

Material to item 3 of the agenda:

**LUKA KOPER, d.d.
Management Board**

**Report on legal proceedings against former members of the management board and
supervisory board**

(30th General Meeting of Shareholders of the company LUKA KOPER, d.d.)

CONTENTS:

1. INTRODUCTION	3
2. IMPLEMENTATION OF THE SHAREHOLDERS' MEETING RESOLUTION.....	3
3. PENDING DISPUTES	6
3.1. TTI CASE.....	6
3.1.1. Legal action against the former supervisory board members	6
3.1.1.1. Development of the proceeding	6
3.1.1.2. Time projection.....	6
3.1.1.3. Assessment of success potential	7
3.1.2. Legal action against the former management board members	7
3.1.2.1. Development of the proceeding	7
3.1.2.2. Time projection.....	7
3.1.2.3. Assessment of success potential	7
3.1.3. Costs	7
3.1.4. Management of conflict of interests	7
3.2. WAREHOUSE SURFACES FOR VEHICLES CASE.....	8
3.2.1. Development of the proceeding.....	8
3.2.2. Time projection	8
3.2.3. Assessment of success potential.....	8
3.2.4. Costs	9
3.3. ECO COMPANIES CASE	9
3.3.1. Development of the proceeding.....	9
3.3.2. Time projection	10
3.3.3. Assessment of success potential.....	10
3.3.4. Costs	10
4. CONCLUDED DISPUTES.....	11
4.1. LUNA CASE.....	11
4.1.1. Development of legal proceeding	11
4.1.2. Costs	11
4.2. PASSENGER TERMINAL CASE	11
4.2.1. Development of legal proceeding	11
4.2.2. Costs	12
4.3. PIER I CASE	12
4.3.1. Development of legal proceeding	12
4.3.2. Costs	12
5. CONCLUSIONS.....	13
5.1. STATUS.....	13
5.2. COSTS	13
5.3. ECONOMIC EXPEDIENCE OF PROCEEDINGS.....	13

1. INTRODUCTION

On 1 June 2018, the Management Board of the company Luka Koper, d.d. (in the following text: Company) received a counter proposal of the Slovenian Sovereign Holding (in the following text: SDH) with ref. no. 2018-2591, dated 29 May 2018, containing SDH's request to expand the agenda of the Company's 30th General Meeting of Shareholders with an additional item. By referring to the provision of Article 298 of the Companies Act (ZGD-1), under item IV of the aforementioned counter proposal, SDH in its capacity as submitting party requested to expand the existing agenda with a new item »3. Report on legal proceedings against former members of the management board and supervisory board« and proposed that the General Meeting of Shareholders adopts the resolution: »The General Meeting of Shareholders is acquainted with the written Report on legal proceedings against former members of management board and supervisory board«.

Based on the request of the submitting party, the Company's Management Board herewith releases the report on legal (i.e. judicial) proceedings brought against the former members of the Company's management board and supervisory board and, pursuant to the provision of Article 305 of the Companies Act, submits this report as material to item 3 of the agenda proposed for the 30th General Meeting of Shareholders of the Company.

2. IMPLEMENTATION OF THE SHAREHOLDERS' MEETING RESOLUTION

At its session held on 20 March 2009, the Company's General Meeting of Shareholders resolved to appoint a special auditor in charge of reviewing the conduct of all Company's business operations performed over the past five years. Based on this, the company Pricewaterhouse Coopers d.o.o. from Ljubljana (based at Cesta v Kleče 15, 1000 Ljubljana) was appointed special auditor and released a Report on Special Audit of Luka Koper d.d. on 10 December 2009, available on SEONET website (URL: http://seonet.ljse.si/default.aspx?doc=SEARCH&doc_id=41582). The cost of special audit amounted to approx. 400,000 euros.

