

Information on the business performance 2019

Luka Koper Group
and Luka Koper, d. d.

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1 Introductory note

Compliant with the Market and Financial Instrument Act, Ljubljana Stock Exchange Rules as well as Guidelines and Disclosure for Listed Companies, Luka Koper, d. d., Vojkovo nabrežje 38, 6501 Koper discloses this Information on the performance of Luka Koper Group and Luka Koper, d. d., for January – December 2019.

The Annual Report 2019 will be published in accordance with the financial calendar on April 24, 2020.

2 Performance highlights of Luka Koper Group in 2019

In 2019, net revenue from sale amounted to EUR 229 million and exceeded by 1 percent resp. EUR 2.4 million the achieved net revenue in 2018. Net revenue from sale from market activity were lower than the achieved revenue in the previous year by 1 percent resp. by EUR 1.6 million, revenue from the performance of public utility service of regular maintenance of port infrastructure, intended for the public transport, exceeded the result of the previous year by 91 percent resp. by EUR 3.9 million. Higher revenue from the market activity was generated primarily from the warehousing, due to a slower goods shipment, from the stuffing and unstuffing of containers and from rentals. The revenue from the maritime throughput were lower in comparison with 2018, due lower achieved maritime throughput.



EUR 229 million + 1% 2019/2018
Net sales - 6% 2019/PLAN 2019

The second half of 2019 was marked by the economic slowdown, manifested in single economic sectors, primarily in the car production, electronics industry and the production of iron products. The drop in the industrial production reflected in the reduced throughput of raw materials, semi-finished and finished products and components, resulting in a lower net revenue from sales of the Luka Koper Group in 2019 which were by 6 percent resp. by EUR 14.1 million lower than ambitious planned net revenue from sales. In comparison with 2018, the maritime throughput decreased in all product groups, with exception of liquid cargoes, where the growth is attributable primarily to the favourable trends in the transport of fuels and the capacities of the Liquid cargo terminal. In the last quarter of 2019, the growth was recorded at the Car terminal, which is mainly attributable to the tendency of manufacturers to place cars on the market before the end of the year. In the segment of the container throughput, the drop in the throughput is partially also the result of a stiffer competition of neighbouring ports. Thus, the net revenue from sale of the Luka Koper Group from the market activity lagged behind the planned revenue from sale by 4 percent resp. by EUR 9.5 million, revenue from the performance of public utility service of regular maintenance of port infrastructure, intended for the public transport, lagged behind the plan by 35 percent resp. by EUR 4.5 million. The deviations from the plan are due to the delayed adoption of the investment maintenance plan by the competent Ministry. The plan was adopted on April 29, 2019, whilst the plan of the regular maintenance of the port's infrastructure was adopted on February 6, 2019.

As expected, the execution of a new business model of implementing port's services and the start of the payment of the transshipment fee for the construction of the second track of the railway line had an impact on the Luka Koper Group operating result. Equally, in comparison with 2018, the impact of a singular event i.e. the received compensation for the crane in 2018 in the amount of EUR 9.3 million as result of an accident and the collapsed crane in 2017, shall not be included.

Table 1: Maritime throughput in tonnes per cargo types 2018 and 2019

Cargo groups (in tonnes)	1–12 2018	1–12 2019	Index 2019/2018
General cargoes	1,526,026	1,280,194	84
Containers	9,520,007	9,475,016	100
Cars	1,156,265	1,111,433	96
Liquid cargoes	3,855,247	4,307,388	112
Dry bulk and bulk cargoes	7,991,074	6,618,616	83
Total	24,048,618	22,792,646	95

Table 2: Throughput of containers (number of containers in TEU) and cars (in UNITS) in 2018 and 2019

Cargo groups	1–12 2018	1–12 2019	Index 2019/2018
Containers – number	582,397	560,885	96
Containers – TEU	988,499	959,354	97
Cars – UNITS	754,409	705,993	94



