



SUMMARY OF THE LUKA KOPER D.D. STRATEGIC
BUSINESS PLAN

2020 – 2025

Initial findings

Our company's mission is to provide efficient, reliable and high-quality services to our partners with innovative approaches and by adhering to the highest sustainable-development standards. In order to provide service excellence, we require more intensive development of infrastructure within the port and infrastructure connections with the port's hinterland.

For the development of the Port of Koper and the company Luka Koper, d.d. (in the text that follows, "Port of Koper") as concession-holder, the construction of a second railway line between Divača and Koper is urgently needed. According to the company 2TDK, the concession-holder for the construction and management of the Divača–Koper railway line, the latter will be operational in the first half of 2026, whereas both tracks, i.e. the new track and the renovated existing tracks, will be operational at the beginning of 2027. This means that by the end of 2025, the Port of Koper will not be able to count on the increased capacity of the renovated double-track railway line. In the meantime, the company and its stakeholders will have to increase the capacity of the existing railway line through organizational measures, infrastructural adjustments and information-technology measures.

Changes are also foreseen with regard to competitive ports which are increasing their capacities by building new berths and even terminals, establishing partnerships with various partners, and setting up new railway connections with the hinterland markets where the Port of Koper holds a substantial market share. Large shipping companies are stepping into the ownership structure of terminal operators and by means of vertical integration and through the involvement of railway undertakings, they gather all types of logistics-chain operations under one roof. They already act as carrier haulage as they wish to exert control over cargo routes from door to door and therefore generate higher revenue. At the geopolitical level, we are witnessing a conflict of interests between the superpowers that is reflected in international trade and gives priority to bilateral cooperation between countries. In addition, digital technology (ranging from big data analysis to automation, robotics, autonomous driving, and, last but not least, blockchain technology) is entering the logistics sector through the front door; it is not yet in full swing, but this is due only to the slow standardization process.

Plan

The mid-term plans of the Port of Koper are therefore ambitious and focused on the development of the company's core business. In the coming years, we will focus on increasing port capacities. By the time the renovated double-track railway line will be operational, we will be ready to satisfy our clients' needs with an increased number of berths and storage areas, road and rail infrastructure and projects in the field of digital transformation. At the same time, with a determined commercial approach, we will ensure an increase in throughput volumes, thereby maintaining primacy among the ports in the northern Adriatic and the Mediterranean. We have set ourselves the following goals:

24%

By 2025, we shall increase revenue by 24% through exploiting synergies in the logistics chain, acquiring new strategic markets, renewing long-term and targeted commercial policies, and providing a revenue structure targeted at higher value-added groups.

27,3

In 2025, total throughput will total 27.3 million tons of cargo that we shall achieve through comprehensively addressing our clients' needs.

576,5

We shall invest 576.5 million euros into increasing the capacity and throughput of the port. This will allow us to be well prepared for the opening of the double-track railway line and to increase the advantages and opportunities of this logistics route. At the same time, by the time the renovated double-track line is open, we will pursue the goal of transporting at least 60% of the cargo from/to the Port of Koper by rail, after which the share will be increased to 70%.



Using new technologies, we will implement digital transformation in all key processes. Through this, we shall achieve connectivity between all internal and external stakeholders in the logistics chain and increase the level of cost efficiency.



We shall provide conditions that will encourage our employees to be innovative in order to achieve the set business goals.



We shall achieve the highest standards of sustainable development under the EU's ECO Management and Audit Scheme (EMAS) and reduce the company's carbon footprint through energy-efficient improvement measures.



Given the port's location, we will reach a strategic agreement on coexistence and development with the Municipality of Koper and the Municipality of Ankaran. We will also reach a consensus on development with the State, considering that the port is of national strategic importance.