Most of the findings from the Report on Special Audit referred to the activities of the former management board in the sphere of construction projects and financial investments which increased substantially in the years 2007 – 2008, were financed from a mixture of short-term and long-term loans which caused the increase of the Company's borrowing. Many of the investments mentioned above were not sufficiently studied and analysed, and they were not reasonable from a business perspective. In addition, the former management board did not consider the required authorisation procedures or obtained the necessary approvals concerning the investment activities.

Considering the above and based on the report of the special auditor Pricewaterhouse Coopers d.o.o., the general meeting of shareholders which was held on 19 July 2010 resolved with the 99.949% majority of votes to bring actions for the compensation of damages suffered by the Company as a result of infringement of duties by the Company's management- and supervisory bodies in their implementation of determined business operations, with the following wording:

»Pursuant to Article 327 of the Companies Act and based on the presented Report on Special Audit of Luka Koper d.d., the Amendment to the Report on Special Audit in Luka Koper d.d. and Consolidated Report of Special Audit of Luka Koper, d.d. dated 20 April 2010, as released by the audit company Pricewaterhouse Coopers, d.o.o., Cesta v Kleče 15, Ljubljana, the Company's management board, in its capacity as diligent and conscientious manager, shall examine and determine within six months from the date of the general meeting of shareholders, the existence of elements of liability for damages and shall bring an action against the members of the management board and/or supervisory board for the compensation of damages occurred in the management of determined Company's operations due to the breach of duties by the management- and/or supervisory board with regard to business operations stated in the resolution no. 4 (four) adopted at the general meeting of shareholders on 20 March 2009, related to:

- disposal of all capital investments over the past five years,

- construction of new business premises,
- purchase and demolition of warehouses at the passenger terminal in Koper,
- purchase of real estate in BTC Terminal Sežana and Orleška gmajna in Sežana,
- business operations with Premik-net, Grafist and B.R.I.L.,
- elaboration of project documentation for the bulk cargo terminal roof,
- purchase of share in the Slovak company TT Invest,
- establishing and crediting of all new companies established over the past five years,
- cost-reasonableness of purchase of coastal cranes for the extension of Pier 1,
- cost-reasonableness of purchase of all real estate over the past five years,
- cost efficiency of investment management,
- justification of down payments and release of vessels owned by the companies Pašnjak, d.o.o. and H/J Shipping Malta Ltd.,
- construction of the Ankaran road entrance.«

In order to implement the resolution of the general meeting of shareholders adopted on 19 July 2010, the Company executed the agreements on legal consulting and representation with the law firm Odvetniška pisarna Miro Senica in odvetniki o.p., d.o.o. (hereinafter: Law firm Senica) and with the law firm Čeferin in partnerji o.p., d.o.o. (hereinafter: Law firm Čeferin). The aforementioned law firms examined all cases of infringement of duty by the former members of management board led by Robert Časar and by the former members of the supervisory board, and from among the cases stated in the resolution of the shareholders' meeting, they brought actions on behalf of the Company as injured party.

Before filing the lawsuits, the law firms Senica and Čeferin elaborated a report in which they indicated individual controversial business operations as resulting from the findings of the report of the audit company Pricewaterhouse Coopers d.o.o. and expressed their standpoint concerning the liability for damages of the former members of the Company's management- and supervisory board. Based on this, the Company brought actions only in relation to six matters where the existence of liability for damages was stated. The price of external legal consultants for their assessment of Company's success in judicial proceedings amounted to approx. 50,000 euros.

In relation to the identified six compensation cases, the authorised law firms Senica and Čeferin brought two actions. The first action, filed on 24 September 2010, was brought against the former management board members and supervisory board members in the matter »Purchase of 10% share in the company TTI (claim the compensation in the amount of 19,630,000.00 euros). The District Court in Koper subsequently dissolved (i.e. split) the action so that the claim against the former management board members and the claim against the former supervisory board members were treated separately, meaning that two commercial disputes emerged from originally one dispute. After eight years, both disputes are still before the Court of First Instance.