EUR **45** million - 35% 2019/2018

Earnings before interest and taxes (EBIT) + 3% 2019/PLAN 2019

The operating profit (EBIT) of Luka Koper Group in 2019 amounted to EUR 45 million, which was 35 percent resp. EUR 24.4 million decrease in comparison with 2018. Not including capitalized own products and services in the amount of EUR 1.3 million in 2018 from maintenance works on the infrastructure, which were mostly carried out by the subsidiary company Luka Koper INPO, d. o. o., and the received compensation for the crane in 2018 in the amount of EUR 9.3 million and the received compensation in the amount of EUR 0.4 million in 2019, recorded under other revenue, the operating profit (EBIT) in 2019 would be by 24 percent resp. by EUR 13.9 million lower than the operating profit achieved in 2018. The lower operating profit (EBIT) in 2019, with respect to 2018, is attributable mainly to labour costs, which were higher by EUR 14.4 million in 2019, costs of transshipment fee in the amount of EUR 4,8 million for March – December 2019, costs of provisions for legal costs in the amount of EUR 2 million. On the other hand, lower amortisation costs in the amount of EUR 2.1 million from the extended life-cycles had a positive effect on the achieved operating profit. In 2019, the activities related to the setting up a new business model of implementing port' services were carried out. In comparison with 2018, the number of employees in 2019 increased by 37 percent resp. for 461 employees, reaching the number of 1.703 employees, since Luka Koper Group pursued the execution of the action plan for implementing the port service provision strategy. In 2019, 488 recruitments were realised in the Luka Koper Group, whereof 286 employments within the action plan for implementing the port service provision strategy. In the public procurement procedure, four recruitment agencies were selected, through which 304 were posted to Luka Koper, d. d., and to whom are guaranteed equal rights as to regularly employed workers. In the procedure of the public procurement, external contractors were selected for single services. In compliance with IFRS 16, the management board assesses the adequacy of assets life-cycles annually. In the financial year 2019, the Company, with assistance of certified real, plants and equipment appraisers and internal resources, determined new life-cycles thereof. Higher labour costs are attributable to the higher number of employees, mainly from the execution of the action plan for implementing port service provision strategy.

In 2019, the operating profit (EBIT) of the Luka Koper was higher by 3 percent resp. by EUR 1.3 million higher than planned operating profit despite lower revenue from market activities in the amount of EUR 9.5 million and lower revenue from the performance of public utility service in the amount of EUR 4.5 million. The achieved higher operating profit is attributable to lower costs of material, services, labour and amortization. Labour costs and costs of services were lower than planned costs due to the delayed recruitment and integration of agency workers within the action plan for implementing the port service provision strategy. Also costs of maintenance of the public port's infrastructure, which coincides with lower revenue from the performance of the public utility service. Amortisation costs are lower than planned, due to the lower amortisation in 2019 in the amount of EUR 2.1 million from the extension of the life-cycle. Others costs for provisions for legal costs were higher than planned.



EUR **73** million - 26% 2019/2018

Earnings before interest, taxes, depreciation and amortisation (EBITDA) PLAN COMPLETED

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of Luka Koper Group in 2019 amounted to EUR 73 million, which is 26 percent resp. EUR 26 million decrease in comparison with 2018. Not including the received compensation for the crane in 2018 and in 2019, earnings before interest, taxes, depreciation and amortisation (EBITDA) in 2019 would be by 19 percent resp. by EUR 16.8 million lower than the achieved EBITDA in 2018.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Luka Koper Group in 2019 stood at the planned level.



32 %

EBITDA MARGIN

- 27% 2019/2018

+ 6% 2019/PLAN 2019

EBITDA margin of Luka Koper Group in 2019 amounted to 32 percent, which is 27 percent resp. by 11.8 percentage point decrease in comparison with 2018. Not including the received compensation for the crane in 2018 and in 2019, the EBITDA margin in 2019 would be by 10 percent resp. by 7.8 percentage point lower than the achieved EBITDA in 2018.

EBITDA margin of the Luka Koper Group in 2019 was by 6 percent resp. by 1.7 percentage point higher than the planned.

EBITDA margin of Luka Koper Group from the market activity in 2019 amounted to 33.2 percent, which is 4 percent resp. 1.2 percentage point ahead on planned.