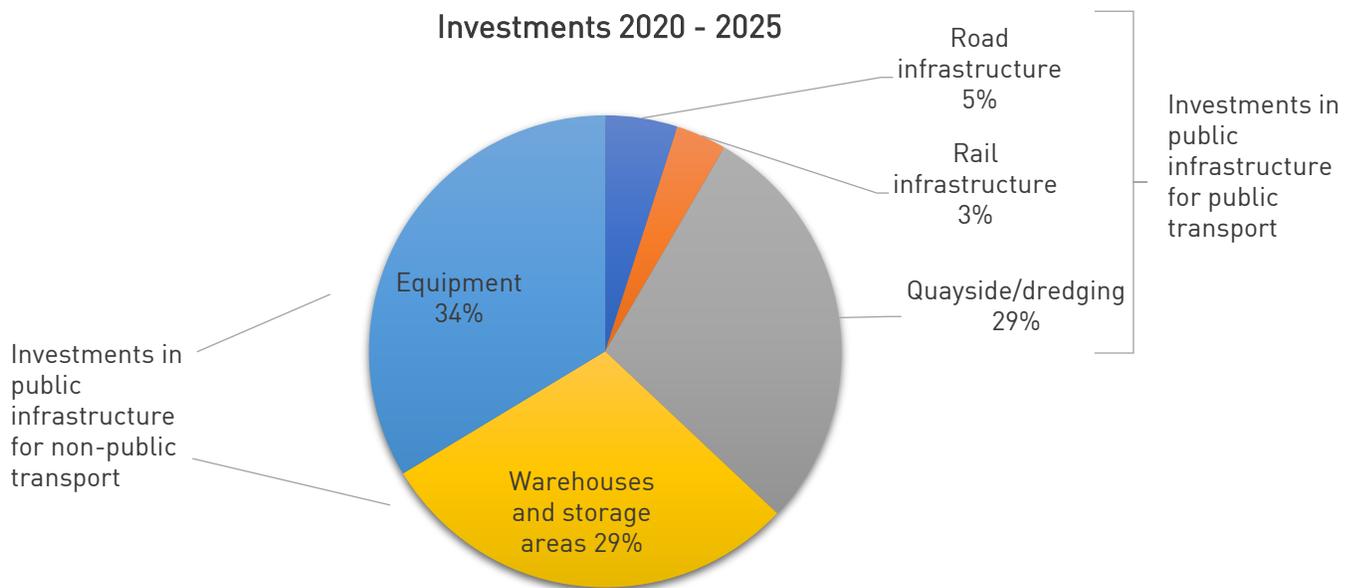
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¹ The Port of Koper is classified as critical infrastructure of national importance and comprises the facilities that are crucial for the state. Their interrupted operation or their destruction would cause serious consequences for the economy, national security and other key social functions, as well as for the health, safety protection and well-being of people.

Details

With investments of 576.5 million euros, the total average capacity of the Port of Koper, depending also on the cargo structure, will be increased to around 30 million tons annually. In the period up to 2025, 29% of investments will be earmarked for warehouses and storage areas, 28% for construction and reconstruction of quaysides, 33% for equipment and the remaining 10% for road and rail infrastructure. The company will invest 213,5 million euros in public infrastructure (road and rail infrastructure, quayside/seabed depth) and 363 million euros in non-public infrastructure (storage areas and warehouses, equipment).