The second action (i.e. lawsuit) was filed only against the former members of the management board (and not against the members of the supervisory board) with regard to the following matters: the warehouse surfaces for vehicles, purchase and demolition of warehouses at the passenger terminal in Koper, purchase of the »Luna« building in Sežana, extension of Pier I and transaction related to the Eco companies (amounting together to 12,983,381.76 euros). The District Court in Koper dissolved the claims so that the compensation claims against the former members of the management board were treated separately, namely:

- Claim against the former management board, case no. I Pg 666/2010, for the payment of 5,048,434.48 euros **(Warehousing area for vehicles),**
- Claim against the former management board, case no. I Pg 562/2013, for the payment of 4,809,496.64 euros **(Eco companies),**
- Claim against the former management board, case no. I Pg 560/2013, for the payment of 969,566.00 euros **(purchase of real estate on plot of land no. 3745/375, cadastral community Sežana, Luna),**
- Claim against the former management board, case no. I Pg 559/2013, for the payment of 1,454,431.00 euros **(Passenger Terminal),**

- Claim against the former management board, case no. I Pg 561/2013, for the payment of 701,453.64 euros (**Pier I**).

Therefore, based on this lawsuit five separate, i.e. independent commercial disputes emerged. Two of them are still pending whereas three are concluded and final.

3. PENDING DISPUTES

3.1. TTI CASE

3.1.1. Legal action against the former supervisory board members

3.1.1.1. Development of the proceeding

The law firms authorized to represent the Company brought an action for the compensation of damages incurred by the Company on the acquisition of a 10% share in the company TTI against the former Company's supervisory board members MARJAN BEZJAK, ORJANO BAN, BORIS BRADAČ, OLGA FRANCA, METOD MEZEG, NEBOJŠA TOPIĆ, MARKO VALENTINČIČ and BOJAN ZADEL. The amount of the claimed compensation equals the difference between the settled purchase price and the actual value of the share in TTI.

The action for damages is based on the findings from which it emerges that the defendants, in their capacity as supervisory board members, did not act with the diligence of a conscientious and fair managers while agreeing with the purchase price for the acquisition of 10% share in TTI which was not based on an adequate appraisal of the company's value. The plaintiff bases its findings on the fact that the decision of the supervisory board, as presented at the relevant shareholders' meeting, was based on inadequate and insufficient information and that while resolving whether to grant their consent for the acquisition of a 10% share in TTI at the price of 25,800,000.00 euros, the supervisory board member failed to act with due professional care. The legal basis of the claim is founded on the provision of Article 263 of the Companies Act (ZGD-1).

The litigants submitted several preparatory applications in the court record, and a series of hearings was held where witnesses and litigants were examined by the Court.

The hearings were concluded on 25 September 2017, and on 17 October 2017, the Court passed a judgement in case no. I Pg 665/2010 in which it rejected the entire plaintiff's claim and imposed to the plaintiff to settle the litigation costs of the defendants. An appeal was lodged against the judgement based on all grounds of appeal whereby the plaintiff contested above all the mistake in application of substantive law as a consequence of wrong estimate of evidence.

On 1 March 2018, the High Court in Koper delivered an order with ref. no. I Cpg 4/2018 in which it found for the plaintiff and referred the case back to the Court of First Instance for consideration. In its order, the High Court established the unlawful acting by the Company's supervisory board in its adopting of decision concerning the acquisition of a share in the company Trade Trans Invest, Slovakia and stated an incorrect application of substantive law in Articles 263 and 281 of the Companies Act. According to the opinion of the High Court, the identified conduct was contrary to the obligations of the supervisory board, therefore, the unlawfulness as assumption of liability for damages has been proved. Namely, based on the opinion stated in the appeal, the members of the management- and supervisory board cannot exculpate themselves of responsibility by referring to the value assessment made by Deloitte because certain valuation limitation (assumptions) were clearly stated in the appraiser's report.

