphasis first on the preventive restructuring proceedings and later on the compulsory settlement proceedings.

It made decisions on personnel changes in the Management Board of Sava d.d. At the 21st meeting held on 19 November 2015, the Supervisory Board became acquainted with the proposal by President of the Management Board, Matej Narat, for a consensual termination of his term of office as President of the Management Board of Sava d.d. in accordance with his director's service contract. The Supervisory Board approved of the work of Matej Narat and accepted his proposal for a consensual termination of his term of office as President of the Management Board of Sava d.d. and recalled him from the position of President of the Management Board of Sava d.d. The Supervisory Board appointed Aleš Aberšek to the position of President of the Management Board of Sava d.d. until 31 March 2016. In accordance with the second paragraph of Article 273 of the Companies Act, it appointed Matevž Marc, MSc, to the position of a temporary Management Board member until appointing a new Management Board member or for one year as of the appointment at the most. By doing so, the Supervisory Board ensured undisturbed implementation of the company's management function by the competent Management Board whose role and structure are defined with both external regulations and the provisions of the Articles of Association of Sava d.d. The resolution of the Supervisory Board on the appointment took effect when the Court pursuant to item 1 of the first paragraph of Article 151.a of the ZFFPIPP Act gave its consensus to the resolution on 3 December 2015.

The Supervisory Board was briefed about the activities of Sava d.d. in connection with the steps by BAMC, which seized the shares of Sava Turizem d.d., withdrew its consensus to the preventive restructuring proceedings and, through its communicating within the media, harmed Sava d.d. and its Management Board. The Supervisory Board agreed with the finding by the Management Board that the often repeated statement claiming that Sava d.d. is depleting Sava Turizem d.d., which BAMC attributed to the term of office of this Management Board, does not hold true. The Supervisory Board entrusted the Management Board with the task of introducing all suitable measures and legal remedies to protect the reputation and ensure stability of Sava d.d. and Sava Group's operations as well as equal treatment of all creditors. The Management Board successfully carried out the task. The Supervisory Board was briefed about the proposal by BAMC to transfer the full power for managing debtor's business on the creditor, about the report by the Management Board on substantive statements by BAMC and the planned activities by the Management Board. The Supervisory Board gave its support to the Management Board of Sava d.d. in the continuation of legally coherent activities that lead to the early approval of the financial restructuring plan on Sava d.d.

The Supervisory Board regularly monitored and supervised the operations of Sava d.d. and the Sava Group presented in monthly, quarterly and semi-annual reports. It particularly focused on the operations of Turizem, the present and the future principal generator of profitability and the enhanced value of Sava d.d. and the Sava Group. It reviewed the implementation and results of the measures defined in the Strategic business plan of Sava Turizem d.d. in the field of health care for the period until 2018. The key assumptions defined for Health Care as one of the most promising businesses within Tourism are: orientation to health and medico-wellness tourism to attract a higher number of guests, global integration and cooperation with the European insurance markets, engagement of medical personnel with suitable professional knowledge and experience, and repositioning individual destinations with regard to their products portfolio. It also monitored the procedures in connection with the development plan and disposal of Gorenjska banka, d.d., the major investment of the Finance division.

In addition to the abovementioned, the Supervisory Board in 2015 also dealt with and:

- became acquainted with the report by the audit commission on the 2014 annual report,
- examined and endorsed the audited annual reports of Sava d.d. and the Sava Group for 2014
- adopted the Report by the Supervisory Board on the results of examining the audited 2014 annual report of the company Sava d.d. and the audited 2014 consolidated annual report of the Sava Group,

- became acquainted with the report by the personnel and audit commission for 2014,
- proposed the Shareholders' Meeting to grant discharge from liability to the Management Board and Supervisory Board, thereby approving of their work in 2014,
- proposed the Shareholders' Meeting to elect Matevž Marc, MSc, a new Supervisory Board member of Sava d.d.,
- proposed the Shareholders' Meeting to appoint Deloitte revizija d.o.o. the auditor of the financial statements of Sava d.d. and the Sava Group for 2015,
- adopted the Statement of Compliance with the Corporate Governance Code for Public Joint-Stock Companies,
- appointed Aleš Avbreh a member of the audit commission,
- appointed Matevž Marc, MSc, a deputy chairman of the Supervisory Board of Sava d.d.,
- adopted the Rules of procedures for the audit commission of the Supervisory Board of Sava d.d.,
- confirmed the calendar of Supervisory Board meetings in 2016 and the 2016 financial calendar.

