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INTERNATIONAL FINANCE CORPORATION

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FASCIMILE TRANSMITTAL FORM

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TO:	**Mr. Janez Bohoric, President &** **Mr. Franc Balanc, Vice President - Finance** Sava Kranj Kranj, Slovenia.		
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Dear Janez and Franc,

1. I understand that page 8 of my telefax dated January 29th., was missing. I am therefore re-transmitting the entire document.

2. I completed the telefax quite late last night and on re-reading it again this morning, there are a few points that I thought I should add. Particularly as we will not have an opportunity to talk before your meeting with the Supervisory Board.

3. Concerning the Conti exit price assumed in the draft Counter-proposal, I have used US$28 million because (a) it corresponds to the net book value of the Sava Semperit assets, (b) it also corresponds to the NPV (at a 15% discount rate) of the existing business on an historical performance basis and (c) since Sava has still not commissioned a valuation from an independent party, I have no better alternative.

4. On re-reading my January 29 telefax, I did not address the issue of what is in the best interests of Sava shareholders, the Company, the employees and Slovenia. In particular, why Sava should contemplate sale to Goodyear and what may be the minimum acceptable price. Both questions are of course for the Management and Supervisory Boards to determine. However, let me provide some thought starters.

5. First, it is important that Sava view this as a package deal - tires and engineered products. Sava's existing artificial leather, V-belt and air spring operations clearly offer limited potential and without the support of a major player, with technology and market access, their medium term future, and that of the 500 people employed by them, is bleak. Despite repeated efforts, it appears Conti has no appetite to develop any collaborative effort with Sava's technical product activity. Goodyear on the other hand

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is clearly determined to become a major player in the European engineered product market. They have the technology, market access and the funds to achieve their objective. Sava can be a part of that growth and secure a long term future for 500 people who may otherwise lose their jobs.

6. As for the tire business, Conti has already demonstrated that it is a less than reliable partner. It has its own problems, is not cash rich and, if the Goodyear deal falls through, Sava could be faced with the same deal as was tabled in February 1995. Conti itself may end up merging with or being taken over by a third party. In this context, Sava may actually become surplus to Conti's wider European tire strategy. Whatever happens, it seems to me that in Goodyear one has a partner that is cash rich, a true multi-national operator and growing. By comparison, Conti is fighting for its very survival.

7. The Goodyear proposal also affords Sava much wider market access and the chance to develop the Sava brand name in Europe with the commensurate security of employment, export earnings and a tax base.

8. As to the minimum acceptable price for the two businesses, I would point to what Sava is presently able to achieve with its existing arrangements. The existing engineered products activities do not warrant, on a purely financial basis, the continued employment of the assets in the business. If the land and building values provided to me are anywhere near accurate, you would be financially better off selling the buildings rather than continue the existing activities. Therefore, even if Goodyear were not to increase its offer one cent beyond their October 1996 offer (US$12.5 million for 75%), you would be better off accepting it.

9. As for the tire business, I would again refer you to Sava's existing performance. The trading patterns and resulting financial performance have, with the exception of FY1995, been very consistent. At a discount rate of 15% - which is probably reasonable - 100% of the tire business is worth about US$95 million. Maximum US$100 million, of which Sava is entitled to 72% - US$1 million per one percent of share ownership. Sava has, for the purposes of negotiation, developed its own Status Quo business plan which shows a substantially higher potential value. However, it is very easy to "play" with numbers and if we are not careful we end up actually believing the unbelievable. Unfortunately, punching numbers into a computer and writing strategies does not deliver cash. As much as we would all like to believe that the Status Quo business plan is achievable, without the infusion of the technical, market and management muscle that a Goodyear brings to the table, I think it doubtful Sava could significantly improved its performance beyond present levels. Therefore, any price above US$1 million per one percent shareholding would be worth considering - providing you get downside protection on the Conti take out. In fact the original Goodyear offer (revised to reflect changes in utility costs, the effective tax burden and debt funding of net working capital) works out to c.US$1.2 million per one percent of shareholding. Therefore, as with the Engineered Products JV, even if Goodyear were

not to increase its original (offer other than to recognize the revisions), you would be better off accepting it.

10. Ultimately, I believe Goodyear offers Sava, its employees, the community and Slovenia a better long term future than the present arrangements.

Best regards,

John Clarke