The last procedural step in the rehearing of the case with case no. Pg 75/2018 has been the request of the District Court addressed to the plaintiff to file all required documentation, so that the Court can approach the estimation of advance payment to be made to the court expert.

3.1.1.2. Time projection

In accordance with the instructions of the High Court, in the rehearing of the case the Court will have to establish whether the assumptions which served for the acceptance of the purchase price were appropriate and if they were appropriate, to what extent. While acting so, the Court will have to originate from concretely established unlawful conduct – especially in relation to the question of synergies. The estimate of duration of the litigation depends on eventually lodged appeals. Considering that the case is treated before the Court of First Instance, it is reasonable to expect that the proceedings will continue until the end of the present year.

3.1.1.3. Assessment of success potential

By considering that the conduct of former members of the supervisory board was finally determined as unlawful, according to the expert assessment of the European Centre for Dispute Resolution (author of assessment was Mr. Janez Testen) and based on expert assessment of the Law Firm Čeferin, there is more than a 50% chance for success on a matter of substance. The further judicial proceedings will mainly be based on the proving of damages and the related amount of compensation claim.

3.1.2. Legal action against the former management board members

3.1.2.1. Development of the proceeding

With its order passed on 12 January 2017, the Court resolved to treat separately the claim from the overall action for the payment of compensation in the amount of 19,630,000.00 euros and additional sums against the former management board composed of ROBERT ČASAR, ALDO BABIČ, MARJAN BABIČ and BORIS MARZI. Therefore, this proceeding is kept as case no. I Pg 13/2017.

This compensation proceeding is suspended for the duration of criminal proceedings with case no. I K 55179/2012.

3.1.2.2. Time projection

The duration and termination of the proceeding depends on when the decision in the criminal proceeding will become final. At the moment, the criminal proceeding is in the phase of final indictment and it is estimated that it will last at least two more years.

3.1.2.3. Assessment of success potential

By considering the established unlawful conduct of the members of the supervisory board, the probability that the Court will establish the unlawful conduct of the management board too is considerably higher. Therefore, the Company has more than a 50% chance for success in the judicial proceedings.

3.1.3. Costs

On the day this report is released, the Company has already settled approx. 275,000 euros of court costs (court fees, advance payments) and 280,000 euros of legal costs (attorney's costs) in the course of the two judicial proceedings in the TTI case against the members of the former management- and supervisory board. The total cost therefore amounts to 555.000 euros.

In the course of further proceedings, i.e. until the Court decision becomes final, the company Luka Koper d.d. will incur approx. 21,000.00 euros of additional attorney's costs. Compared to similar judicial proceedings, it is reasonable to expect that the Company will incur also the cost of court experts amounting to max. 50,000.00 euros.

3.1.4. Management of conflict of interests

At the time when the action was brought, five defendants were employed with the Company. On the day when the present report is issued, only four of them are still employed with the Company; the employment of one employee (i.e. former member of the management board) terminated already in 2011.

The two former members of the management board were allocated to other positions within the Company where they no longer held any powers and could not exert any influence on colleagues and external collaborators involved in judicial proceedings. The same approach was applied by the Company in relation to the former supervisory board members against which judicial proceedings are conducted in relation to the acquisition of a 10% share in TTI.

In 2014, one of the three former supervisory board members who were also employed with the Company, was appointed to the management function in the Company and was conferred powers. This person still performs his function. With this regard, at its 2nd meeting held on 12 October 2017, the audit committee of the newly elected Company's supervisory board adopted the following resolution no. 36:

The audit committee calls on the management board to elaborate a risk management report on the management of the risk of cooperation with defendants and to present a system for the management of the risks involving cooperation with persons with whom the Company is involved in judicial proceedings or in similar disputes."