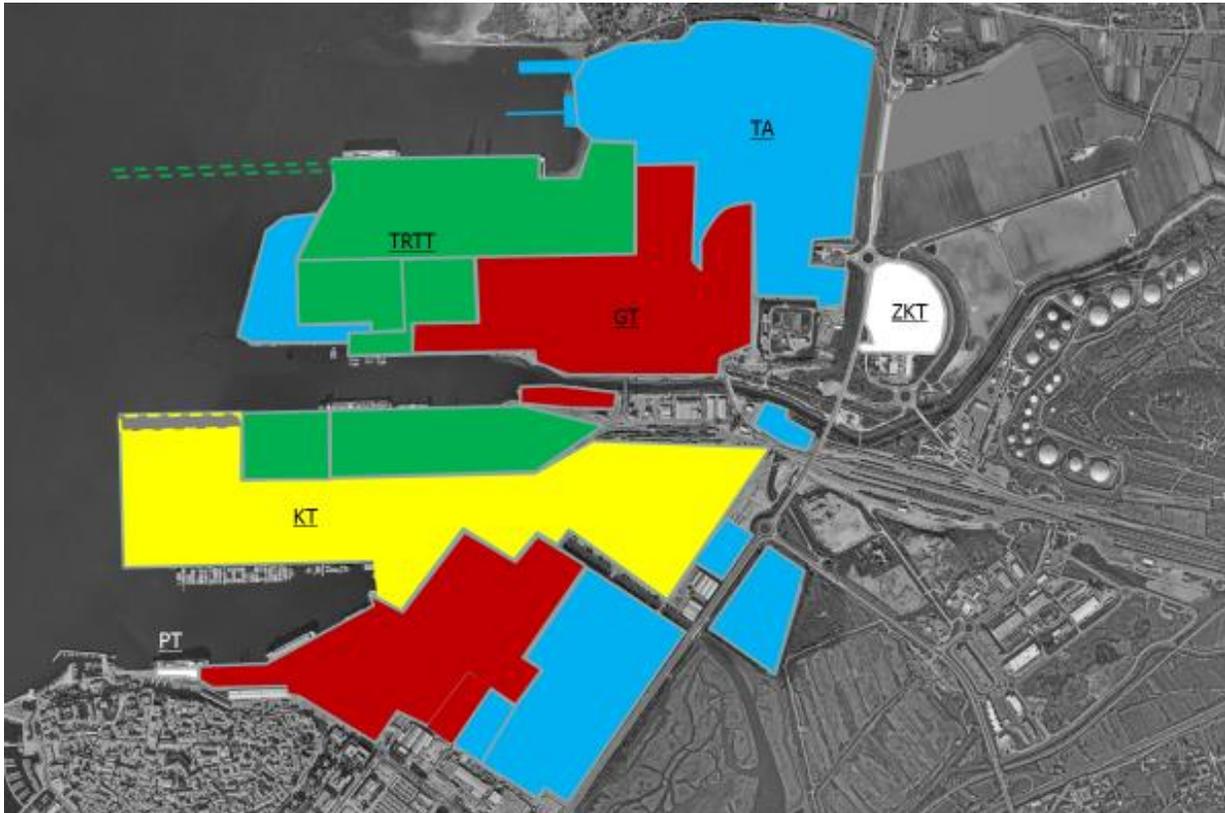
Picture 1: Investments 2020 - 2025 by type



Source: Own projections

We shall, as a priority, provide additional berths and storage areas for the strategic group of containers and cars, thereby increasing the capacity and productivity of these terminals. As far as possible, we shall spatially consolidate the terminals, providing them with nearby berths and rail and road links where these are not yet provided. This will improve the port's throughput efficiency.

Picture 2: Spatial distribution of terminals in the port of Koper by the end of 2025



- KT PC Container Terminal
- TA PC Car Terminal
- GT PC General Cargo Terminal
- TRTT PC Liquid Cargo and Dry Bulk Cargo Terminal
- ZKT External Truck Terminal
- PT Passenger terminal

