

SEOnet announcement

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Response of the Supervisory Board of the Company Luka Koper, d.d. to the Letter of the Slovenian Sovereign Holding dated 5 January 2017

Luka Koper, d.d. received a letter (dated 5 January 2017) from the Slovenian Sovereign Holding (hereinafter: SSH), addressed to the company's supervisory board, in which SSH pointed out that already on 4 July 2016 it sent a letter to the company, requesting from it to take a position on the loss occurred due to spontaneous work stoppage in July 2016. In this respect, SSH stressed that already six months had passed by since that event and that at the joint meeting held on 12 October 2016, a decision was adopted that the company's supervisory board would regularly monitor the loss occurred due to work stoppage. Therefore, SSH in its capacity as the largest shareholder and statutory representative of the Republic of Slovenia, expects from the supervisory board to be adequately informed about the findings on generated loss occurred due to work stoppage between July 1st and July 5th 2016, as well as to receive relevant information on the already implemented and planned activities in line with the adopted measures. Within the framework of the above-stated findings, SSH requires at least the assessment of direct and indirect loss together with specific statement of claims for damages, the estimated impact that the loss will exert on the profit of the fiscal year 2016 and on following years' profit, the findings regarding the parties responsible for work stoppage, the implemented and planned activities and the measures undertaken either with regard to the process of solving the claims for damages, the sanctions against the infringer as well as the measures to be taken from now on in order to reduce the risk of recurrence of similar events in the future and to minimise the loss which might originate from them. Based on all stated above, SSH requests also a separate information on the amount of labour costs and cost of services incurred in relation to the performers of port services (IPS) after the end of work stoppage, due to increased amount of work. Finally, SSH would like to know whether Luka Koper, d.d. consequently executed any kind of business arrangements/agreements with its business partners and other affected parties, either in form of services or waivers, and what is their value.

The supervisory board of Luka Koper, d.d. monitors the consequences generated by the spontaneous work stoppage which took place at the beginning of July 2016. With this regard, it shall be specifically pointed out that during work stoppage, the work in the port of Koper did not cease entirely. Dangerous cargo, highly perishable goods and other urgent cargoes were handled for the entire duration of spontaneous work stoppage, by way of which the port's exposure to risk and the cargo damage were prevented. On July 4th and July 5th 2016, between 9am and 5pm, enhanced port operations were started with all resources available and they were carried on also after 5pm, as long as individual cargoes were dispatched from the port of Koper. As regards the container ships, handling operations were performed on them interruptedly since July 4th 2016.

During the entire period of spontaneous work stoppage, Luka Koper, d.d. received only a few letters anticipating some minor claims for damages which were unspecific, without grounds and without evidence. Luka Koper, d.d. replied to those letters by providing all required argumentation and no further replies or claims for damages were received by the company.

In addition to the above, Luka Koper d.d. received also a claim for damages brought by SŽ – Tovorni promet, d.o.o. in the amount of 1,774,504.00 euros. The characteristic of the above-stated claim is that it does not state the relevant contractual basis, the indications stated in it are made on flat-rate basis and cannot be verified, and no proofs demonstrating loss were attached to it. Luka Koper, d.d. rejected the

above-stated claim by stating all grounds and no reply followed. A well-grounded rejection of claims by Luka Koper d.d. was communicated also at the joint meeting with the companies' management boards.

After the claim stated above, Luka Koper, d.d. received a claim for damages brought by Rail Cargo Austria AG in the amount of 135,704.00 euros. Luka Koper, d.d. rejected it on the ground that the period to which the claim referred (from July 1st to July 6th 2016) Rail Cargo Austria AG was not in any contractual relationship with Luka Koper, d.d. at all. Besides, the allegations were made on flat-rate basis and no proofs showing incurred loss were attached. After submitting the rejection, no further claims were received by Luka Koper, d.d.

As regards the performers of port services (IPS), there were no additional costs incurred in relation to them since they received the payment for actually performed services. Namely, they did not perform any extra work but worked with time-lag, performing subsequently the work which was not completed during the weekend. The above-stated performers of port services and other employees of Luka Koper, d.d. were recruited in reinforced shifts since July 4th 2016 on, which coincided with the period during the week (i.e. not during weekend). During the week, even in the third shift, the hourly rates for work/services are lower than the hourly rates fixed for Saturdays on Sundays, that were initially planned by the company. Due to spontaneous work stoppage, the company did not reach any business arrangements either in form of services or waivers with its business partners and it did not grant any commercial discounts.

Spontaneous work stoppage taking place between July 1st and July 5th 2016 was an event beyond the will and beyond control of the company's management board or its bodies. The event could not be anticipated, avoided or prevented. From this perspective, the event in all respects constituted a force majeure. Namely, until 9am on July 1st 2016, there has not been a single indication or circumstance suggesting a spontaneous work stoppage. In relation to prevention of these kinds of events it should be pointed out that the company's management board provides that the company operates in line with the legislation in force, it fully respects and fulfils its obligations towards the employees and by acting so, it provides all conditions for the performance of the company's activity and work process in line with the legislation and rights and expectations of the shareholders, employees, business partners and environment. This is the best guarantee for the prevention of similar events. During spontaneous work stoppage, the employees expressed no requests in relation to the company's management and it shall be pointed out that the entire situation was motivated by a series of factors. Namely, both the employees and the wide public were alarmed by the statements of some high-ranking officials from the state administration which turned out to be untrue and were aimed at discrediting the company, decreasing its business results and damaging its reputation. In addition, the wide public expressed its disagreement with the policy of the competent Ministries regarding their visions for the development of the port of Koper which was further confirmed by some documents which came to light. The events that have taken place in the port of Koper cannot be viewed only as events involving the company's employees or as something that developed within the company. As a matter of fact, the events involved the wide public, which was further confirmed by protests where up to two thousand people (the company's employees were in the minority) expressed their discontent in front of the company's entrance gate. The company's management could not prevent events like this. However, once that they occurred, the management has done everything in its power to reinstate normal conditions and to avoid loss to the company. This was further confirmed by the fact that the situation was tackled immediately and the work at the port continued in the normal way. With this regard, several business partners expressed praise to the company's management board for its rapid and efficient response and control over the situation.

Due to all stated above, the performance of Luka Koper, d.d. was not affected by the spontaneous work stoppage and the company did not lose its customers. The company's business plan for 2016 not only was met but also exceeded. In 2016, we achieved record results which proves that spontaneous work stoppage at the beginning of July did not affect Luka Koper, d.d. or its performance. In 2016, Luka Koper, d.d. generated 190.4 million euros of net sales revenue which is by 4 percent or 6.6 million euros above the planned level and by 10 percent or 17.1 million above the net sales revenue figure generated in 2015. Net profit of Luka Koper, d.d. generated in 2016 totalled 40.6 million euros, which is by 16 percent or 5.7 million euros above the planned net profit and by 41 percent or 11.7 million euros above the net profit level generated in 2015.

Supervisory board of the company Luka Koper, d.d.