3.2. WAREHOUSE SURFACES FOR VEHICLES CASE

3.2.1. Development of the proceeding

In the judicial proceeding no. I Pg 666/2010, I Pg 31/2016 before the District Court in Koper the claim for joint and several payment of compensation in the amount of 5,048,434.48 euros and additional sums has been enforced against the former management board members Robert Časar, Aldo Babič, Marjan Babič, Pavle Krumenaker and Boris Marzi due to damages suffered by the Company as a result of their non diligent and negligent conduct while executing the lease agreement, the waste repository agreement and the consequences related to them (financial penalties for illicit construction on plots of land of the City Municipality of Koper).

The litigants submitted several preparatory applications in the court record, and a series of hearings was held where witnesses were examined by the Court. On 12 September 2014, the Court of First Instance passed a judgement and resolved that the defendants Robert Časar and Aldo Babič are jointly and severally liable for the payment of compensation in the amount of 680,000.00 euros together with the statutory default interest to the company Luka Koper, d.d. As for the remaining amount of 4,368,434.48 euros together with statutory default interest, the Court rejected the claim against Robert Časar and Aldo Babič. The claim against Marjan Babič, Boris Marzi and Pavle Krumenaker was entirely rejected by the Court of First Instance. The Company lodged an appeal against the judgement, so did also Robert Časar and Aldo Babič.

On 26 March 2015, the High Court in Koper passed a judgement whereby it granted the appeal of Robert Časar and Aldo Babič and rejected the claim for payment of 680,000.00 euros and additional sums. In addition, the High Court rejected the Company's appeal regarding the remaining part of the claim.

The Company applied for review of High Court's decision at the Supreme Court and on 9 December 2015, the Supreme Court of the Republic of Slovenia passed a judgement and its decision thereon. The Supreme Court annulled the judgement of the Court of Second Instance in the part referring to the payment of 680,000.00 euros with statutory default interest by Robert Časar and Aldo Babič and returned the case to the Court of First Instance for rehearing.

In the proceeding before the Court of First Instance, the claim for the payment of compensation in the amount of 4,368,434.48 euros together with statutory default interest by Marjan Babič, Boris Marzi and Pavle Krumenaker was finally rejected whereas the repeated judicial proceedings for the payment of 680,000.00 euros by Robert Časar and Aldo Babič is still pending.

In 2017, the Court ordered expert opinions and for this purpose, it appointed the court experts for transports & port activity and an expert of finance.

The Company filed a constitutional complaint against the rejected part of the compensation claim, on which the Constitutional Court has not resolved yet (the case is dealt with by the Constitutional Court under case no. Up-178/16).

3.2.2. Time projection

On the day this report is released, the proceeding is still pending. The case is again before the Court of First Instance where court experts from the field of finance and transports & port activity are preparing their expert opinions. It is expected that once the expert opinions are released, the litigants will submit their comments, the Court will examine the court experts and subsequently pass its judgement.

3.2.3. Assessment of success potential

Providing that in relation to the remaining part of the claim for the payment of 4,368,434.48 euros, the Constitutional Court grants the Company's constitutional appeal and returns the case for rehearing, the Court of First Instance will decide again also with regard to this part of the claim, which means that in such a case, the Court's decision will be issued not earlier than in 2019.

We estimate that in the course of rehearing the company Luka Koper, d.d. has more than a 50% chance of success in relation to its claim for 680,000 euros, as it was also confirmed by the law firm Senica.

3.2.4. Costs

On the day this report is released, the Company has already settled approx. 150,000 euros of court costs (court fees) and approx. 250,000 euros of attorney's fees. So far, the costs registered by the Company totalled approx. 400,000 euros.

For the settlement of litigation costs incurred by the defendants in litigations where Luka Koper, d.d. did not succeed, approx. 280,000 euros were paid to the defendants. At the moment, the total financial burden of this case amounts to approx. 680,000 euros.

In the further course of proceeding, i.e. until the judgement of the Court of Second Instance becomes final, the Company is expected to incur approx. 20,000.00 euros of legal costs whereas additional costs will emerge if the Company's constitutional complaint is granted in the course of eventually repeated proceeding.