EUR 40 million

Net profit or loss

- 32% 2019/2018

+ 5% 2019/PLAN 2019

Net profit or loss of Luka Koper Group in 2019 amounted to EUR 40 million, which is 32 percent resp. EUR 19.3 million below the 2018 level. Not including the received compensation for the crane and in 2018 and in 2019, the net profit or loss in 2019 would be by 23 percent resp. by EUR 11.7 million lower than the achieved net profit or loss in 2018. Besides the stated impacts on the lower (EBIT) in 2019 with respect to 2018, due to higher tax reliefs from major investments, also a lower effective income tax rate had an impact on the net profit or loss in 2019.

Net profit or loss of Luka Koper Group in 2019 was by 5 percent resp. by EUR 2.1 million higher than planned.



EUR 40 million

Investments

+ 240% 2019/2018

- 26% 2019/PLAN 2019

In 2019, Luka Koper Group allocated EUR 40 million for investments¹ in property, plant and equipment, investment property and intangible assets, which is EUR 28.3 million ahead on 2018, investments were mainly allocated to the transshipment machinery, new entrance to the port and the construction of a new berth.

¹ Not including the advances for equipment.

In 2019, the investment expenditure was by 26 percent resp. by EUR 14.4 million lower than planned, mainly due to longer procedures for the award of public works contracts than expected.



10 %

Return on equity (ROE)

- 38% 2019/2018

+ 4% 2019/PLAN 2019

In 2019, the return on equity (ROE) amounted to 10 percent, which is by 38 percent resp. by 6.1 percentage point below the 2018 level. Not including the received compensation for the crane in 2018 and in 2019, the return on equity in 2019 would be by 30 percent lower than the achieved ROE in 2018, mainly due to the effects of the modified implementing the port service provision strategy and the transshipment fee for the construction the second track of the railway line. The return on equity (ROE) in 2019 was by 4 percent resp. by 0.4 percentage point higher than planned.



0,3

Net financial debt/EBITDA

+ 0,2 2019/2018

- 0,3 2019/PLAN 2018

Indicator of net financial indebtedness /EBITDA in 2019 amounted to 0.3, in 2018 to 0.1. Low value of the net financial indebtedness /EBITDA shows a high level of the financial stability of Luka Koper, d. d., and the Luka Koper Group and readiness to enter in a more intensive investment cycle, planned for the years to come. In 2019, the indicator of net financial indebtedness /EBITDA was planned in the amount of 0.6.

2.1 Significant events in 2019

In January, the Government of the Republic of Slovenia unanimously adopted the investment programme for the second railway track Divača-Koper project, and thus gave the go-ahead to the start of preparation works.

In March, Luka Koper started to pay the transshipment fee, intended to the second railway track Divača-Koper project.

On May 10, 2019, a new, the second official truck entrance gate to the Port of Koper was opened.

On May 22, 2019, the Company received the resolution on the completion of the inspection procedure from 2017 in relation to the exceeding of noise limit values toward Koper.

In July the driving in of test piles for the extension of the Pier I, which will ensure further development and increase the international competitiveness of the port, started.

In August, the contractor for the construction of the garage house at the Car terminal, which will increase the warehousing facilities for vehicles, was selected.

In September, first groups of workers from the second tier of the new strategy, who will carry out port's works through employment agencies, started to work. Until the end of 2019, 304 workers were involved.

In November, Luka Koper concluded an agreement on the implementation of mitigation measures to reduce the environmental impacts of the port's activity with the Municipality of Koper.

In December, contracts with the service providers at the Car terminal and the industrial cleaning service provider within the third tier of the implementing the port service provision strategy, and who were selected through public procurement procedures, were concluded.

2.2 Comparison of achieved results of Luka Koper, d. d., in 2019 and 2018, and the plan

In 2019, net revenue from sale of Luka Koper, d. d., achieved EUR 224.7 million and were by 1 percent resp. by EUR 1.7 million higher in comparison with 2018. Net revenue from sale of Luka Koper, d. d., from the market activity were lower by 1 percent resp. by EUR 2.2 million than the achieved revenue in the previous year, the revenue from the performance of the public utility service of regular maintenance of the port's infrastructure intended to the public transport, exceeded the result of the previous year by 91 percent resp. by 3.9 million.