Source: Own projections

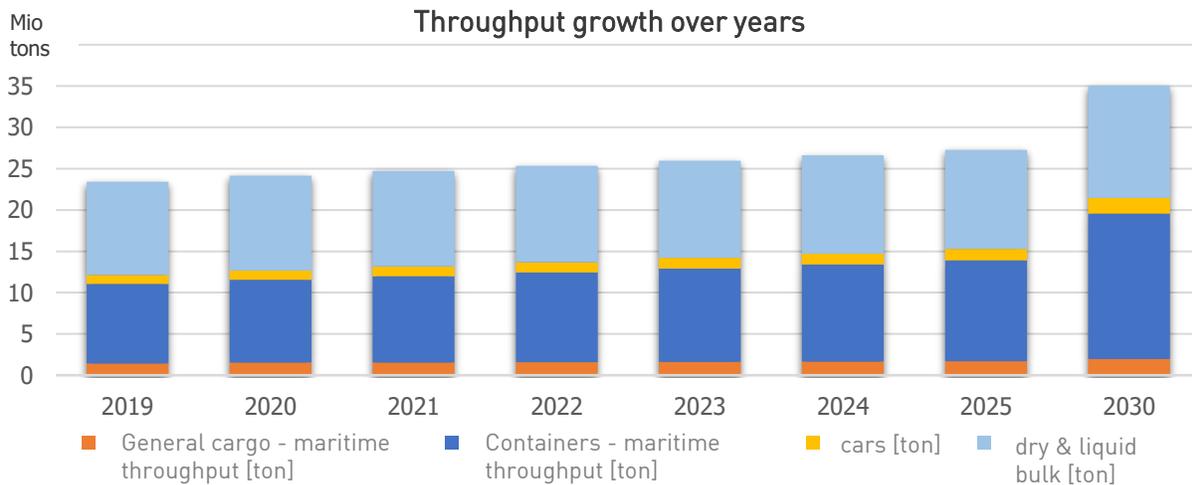
Table 1: Port capacities

PORT IN NUMBERS	2019	2020	2025	2030
Port area (ha of land)	280	288	320	330
Quayside (km of quayside)	2.9	3.0	3.2	4.1
Railway tracks (km)	35	38	40.5	44
Berths	26	28	32	38
Warehouses ² (in thousand m ²)	391	511	524	524
Tanks (in thousand m ³)	203	203	203	203
Facilities for rolled sheets (in thousand tons)	150	150	225	225
Number of parking spaces	36,000	44,000	47,000	52,000

² Closed warehouses with several floors.

Significant investments in the road network within the port include the construction of a new, third gate to the port and the relocation of the town approach road to the port periphery. This will prevent the crossing of the main port bypass road with railway tracks and increase traffic flow and safety. Particular attention will also be paid to the management of marine sediments (silt), which is of utmost importance for the construction of new berths and the ability to moor larger cargo ships in the Port of Koper.

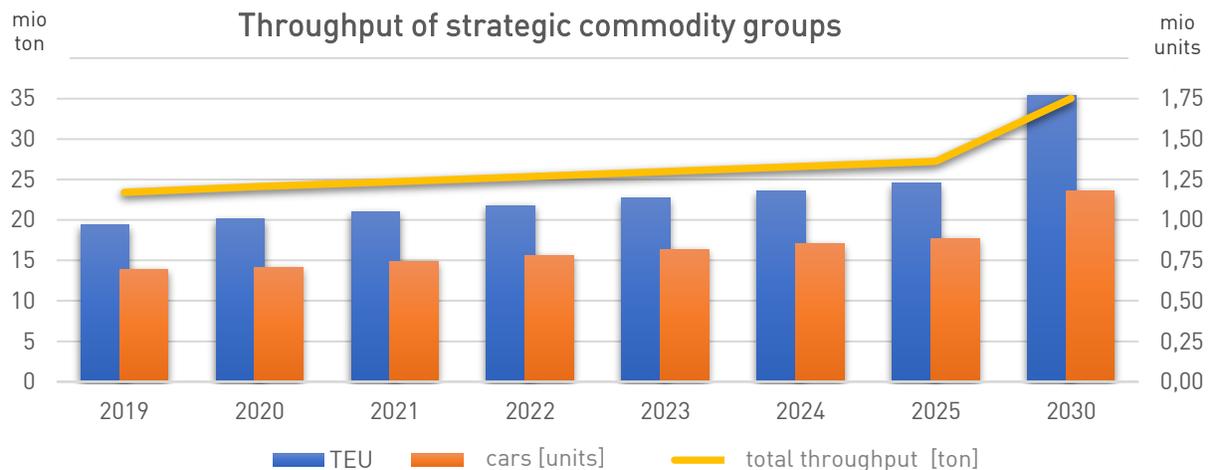
Picture 3: Trends in throughput by profit centre on a 2020 – 2025 scale, with a view to 2030



Source: Own projections

At Luka Koper, we shall handle 27.3 million tons in total in 2025, with 1.227 million TEUs in the strategic commodity group “Containers” and 0.886 million car units in the strategic commodity group “Cars”.