3.3. ECO COMPANIES CASE

3.3.1. Development of the proceeding

In the legal proceeding with case no. I Pg 562/2013 and I Pg 581/2015 (repeated proceeding) against the former members of management board (Robert Časar, Aldo Babič, Marjan Babič and Boris Marzi) the Company enforced a claim before the District Court in Koper for the joint and several payment of compensation in the amount of 4,809,496.64 euros and additional sums for the damages suffered by the Company as a result of defendants' conduct in relation to unlawful and economically unjustified conversion of loans granted to the Eco companies to equity (i.e. loan-to-equity) of the same companies, as well as in relation to unlawful and economically unjustified taking over of additional liabilities in the solar power plant construction project and oily-water treatment project implementation.

The litigants submitted several preparatory applications in the court record, and several hearings were summoned as part of the main hearings where witnesses were examined by the Court. The District Court in Koper passed a judgement and issued a resolution whereby it stopped the proceeding for the payment of 220,000.00 euros (by taking into account that in the course of civil procedure, the company Luka Koper, d.d. sold its share in the company Ecoporto d.o.o. against payment of 220,000 EUR by thus reducing the amount of suffered damages, and abandoned this part of the claim), whereas in the remaining part the Court entirely rejected the Company's statement of claim.

Based on the Company's appeal, the High Court partly reversed the challenged judgement in the part referring to the payment of 597,528.00 euros and returned the reversed part of the case for rehearing.

The Company lodged a revision in relation to the judgement of the High Court which rejected the statement of claim. Based on it, the Supreme Court of the Republic of Slovenia resolved that the judgments passed by the Courts of First and Second Instance be reversed and returned the case for rehearing to the Court of First Instance on grounds that according to the Supreme Court of the RS (i) the Court of Appeal failed to test whether the Court of First Instance correctly applied the substantive law with regard to the so-called free judgement rule and (ii) because the Court of First Instance unclearly and incorrectly delimited what falls within the scope of free judgement rule and what is the subject-matter of the judgement as stated in the provision of Article 263 of the Companies Act (Diligence and Responsibility of Management Board- and Supervisory Board Members).

Based on this, the Court of First Instance will again decide on the compensation claim in which, pursuant to the judgement of the Supreme Court of the RS, it will have to analyse the decision-making process of the management with regard to concrete legal transactions and assume its standpoint regarding the (in)balance of contractual arrangements in relation to the Eco companies.

3.3.2. Time projection

On the day this report is released, the case has not been adjudicated yet. The compensation claim is dealt with by the Court of First Instance which will require again the taking of evidence, at least to some extent, and the litigants will have the right again to appeal against the judgement of the Court of First Instance. Therefore, in light of the above considerations, it is not realistic to expect that the civil procedure will become final soon.

3.3.3. Assessment of success potential

By considering the position of the Supreme Court, there is more than a 50% chance that the case will be resolved successfully for the Company.

3.3.4. Costs

On the day this report is drawn, approx. 70,000 euros have already been paid by the Company for court costs (i.e. court fees) and approx. 70,000 euros for legal costs, totalling approx. 140,000 euros.

In later phases of the proceeding, i.e. until a final judgement is passed by the Court of Second Instance, the Company will incur approx. 15,000 euros of additional legal costs.

4. CONCLUDED DISPUTES

4.1. LUNA CASE

4.1.1. Development of legal proceeding

In the legal proceeding with case no. II Pg 560/2013, Pg 566/2015 brought against the former members of management board (Robert Časar, Aldo Babič, Marjan Babič and Boris Marzi) the company Luka Koper, d.d. enforced a claim before the District Court in Koper for the joint payment of compensation in the amount of 969,566.00 euros and additional sums for the damages caused to the Company as a result of defendants' conduct in relation to the purchase of real estate for unfinished "Luna" business premises and the plots of land no. 3745/375, cadastral municipality Sežana, that were unnecessary from the perspective of the Company's core business.