Higher revenue from the market activity were achieved from the warehousing, due to a slower goods shipment, stuffing and unstuffing of containers and rentals. In comparison with 2018, the revenue from the maritime throughput were lower due to achieved lower maritime throughput.

Net revenue from sale of Luka Koper, d. d., in 2019 were by 6 percent resp. by EUR 13.4 million below the planned revenue from sale. Net revenue from sale from the market activity in 2019 lagged behind the planned revenue from sale by 4 percent resp. by EUR 8.9 million, the revenue from the performance of the public utility service of regular maintenance of the port's infrastructure, intended for the public transport lagged behind the plan by 35 percent resp. by EUR 4.5 million. Net revenue from sale from the market activity with respect to 2018, was lower than planned due to signs of an economic slowdown and strengthening of the competition of neighbouring ports, the revenue from the performance of the public utility service of regular maintenance of the port's infrastructure, intended for the public transport, are lower, primarily due to the late adoption of the investment maintenance plan by the competent Ministry.

In 2019, the operating profit (EBIT) of Luka Koper, d. d., amounted to EUR 43.6 million, which is 37 percent resp. EUR 25.2 million less than in 2018. Not including the received compensation for the crane in 2018 in the amount of EUR 9.3 million and in 2019 in the amount of EUR 0.4 million, recorded under other revenue, the operating profit (EBIT) in 2019 would be by 27 percent resp. by EUR 16.1 million below the achieved in 2018. Lower operating profit (EBIT) in 2019, with respect to 2018, is mainly attributable to labour costs, which were higher by EUR 15.1 million in 2019, costs of transshipment fee in the amount of EUR 4.8 million for March – December 2019 and provisions for legal costs in the amount of EUR 2 million, lower amortisation costs in the amount of EUR 2.1 million from the extension of the life-cycles had instead a positive impact.

The operating profit (EBIT) in 2019 was by 2 percent resp. by EUR 0.9 million higher than planned, despite lower revenue from the market activity in the amount of EUR 8.9 million and lower revenue from the performance of the public utility amounting to EUR 4.5 million. The achieved higher operating profit with respect to the plan resulted from lower costs of material, services, lower labour and amortisation costs in comparison with planned costs. Labour costs were lower than planned due to the delays in the recruitment of the agency workers within the framework of the action plan of implementing strategy of port's services. Amortisation costs were lower than planned due to lower amortisation in 2019 in the amount of EUR 2.1 million, from the extended life-cycles. Other costs of provisions for legal costs were higher.

Net profit or loss of Luka Koper, d. d., in 2019 amounted to EUR 38.8 million, which is 34 percent resp. EUR 19.8 million below the 2018. Not including the received compensation for the crane in 2018 and in 2019, the net profit or loss in 2019 would be by 24 percent resp. by EUR 12.2 million lower than the achieved net profit or loss in 2018. Besides the stated impacts on the lower operating profit (EBIT) in 2019 in comparison with 2018, due to higher tax reliefs from investments, a lower effective income tax rate had an impact on the net profit or loss in 2019.

Net profit or loss in 2019 was by 4 percent resp. by EUR 1.6 million higher than planned.

2.3 Financial indicators

Table 3: Key performance indicators of Luka Koper, d. d., and Luka Koper Group in 2019, in comparison to 2018

Income statement (in EUR)	Luka Koper, d. d.			Luka Koper Group		
	2018	2019	index 2019/ 2018	2018	2019	index 2019/ 2018
Net sales	222,980,390	224,715,839	101	226,305,538	228,677,538	101
Earnings before interest and taxes (EBIT) ²	68,744,503	43,575,419	63	69,707,500	45,308,084	65
Earnings before interest, taxes, depreciation and amortisation (EBITDA) ³	97,289,910	70,595,927	73	99,074,675	73,086,627	74
Profit or loss from financing activity	2,055,291	2,519,600	123	624,300	1,116,621	179
Profit before tax	70,799,794	46,095,019	65	71,990,783	47,800,254	66
Net profit or loss	58,588,995	38,818,611	66	59,760,203	40,425,162	68
Added value ⁴	153,696,709	142,207,202	93	162,462,410	150,704,224	93