### **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 2015, 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, 20 May, 26 August and 18 November. The meetings were attended by Robert Ličen, MSc, who was the commission chairman until 9 June 2015, when his term of office as Supervisory Board member expired; Roman Ambrož, who was a commission member until 26 August 2015 and afterwards the commission chairman; Aleš Avbreh, who was a commission member from 27 August 2015; a commission member Gregor Rovanišek, 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 2015, when the annual report was adopted, and the Shareholders' Meeting of Sava d.d. in April 2015. The audit commission adopted the internal audit plan for the Sava Group for 2016 and prepared the Rules of Procedure for the audit commission of the Supervisory Board of Sava d.d.

The personnel commission met twice in 2015: on 25 March and 19 November. It consisted of the commission chairman Miran Kraševc, and two members Rok Ponikvar and Jasmina Kovačič. It was briefed about the proposal for a consensual termination of term of office of Management Board's President in accordance with his director's service contract. It proposed the Supervisory Board to consensually terminate his term of office as President of the Management Board. The personnel commission proposed Aleš Aberšek as the new President of the Management Board. In accordance with the second paragraph of Article 273 of the Companies Act, the personnel commission proposed Matevž Marc, MSc, as a temporary member of the Savad.d.'s Management Board. Furthermore, the personnel commission adopted standpoints and actions for rationalisation of management board members and employee number in the company.

## **Independent Auditor's report**

The Supervisory Board was briefed about the auditor's reports and established that the auditors issued qualified opinions for Sava d.d. and the Sava Group.

The auditors presented their views also to the Supervisory Board and participated at the meeting of the Supervisory Board's audit commission.

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

a) Comparative financial statements – financial expenses from impairments:

In 2014, 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 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. Owing to a possible effect of the issue on comparability of data from the period under report and comparative data, the auditor's reports have been modified for 2015, too.

b) Comparative financial statements – deferred tax:

In 2014, the auditor's reports on deferred tax were modified. In 2014, the Management Board impaired deferred tax and the total amount of impairment was recorded in 2014. The auditors were unable to satisfy themselves as to what amount of performed impairment should have been recorded in 2013 and what amount should have been recorded in 2014. Owing to a possible effect of the issue on comparability of data from the period under report and comparative data, the auditor's reports have been modified for 2015, too.

c) Limitation of scope – investment in the associated company:

Until the day of endorsing the financial statements, Sava d.d. has not obtained the information on the equity of the associated company, which is why the equity method was not applied in the consolidated financial statements at 31 December 2015. As per 31 December 2015, the investment was reclassified under short-term assets available for sale. Since the audited financial statements of the associated company were not available, the auditors were unable to satisfy themselves as to what effects would have arisen from applying the equity method until the day of reclassification.

The auditors explained that assets and liabilities of the controlling company Sava d.d. and the Sava Group at 31 December 2015 were suitably presented. As to its substance, the qualified opinion refers to auditors' inability to satisfy themselves as to the effects of applying the equity method, which, however, would not change the finally shown value of investment in Gorenjska banka.

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 associated with resolving the initiated denationalisation claims is 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 auditors have 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 adopted by the EU.

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

The work of both bodies and their mutual cooperation was carried 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 the Management Board of Sava d.d. provided suitable information regularly and timely in 2015, 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 activities associated with the preventive restructuring and compulsory settlement proceedings. The Supervisory Board members were well prepared for the meetings; they participated constructively and adopted decisions for the benefit of the company. A legal expert, lawyer Blaž Strojani, MSc, was invited to participate in certain meetings to offer his professional assistance in dealing with, deciding on and adoption of resolutions in connection with certain procedures.

Considering the starting position of Sava d.d. in 2015, prior to adopting the restructuring strategy for the Sava Group in 2011, and the steps made by DUTB d.d. (BAMC) with reference to the preventive restructuring and compulsory settlement proceedings in 2015, 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 2015, which combined with the optimisation of operating costs at Sava d.d. and regular fulfilment of all commitments arising from the preventive restructuring and compulsory settlement proceedings enabled filing of the consensually adopted financial restructuring plan in the compulsory settlement proceedings at the beginning of 2016 and Tourism's record results in 2015 at the same time. The Supervisory Board is thus of opinion that a successful implementation of the compulsory settlement proceedings presents the crucial step towards 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 2015**

At its 24th meeting held on 24 March 2016, the Supervisory Board dealt with and endorsed both annual reports for 2015 in the presence of a certified auditor.

The Supervisory Board gives a positive opinion on the reports by the independent auditor on the financial statements of Sava d.d. and the Sava Group, and endorses without any remark the annual report of Sava d.d. for 2015 and the consolidated annual report of the Sava Group for 2015.



Miran Kraševc

Chairman of the Supervisory Board

Ljubljana, 24 March 2016