Due to *lis pendens*, the Company subsequently abandoned the claim against the former president of the management board amounting to 522,664.00 euros. Namely, when the proceeding with case no. Pg 560/2013 was dealt with by the Court, another action was filed before the same Court which justified the temporary injunction issued on the basis of non-final criminal judgement for the protection of Company's interest. The abandonment of the action was necessary since the Court would otherwise dismiss the action against Robert Časar in this subsequently filed action (I pg 479/2013) due to claim's identity.

The District Court in Koper rejected the entire Company's claim. Based on the appeal that was subsequently lodged by the Company, the High Court reversed the judgement of the Court of First Instance and returned the case for repeated proceeding.

In the course of repeated proceeding, the Court of First Instance passed a judgement in which it rejected the entire Company's claim again. The Company lodged an appeal against the judgement passed in repeated proceeding; the High Court rejected it and confirmed the judgement of the Court of First Instance.

After a careful examination of the judgement passed by the High Court, the management board of Luka Koper, d.d. resolved not to lodge a revision. The proceeding became final and it was unsuccessful for the Company.

4.1.2. Costs

In the aforementioned proceeding, Luka Koper, d.d. registered approx. 70,000 euros of own legal costs, approx. 20,000 euros of court fees and approx. 1,000 euros of costs of court experts. Since the Court found against it, the Company had to settle additionally approx. 102,000 euros of legal costs incurred by the defendants. The total cost of lost dispute totalled approx. 193,000.00 euros.

4.2. PASSENGER TERMINAL CASE

4.2.1. Development of legal proceeding

In the legal proceeding with case no. I Pg 559/2013, brought against the former members of management board (Robert Časar, Aldo Babič, Marjan Babič and Boris Marzi) the company Luka Koper, d.d. enforced a claim before the District Court in Koper for the joint payment of compensation in the amount of 1,454,431.00 euros and additional sums for damages caused to the Company as a result of defendants' conduct in the acquisition process of warehouses no. 7 and no. 8 where the acquisition was not based on the market value.

In its judgement passed on 16 January 2014, the District Court in Koper rejected the entire Company's claim. In the statement of grounds, the Court explained that after the taking of evidence it estimated that while executing the agreements, the defendants acted diligently since they obtained a value appraisal by the certified appraiser and allegedly, they managed to negotiate even lower purchase price than initially requested by the seller. Therefore, according to the Court the defendants succeeded in proving that in the above-stated transaction they acted with the diligence of a conscientious and fair manager.

After a careful examination of the judgement passed by the Court of First Instance, the management board of Luka Koper, d.d resolved not to lodge an appeal. The proceeding became final and it was unsuccessful for the Company.

4.2.2. Costs

In the aforementioned proceeding, Luka Koper, d.d. registered approx. 30,000 euros of own legal costs. Since the Court found against it, it had to settle additionally approx. 62,000 euros of litigation costs. The total cost of lost dispute totalled approx. 92,000 euros.

4.3. PIER I CASE

4.3.1. Development of legal proceeding

In the legal proceeding with case no. I Pg 561/2013, brought against the former members of management board (Robert Časar, Aldo Babič, Marjan Babič and Boris Marzi) the company Luka Koper, d.d. enforced a claim before the District Court in Koper for the joint payment of compensation in the amount of 969,566.00 euros and additional sums for the damages caused to the Company as a result of defendants' conduct in relation to the approval of payment to the company CM Celje d.d. in the amount of 701,453.64 euros for its early termination of construction works alongside berth 7C of Pier I for container ships.

In its judgement passed on 8 May 2014, the District Court in Koper rejected the entire Company's claim. In the statement of grounds, the Court explained that after the taking of evidence it estimated that the company CM Celje was not given a bonus for early termination of work but instead, it was reimbursed the costs that it had to cover due to urgent and necessary adaptation of the technological construction process. According to the Court, the defendants succeeded in proving that in the above-stated transaction they acted with the diligence of a conscientious and fair manager

After a careful examination of the judgement passed by the Court of First Instance, the management board of Luka Koper, d.d resolved not to lodge an appeal. The proceeding became final and it was unsuccessful for the Company.