Statement of financial position (in EUR)	31.12.2018	31.12.2019	index 2019/ 2018	31.12.2018	31.12.2019	index 2019/ 2018
Assets	553,542,206	578,115,124	104	572,242,060	597,410,414	104
Non-current assets	433,899,168	463,329,270	107	445,660,208	474,919,477	107
Current assets	119,643,038	114,785,854	96	126,581,852	122,490,937	97
Own funds	362,644,965	386,889,959	107	393,878,805	419,089,356	106
Non-current liabilities with provisions and long-term accruals and deferred revenue	137,848,415	144,484,229	105	124,316,097	130,715,123	105
Short-term liabilities	53,048,826	46,740,936	88	54,047,158	47,605,935	88
Financial liabilities	107,273,741	108,844,281	101	91,262,420	93,001,716	102

Investments (in EUR)	2018	2019	index 2019/ 2018	2018	2019	index 2019/ 2018
Investments in property, plant and equipment, investment property and intangible assets ⁵	11,324,414	38,140,525	337	11,786,524	40,037,457	340

² Earnings before interest and taxes (EBIT) = operating revenue – operating expenses.

³ Earnings before tax, depreciation and amortisation (EBITDA) = operating profit (EBIT) + amortisation.

⁴ Added value = net revenue from sale capitalised own products and services + other revenue – costs of goods, material, services – other operating expenses without operating expenses from revaluation.

⁵ Not including the advances for equipment.

Ratios (in %)	Luka Koper, d. d.			Luka Koper Group		
	2018	2019	index 2019/2018	2018	2019	index 2019/2018
Return on sales (ROS) ⁶	30.8%	19.4%	63	30.8%	19.8%	64
Return on equity (ROE) ⁷	17.1%	10.4%	60	16.1%	9.9%	62
Return on assets (ROA) ⁸	10.9%	6.9%	63	10.8%	6.9%	64
EBITDA margin ⁹	43.6%	31.4%	72	43.8%	32.0%	73
EBITDA margin from market activity ¹⁰	44.5%	32.6%	73	44.6%	33.2%	74
Financial liabilities/equity	29.6%	28.1%	95	23.2%	22.2%	96
Net financial debt /EBITDA ¹¹	0.3	0.6	175	0.1	0.3	232
Dividend pay-out ratio ¹²	29.5%	31.9%	108	29.5%	31.9%	108

Maritime throughput (in tons)	2018	2019	index 2019/2018	2018	2019	index 2019/2018
Maritime throughput	24,048,618	22,792,646	95	24,048,618	22,792,646	95

Number of employees	2018	2019	index 2019/2018	2018	2019	index 2019/2018
Number of employees	1,089	1,541	142	1,242	1,703	137

⁶ Return on sales (ROS) = earnings before interest and taxes (EBIT) / net revenue from sale.

⁷ Return on equity (ROE) = net profit or loss / average equity.

⁸ Return on assets (ROA) = net profit or loss / average assets.

⁹ EBITDA margin = operating earnings before amortisation (EBITDA) / net revenue from sale.

¹⁰ EBITDA margin from the market activity = operating earnings before amortisation (EBITDA) / net revenue from the sale from market activity.

¹¹ Net financial indebtedness/EBITDA = (financial liabilities – cash and cash equivalents) / EBITDA.

¹² Dividend pay-out ratio = dividends paid / average equity.

2.4 Achieving business goals in 2019

Table 4: Key performance indicators of Luka Koper, d. d., and Luka Koper Group in 2019 in comparison to the plan for 2019

Income statement (in EUR)	Luka Koper, d. d.			Luka Koper Group		
	Plan 2019	2019	index 2019/ Plan 2019	Plan 2019	2019	index 2019/ Plan 2019
Net sales	238,126,934	224,715,839	94	242,767,294	228,677,538	94
Earnings before interest and taxes (EBIT) ¹³	42,624,782	43,575,419	102	44,037,110	45,308,084	103
Earnings before interest, taxes, depreciation and amortisation (EBITDA) ¹⁴	71,214,780	70,595,927	99	73,407,349	73,086,627	100
Profit or loss from financing activity	1,840,558	2,519,600	137	503,693	1,116,621	222
Profit before tax	44,465,339	46,095,019	104	45,788,567	47,800,254	104
Net profit or loss	37,214,549	38,818,611	104	38,344,685	40,425,162	105
Added value ¹⁵	145,952,935	142,207,202	97	154,112,233	150,704,224	98

