



CROATIA osiguranje d.d.
Miramarska 22, Zagreb
Republic of Croatia

SECURITIES: CROS-R-A/ HRCROSRA0002
CROS-P-A/ HRCROSPA0004

LISTING: Official market of the Zagreb Stock Exchange

**CROATIAN FINANCIAL SERVICES
SUPERVISORY AGENCY**
Miramarska 24b
10 000 Zagreb

**ZAGREBAČKA BURZA d.d. (THE ZAGREB
STOCK EXCHANGE)**
Ivana Lučića 2a
10 000 Zagreb

HINA-OTS

In Zagreb, 23 May, 2014

Opinion of the Management Board of CROATIA osiguranje d.d. on the Takeover Bid

Pursuant to the provision of Article 41 of the Act on Takeover of Joint-Stock Companies (Official Gazette no. 109/07, 36/09, 108/12, 148/13), we hereby deliver to you, enclosed, the Opinion of the Management Board of CROATIA osiguranje d.d. on the Takeover Bid of ADRIS GRUPA d.d. Opinion of the Management Board is also delivered to the Official Gazette for purpose of publication.

Marketing and Corporate Communications Department
CROATIA osiguranje d.d.

Responsible persons:

Management Board secretary
Igor Pernar
(signed)

Treasury Director
Ivana Đerek
(signed)

(Stamp of Croatia osiguranje d.d.)

Additional information: Marketing and Corporate Communications Department
Telephone: 01/633 2323, e-mail: izdavatelj@crosig.hr



MANAGEMENT BOARD OF THE COMPANY

Zagreb, 23 May 2014

Number: 6389/2014

**Croatian Financial Services
Supervisory Agency**

**Zagrebačka Burza d.d. (The Zagreb
Stock Exchange)**

**Narodne novine d.d. (Official
Gazette)**

OPINION

of the Management Board of CROATIA osiguranje d.d. on the Takeover Bid of ADRIS GRUPA d.d.

On 13 May 2014, at the web site of the Zagreb Stock Exchange, a notice was published on the bid of ADRIS GRUPA dioničko društvo za upravljanje i ulaganje (joint stock company for management and investment), with seat in Rovinj, Vladimira Nazora 1, registered at the Commercial Court in Rijeka – permanent attendance in Pazin, under the Company's registration number ("MBS"): 040001061, PIN ("OIB"): 82023167977 (hereinafter: Bidder), for the takeover of the company CROATIA osiguranje d.d., with seat in Zagreb, Miramarska 22, registered at the Commercial Court in Zagreb under the Company's registration number ("MBS"): 080051022, PIN ("OIB"): 26187994862 (hereinafter: Target Company, Company)

Publishing of the Bid was approved by means of a Decision of the Croatian Financial Services Supervisory Agency, class: UP/I-45I-04/14-10/12, file number: 326-772-14-7 of 9 May 2014.

Pursuant to Article 41 of the Act on Takeover of Joint Stock Companies (Official Gazette No. 109/07, 36/09, 108/12, 148/13, hereinafter: the Act), the Management Board of the Target Company (hereinafter: the Management Board) hereby publishes its Opinion on the Bid, supported by explanations.

1) Opinion on the type and amount of the offered remuneration

The Bidder undertook to pay to all the shareholders of the Target Company the amount of HRK 7,412.25 (say: seven thousand four hundred and twelve Kuna and twenty-five Lipa) per share.

In Article 16 the Act prescribes the lowest price which may be offered in a takeover bid, so the price in a takeover bid may not be lower than the highest price at which the bidder and persons acting in concert with the bidder acquired the voting shares in the period of one year prior to the day of the occurrence of the obligation to publish a takeover bid. Where the average price of shares reached on regulated market is higher than that price, the price offered shall be higher. The average price is calculated as a weighted average of all prices reached at the regulated market in the last three months prior to the occurrence of the obligation to publish a takeover bid, counting from the day preceding the day of the occurrence of the obligation.

Given that the Bidder, by means of the Agreement on the Purchase of Shares in the Company CROATIA osiguranje d.d. of 6 March 2014 (a) acquired 112,110 ordinary shares of the Target Company at the price of HRK 7,412.23 per share, (b) undertook, by means of the same Agreement, to increase the share capital of the Target Company by 113,349 shares at the price of HRK 7,412.25 and (c) that the average price of shares of the Target Company achieved on the stock exchange in the last three months prior to the occurrence of the obligation to publish a takeover bid amounted to HRK 7,131.53 per ordinary share of the Target Company and HRK 7,138.36 per preference share, the offered price of HRK 7,412.25 per share is in accordance with the Act.

In accordance with the data of the Zagreb Stock Exchange, in the period between 13 November 2013 and 13 November 2014 total trading with ordinary share CROS-R-A amounted to HRK 46,574,451, realized through 708 transactions with total of 6570 shares. Average price per share amounted to HRK 7,088.96, while the volume weighted average price amounted to HRK 7,098.01. Both values are lower than the Bidder's Bid.

In the same period trading with preference share CROS-P-A amounted to HRK 2,847,730, through 114 transactions with total of 403 shares. Average price per share amounted to HRK 7,066.33, while the volume weighted average price amounted to HRK 7,073.05. Both values are lower than the Bidder's Bid.