4.3.2. Costs

In the aforementioned proceeding, Luka Koper, d.d. registered approx. 25,000 euros of own legal costs. Since the Court found against it, it had to settle to the defendants additionally approx. 35,000 euros of their legal costs. The total cost of lost dispute totalled approx. 60,000 euros.

5. CONCLUSIONS

5.1. STATUS

Out of a total of 23 problematic cases identified as such in the resolution adopted by the Company's general meeting of shareholders on 19 July 2010, the Company brought an action with regard to 6 cases, by claiming the compensation of 32,615,000 euros. On the day this report is released, the judicial proceedings involving TTI, warehouse surfaces for vehicles and Eco companies are still in course, for the total compensation of approx. 25,000,000 euros. The remaining three proceedings, i.e. Luna, Passenger Terminal and Pier I have already become final and the Court rejected the entire Company's claim with this regard.

5.2. COSTS

The litigation costs incurred by now in relation to 6 civil proceedings total approx. 1,720,000 euros. The cost structure is the following:

- Attorney's fees covered by the Company - approx. 725,000 euros (of which approx. 400,000 euros for the law firm Čeferin and approx. 325,000 euros for the law firm Senica);
- Court fees and other court costs - approx. 516,000 euros;
- Reimbursement of litigation costs to defendants - approx. 479,000 euros.

Prior to the termination of the three pending legal proceedings, approx. 106,000 euros of additional attorney's fees and approx. 50,000 euros of costs as advance payments for court experts will be incurred by the Company providing that the Company wins the legal disputes.

5.3. ECONOMIC EXPEDIENCE OF PROCEEDINGS

The Company cannot claim liability insurance for damages suffered by the Company due to the conduct of the previous management board led by Robert Časar and of the former supervisory board, since the Company took out this type of insurance only in 2010.

Therefore, the collection of compensation claims depends entirely on defendants' property. From available data on defendant's property ensues that the only valuable asset of the former management board members is their real property (i.e. immovables) that according to rough estimation of the individual portions totals approx. 500,000 euros (source: GURS – The Surveying and Mapping Authority of the Republic of Slovenia). With this regard it is necessary to point out that the real property of the former members of the management board has been mostly burdened/encumbered (with mortgages, land debts, lifelong easements of dwelling, etc.). Nevertheless, in the course of a separate repeated civil proceeding against one of the former members of the management board that was brought by the Company before the Court of First Instance, the Company already managed to prove the fictitiousness of the land letter and the cancellation of land debt entry under the immovables (the judgement is not final yet but we estimate that Luka Koper, d.d. will be successful in this litigation). It is also estimated that in relation to other former management board members, some of the "burdens" can be challenged as well. As regards the value of property of the former supervisory board members, it totals approx. 800,000 euros (this is the value of property which is not encumbered with mortgages or other encumbrances). Therefore, the real property of all defendants together totals approx. 1,300,000 euros (the Company does not have any other data attesting more valuable property).

The obtained assessment of success potential shows a 50% chance of success in all three pending proceedings, whereas the assessment of compensation recovery potential will be possible only after the court experts issue their opinion. However, it shall be also pointed out that due to extremely instable court practice in the sphere of compensation liability of management- and supervisory bodies, it is not possible to exclude failure in the three remaining pending proceedings (especially by considering that the Company already lost three cases) and in such a case, the Company would incur additional material costs due to the obligation to reimburse litigation costs to the defendants. By taking this fact into account and by considering the known amount of the

defendants' collectable property, the Company examined also alternative possibilities for dispute solving. Despite some attempts made so far, the Company did not manage to reach an out-of-court settlement with the defendants that would be acceptable to the Company. However, if this circumstance will change, the settlement will be reached under the suspensive condition of consent granted by the general meeting of shareholders.

Released in Koper on 21 June 2018.

Management Board