Picture 4: Trends in strategic commodity groups (Containers and Cars) and total throughput for 2020 – 2025, with a view to 2030



Source: Own projections

Human resources

The number of employees will increase in line with the increase in throughput and by easing the workload through the introduction of new technologies. Employment flexibility will be maintained based on a three-pillar model: direct recruitment, hiring workers through so-called recruitment agencies, and using outsourcing services. We will provide for the best available human resources and in conjunction with educational institutions, we shall provide internships and scholarships for young people. All our employees will be given the opportunity to upgrade their knowledge through additional education and training with the aim of enhancing multifunctional skills and career development. We will focus systematically on prospective staff and enable them to upgrade their knowledge. Our company will become a learning organization. We will be a certified family-friendly company and we shall provide our employees with a safe and healthy environment in accordance with ISO 45001.

Environmental aspects

In the environmental field, we shall upgrade the high standards achieved in the field of sustainable development in line with the EU's ECO Management & Audit Scheme (EMAS). In order to achieve the highest energy efficiency standards, we will acquire and actively upgrade the ISO 50001 – Energy Management System certificate. We have already focused our strategic environmental activities on measures aimed at mitigating and reducing the negative environmental impacts of port activities and infrastructure work performed within the port and the immediate surroundings of the port in accordance with the development plans of the National Spatial Plan (DPN). We will analyse the needs of the hinterland countries and the possibility of handling all types of alternative fuels. In addition, by 2025 we will explore the possibilities of providing alternative sources of energy for ships and will continue with activities aimed at providing onshore power charging for ships.

Over the coming years, we will accelerate our investments made in the use of renewable energy sources in order to increase energy self-sufficiency. We are planning to build several photovoltaic power plants that will be the primary renewable energy source in the port and will contribute to reducing the carbon footprint of the company. We are aware of the importance of electromobility, so we are accelerating the construction of a charging infrastructure for electric passenger vehicles and introducing the gradual electrification of the machinery used in the port.

Digital transformation and use of new technologies

In the field of digitalization and digital transformation, we will move in the direction dictated by industry trends: the introduction of automated workflows and the expansion of new technologies such as IoT (Internet of Things) and blockchain, the gradual transition to development approaches of a predictive nature, the optimization of warehouse areas and the organization of operational work by using artificial-intelligence tools, the transition to paperless operations with all external stakeholders (e-administration), cooperation in the setting up of a single customs entry window, and active engagement aimed at establishing a complete digital transformation. New technologies and digital transformation will be introduced gradually, with the aim of assisting employees, facilitating safe work and reducing injuries, while at the same time accelerating the procedures for entering the port. The company will actively test new technologies in pilot projects implemented by consortiums formed together with Slovene and foreign scientific institutions.

Targets for 2025

We have set ourselves ambitious mid-term goals and we will manage to achieve them with committed and loyal employees.

