
LUKA KOPER, Port and Logistics System Operator, Plc.
Vojkovo nabrežje 38, 6000 Koper, Slovenia

**Explanation of resolutions
proposed for the 29th General Meeting of Shareholders of Luka Koper, d.d.**

Item 3 – Appointment of the Auditor for the Financial Years 2017, 2018, 2019

The Supervisory Board hereby proposes to the General Meeting of Shareholders to adopt the following resolution:

The resolution No. 5 on the appointment of the auditing company KPMG Slovenija, podjetje za revidiranje, d.o.o. as auditor of the Company's and Luka Koper Group's financial statements for the financial years 2017, 2018 and 2019, as adopted at the Company's 28th General Meeting of Shareholders held on 30 June 2017, shall be annulled and the company BDO Revizija d.o.o., družba za revidiranje shall be appointed as auditor of the Company's and Luka Koper Group's financial statements for the financial years 2017, 2018 and 2019.

Explanation of the Supervisory Board regarding the resolution proposal:

Pursuant to the provisions of the Companies Act, the annual report of the company Luka Koper, d.d. and the consolidated annual report of the Luka Koper Group shall be examined by an auditor in a manner and on conditions as provided by the law regulating the auditing of annual reports.

At the Company's 28th General Meeting of Shareholders which took place on June 30th, 2017, the audit company KPMG Slovenija, podjetje za revidiranje, d.o.o. was appointed as auditor of financial statements of the Company and the Luka Koper Group in the financial years 2017, 2018 and 2019. On May 26th, 2017 the company Luka Koper d.d. executed a consulting agreement in the sphere of supply process optimisation with the appointed company KPMG, poslovno svetovanje d.o.o., which is part of the KPMG network. After the execution of the agreement stated above, on July 24th, 2017 the management board of Luka Koper d.d. executed with the company KPMG, poslovno svetovanje, d.o.o. also an annex to the agreement on consulting services in which it commissioned to the audit company the performance of an assessment of organisational efficiency in the supply function and supply process, as well as a supply processes optimisation and organisation of suppliers' management, the laying down of measures for the improvement of supply and realisation of savings and the elaboration of an implementation plan and potential savings in the selected spheres of business/with the selected suppliers. The fee which was agreed with the provider of services on the basis of the executed agreement and annex to the agreement was higher than the fee agreed for the auditing of the Company's financial statements, even if the scope of work involved and the auditor's responsibility in the audit process are considerably higher.

The performance of services mentioned above was approved by the supervisory board's committee appointed by the former supervisory board. The committee based its decision on the opinion of the company KPMG, poslovno svetovanje, d.o.o. which stated that the services involved did not pertain to the prohibited services and did not represent a risk for independence of the Luka Koper auditor.

Subsequently, the Company obtained the opinion of the Agency for Public Oversight of Auditing which was of the opinion that some of the commissioned services, especially the services related to the supply processes optimisation and organisation of suppliers' management, as well as measures for the improvement of supply and realisation of savings and the elaboration of an implementation plan and potential savings in the selected spheres of business/with the selected suppliers might be inadmissible and critical from the perspective of the auditor's independence.

Therefore, due to the existence of doubt regarding the independence of the appointed auditor, especially by taking into consideration that the consulting services are to be provided by a company

which is part of the same network as the audit companies, and by taking into consideration that the Company's shareholders were not aware of these circumstances on the auditor's appointment, the Company's supervisory board did not execute the agreement for the auditing of the Company's financial statements with the external auditor KPMG Slovenija, podjetje za revidiranje, d.o.o. In the meantime, KPMG, poslovno svetovanje, d.o.o., a company in the KPMG network, performed all consulting services related to the optimisation of the supply process as agreed with the Company in the executed agreement and annex no. 1, especially the services related to the procurement of providers of port services. The Company's cooperation with the providers of port services was at the same time the topic of a special audit, requested by the general meeting of shareholders in its resolution adopted at its session held on June 30th, 2017.

Upon motion of the supervisory board's audit committee, the Company's supervisory board adopted at its 4th meeting which was held on October 13th, 2017 the Guidelines for auditor's selection and granting of independence of the auditor in charge of auditing the financial statements of the Luka Koper Group. In its Chapter 8, the Guidelines provide an independence criterion by stating that the companies of the Luka Koper Group will not engage an auditor of financial statements or a company from the same network for the performance of non-audit services.

By taking into consideration the circumstances stated above and on the basis of the resolution of the Company's supervisory board and pursuant to Article 280 of the Companies Act, the supervisory board's audit committee conducted a new procedure for the selection of a statutory external auditor. The procedure was managed in line with the Regulation EC 537/2014 on specific requirements regarding statutory audit of public-interest entities and repealing Commission Decision 2005/909/EC (Regulation) as well as in line with the Guidelines for auditor's selection and granting of independence of the auditor in charge of auditing the financial statements of the Luka Koper Group, which contain also the criteria for the selection of a statutory auditor. In line with Article 16, point 2 of the Regulation, in cases when the audit engagement is not renewed, the audit commission is obliged to provide an explanation of its proposal for the selection of the auditor.

On October 24th, 2017 the audit committee of the supervisory board of Luka Koper, d.d. proposed and explained to the supervisory board the grounds for the selection of the company BDO Revizija d.o.o. as the most economically advantageous bidder of audit services in the next three-year period (2017, 2018 and 2019).

BDO is one of 5 top worldwide networks of auditing companies on global level. BDO Revizija d.o.o. is a reputable company and the fifth largest audit company in Slovenia. The bid presented by it in the competitive tender process for the selection of a bidder of audit services, was well elaborated both from a content and quality point of view and presented suitable references from our Company's activity and from the audit of public-interest entities. The company offered the engagement of a team of highly experienced, professionally skilled experts which in addition to certified auditors, comprises also tax specialists, valuation specialists and IT experts who commit to perform an independent and professionally competent audit by adhering to the highest safety standards. During their presentation made in front of the audit committee, they showed a good knowledge of specific requirements applied in the audit process of the Company and the Luka Koper Group.

The elaborated proposal for the selection of auditor in charge of auditing the financial statements of Luka Koper d.d., the Luka Koper Group and its subsidiaries, and other services related to the providing of assurance on the performance of the audit of financial statements for 2017, 2018 and 2019 were not influenced by any third party and no contractual obligation was adopted with regard to the proposal which would restrict the choice of the bidders.

On the basis of the proposal of the supervisory board's audit committee, on October 25th, 2017 the Company's supervisory board adopted a resolution and resolved to propose to the Company's general meeting of shareholders to appoint the company BDO Revizija d.o.o. as auditor of financial statements of the Company and the Luka Koper Group for 2017, 2018 and 2019.

Supervisory Board