In accordance with the above said, the Management Board is of the opinion that the offered price is appropriate if one considers the price of previous acquisition of shares, weighted price in the previous three months, as well as the price movement and liquidity of share in the last 12 months.

It should be specially emphasized that the opinion of the Management Board on the type and amount of the offered remuneration does not represent investment advice for the shareholders and that the shareholders should make their own judgement.

2) Opinion on the Bidder's intentions regarding future business activities of the Target Company

In its Bid, the Bidder pointed out its intention was to optimize business activities of the Target Company and, by doing so, increase the value of shares.

The Bidder intends to implement improvements in the organization in order to achieve the realization of its full potential, both in terms of revenue and in terms of expenditure. That will be achieved by introducing clear lines of responsibility, strong focus on sales and management of

network of branch offices and sales channels, more responsibility for product development and profitability and by creating of logical and efficient claims handling procedures, fraud control and administrative processes in support of sales. In addition to that, the plan is for the Target Company to employ new staff and become the most attractive employer in the insurance industry. The Bidder's intention is to expand in the region with the end-objective to become the leading insurance company in the region.

Stated objectives of the Bidder are in accordance with the Management Board's view on necessary changes and improvements of business operations. Bidder's intentions are achievable and they will improve operating efficiency and profitability. Therefore, a positive effect on the Company's business is expected, as well as the satisfaction of its insured clients with services provided.

For the analysis of the Bidder's intention it is also important to know that by means of a Purchase Agreement between the Republic of Croatia and the Bidder, the latter undertook to implement capital increase in the Target Company in the total amount of HRK 840,171,090. The Management Board believes that capital increase in such a significant amount is a good indicator of the intention of further development of the Company and it will create financial prerequisites for successful implementation of strategic and operational objectives.

Upon the takeover, the Target Company will become part of the Bidder's corporation. The Management Board believes that this fact will have a limited positive effect on the Company's business operations.

In conclusion, the Management Board is of the opinion that the Bidder's intentions regarding future business activities of the Company are in the interest of the Company, its shareholders and employees and it considers them positive.

3) Opinion on Bidder's strategic plans regarding the Target Company and possible consequences of implementation of such plans on employment policy and legal-employment status of the employees in the Target Company, as well as on the possible changes related to places where the Company conducts its business activities

It was stated in the Bid that the Target Company has been realizing negative result from its primary activity and that there is room for improvement in the business activities. A significant decrease in operating costs can be achieved through reorganization and centralization of support tasks and through standardization and automation of part of business activities.

When it comes to the future status of employees of the Target Company, the Bidder shall act with their best interest in mind, while respecting legal regulations. The rights of employees will remain on the same, high level.

Management Board believes that the Company operates in a challenging business environment. Namely, the Republic of Croatia has been in economic recession for six years, which has led to a decrease in economic activities, record unemployment rate and decline in purchasing power. In addition, the insurance sector is faced with significant changes in regulations. Liberalization of the motor liability insurance market just took place and very soon we can expect the application of new regulatory rules for capital and risk management (Solvency II). Furthermore, the Management Board believes that the trend of negative result from primary activity is unsustainable and that it is necessary to implement appropriate measures in order to achieve a positive result. Given that the Bidder's proposed strategic plans acknowledge this problem and that the measures of operating costs decrease proposed by the Bidder are in line with the best practice applied in the world, the Management Board believes that their implementation will have a positive effect on the Company.

Employment policy and the matter of legal-employment status of employees are part of policy of human resources management, which is important for successful business operations of the Company. Since the Bidder emphasized its devotion to development of its employees and to treating them responsibly, the Management Board believes that the implementation of strategic plans will enable further development of employees and will not endanger employees' rights. The Bidder has not, either directly or indirectly, announced any changes related to places where the Company conducts its business activities, so no changes are expected regarding the matter.

Upon the takeover the Target Company will become part of the Bidder's corporation. the Management Board is convinced that the Bidder considered that fact in the making of strategic plans and that it will not affect them additionally.

In conclusion, the Management Board expects that the strategic plans will have a positive effect on the business activities of the Target Company, that they will strengthen its market position and that the takeover will not in any way jeopardize employees' rights.

4) Declarations of members of the Management Board regarding their attention to accept or refuse the Bid

Members of the Management Board are not shareholders of the Target Company.

5) Declarations of members of the Management Board on the existence of their Agreement with the Bidder regarding the Takeover Bid, as well as on the contents of such an Agreement, if any

The Management Board of the Target Company has no agreements with the Bidder regarding the Bid.

Prior to the publication of this Opinion the Management Board of the Target Company presented it, within the time period foreseen by Article 41, paragraph 2 of the Act on Takeover of Joint Stock Companies, to the employees' representative, to the president of the Industry-Wide Union of Employees in Insurance Sector in Croatia and it did not receive any opinions pertaining to this Opinion within the time limit provided by law.

Member of the Management Board
Andrej Koštomaj
(signed)

Member of the Management Board
Nikola Mišetić
(signed)

Member of the Management Board
Sanel Volarić
(signed)

Stamp of CROATIA osiguranje d.d.

SPP
1. ČŽ *(signed)*

SPP
3. GB *(signed)*