Statement of financial position (in EUR)	Plan 31.12.2019	31.12.2019	index 2019/ Plan 2019	Plan 31.12.2019	31.12.2019	index 2019/ Plan 2019
Assets	565,955,791	578,115,124	102	585,725,899	597,410,414	102
Non-current assets	476,186,652	463,329,270	97	488,124,415	474,919,477	97
Current assets	89,769,139	114,785,854	128	97,601,484	122,490,937	126
Own funds	378,059,552	386,889,959	102	411,802,818	419,089,356	102
Non-current liabilities with provisions and long-term accruals and deferred revenue	139,748,907	144,484,229	103	125,858,360	130,715,123	104
Short-term liabilities	48,147,332	46,740,936	97	48,064,720	47,605,935	99
Financial liabilities	107,189,943	108,844,281	102	91,129,943	93,001,716	102

Investments (in EUR)	Plan 2019	2019	index 2019/ Plan 2019	Plan 2019	2019	index 2019/ Plan 2019
Investments in property, plant and equipment, investment property and intangible assets ¹⁶	53,922,524	38,140,525	71	54,402,462	40,037,457	74

¹³ Earnings before interest and taxes (EBIT) = operating revenue – operating expenses.

¹⁴ Earnings before tax, depreciation and amortisation (EBITDA) = operating profit (EBIT) + amortisation.

¹⁵ Added value= net revenue from sale capitalised own products and services + other revenue – costs of goods, material, services – other operating expenses without operating expenses from revaluation.

¹⁶ Not including the advances for equipment.

Ratios (in %)	Luka Koper, d. d.			Luka Koper Group		
	Plan 2019	2019	index 2019/ Plan 2019	Plan 2019	2019	index 2019/ Plan 2019
Return on sales (ROS) ¹⁷	17.9%	19.4%	108	18.1%	19.8%	109
Return on equity (ROE) ¹⁸	10.1%	10.4%	103	9.6%	9.9%	104
Return on assets (ROA) ¹⁹	6.6%	6.9%	105	6.5%	6.9%	106
EBITDA margin ²⁰	29.9%	31.4%	105	30.2%	32.0%	106
EBITDA margin from market activity ²¹	31.6%	32.6%	103	31.9%	33.2%	104
Financial liabilities/equity	28.4%	28.1%	99	22.1%	22.2%	100
Net financial debt /EBITDA ²²	1.0	0.6	62	0.6	0.3	43
Dividend pay-out ratio ²³	31.9	31.9	100	31.9	31.9	100

Maritime throughput (in tons)	Plan 2019	2019	index 2019/ Plan 2019	Plan 2019	2019	index 2019/ Plan 2019
Maritime throughput	24,654,960	22,792,646	92	24,654,960	22,792,646	92

Number of employees	Plan 2019	2019	index 2019/ Plan 2019	Plan 2019	2019	index 2019/ Plan 2019
Number of employees	1,524	1,541	101	1,695	1,703	100

¹⁷ Return on sales (ROS) = earnings before interest and taxes (EBIT) / net revenue from sale.

¹⁸ Return on equity (ROE) = net profit or loss / average equity.

¹⁹ Return on assets (ROA) = net profit or loss / average assets.

²⁰ EBITDA margin = operating earnings before amortisation (EBITDA) / net revenue from sale.

²¹ EBITDA margin from the market activity = operating earnings before amortisation (EBITDA) / net revenue from the sale from market activity.

²² Net financial indebtedness/EBITDA = (financial liabilities – cash and cash equivalents) / EBITDA.

²³ Dividend pay-out ratio = dividends paid / average equity.

Members of the Management Board:



Dimitrij Zadel
President of the Management Board



Metod Podkrižnik
Member of the Management Board



Irma Gubanec, M.Sc.
Member of the Management Board



Vojko Rotar
Member of the Management Board – Labour Director

Koper, February 28, 2020