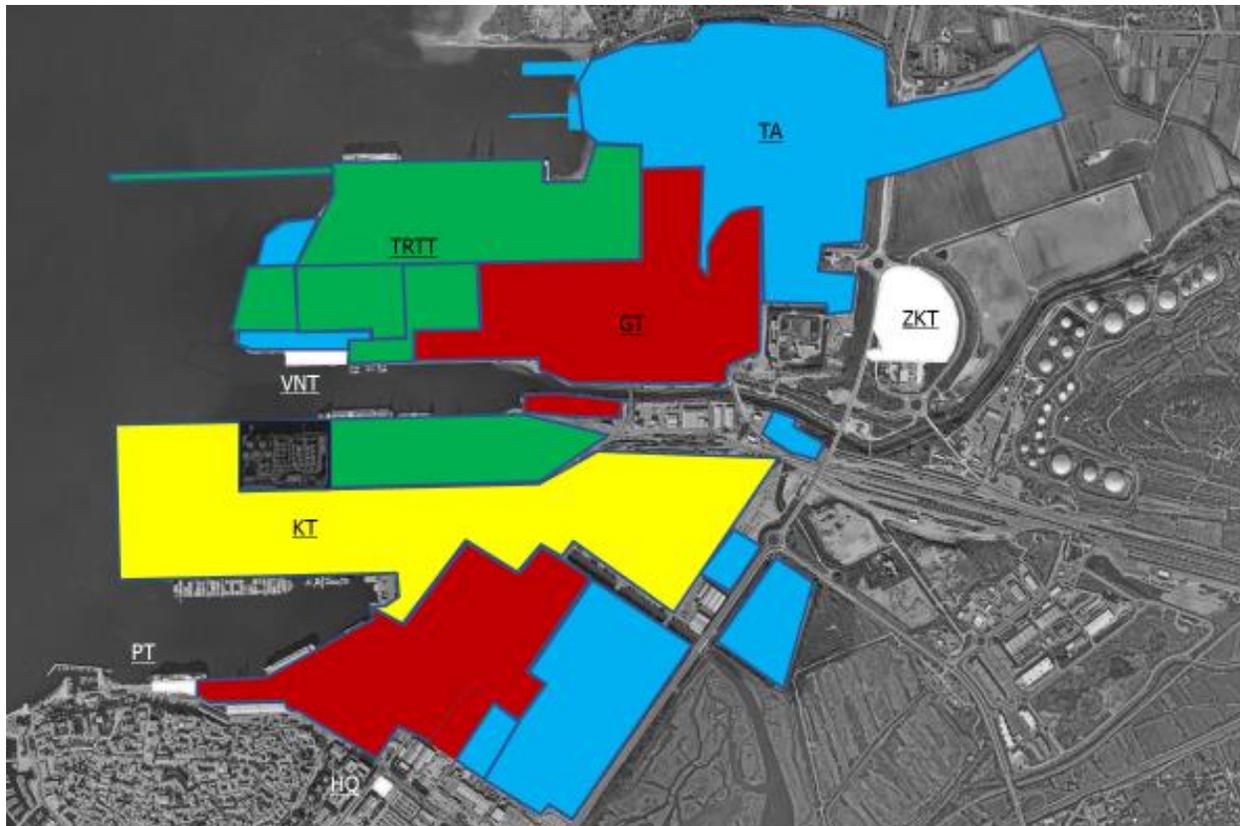
Table 2: Key targets for 2025

Target	Target value in 2025
Net sales	EUR 279.4 million
Total throughput	27.3 million tons
Container throughput	1.227 million TEUs
Car throughput	0.886 million units
Return on equity (ROE)	8.1%
Earnings before interest and taxes (EBIT)	EUR 47.8 million euros
EBITDA margin	32.1%
Added value as per employee	EUR 93,353
Operational efficiency of Container Terminal	700 m of coast: on the southern part and hinterland of the northern part of Pier I.
Operational efficiency of Car Terminal	Parking garage 2a, new parking areas in the hinterland of Basin 3 (5A, 6A, 7A), 3 new berths.
Operational efficiency of Timber Terminal	United and organised in the hinterland of Pier II (berth, warehouses, railway tracks).
Operational efficiency of General Cargos Terminal	New automated warehouse, extension of operative coast by 166 metres and 10,800 m ² of storage areas.
Number of berths	32 berths
Quayside (operative shore)	3.2 km of constructed quayside
Investments	2020 – 2025: EUR 576.5 million, of which EUR 213.5 million for public infrastructure and public transport.

A glance into the year 2030

With the renovated double-track railway line available from 2026 onwards, the Port of Koper will retain an advantage over its direct competitors in connecting the port to the hinterland. We estimate that by 2030, the port capacity will be approx. 40 million tons and the capacity of the container terminal 2.2 million TEUs/year. The total annual throughput will exceed 35 million tons, and on the assumption that the cargo structure will remain the same, total revenues will be approximately EUR 359 million. In the port, 1 km of new quayside, three new ro-ro berths and two tanker berths will be built. On the south side of Pier I, 850 m of shoreline with a depth of 15 metres will finally be arranged. At the turn of the decade, we will expand the container terminal on the north side of Pier I as far as to the location of the existing Techem terminal (part of the Liquid Cargo Terminal), which will be moved to Pier II (Note: during the relocation, the area of the Techem terminal will not be operative – for this reason this area is not marked in Picture 6). Part of the Ankaranska bonifika area used for car storage and container stuffing/stripping (CFS – Container Freight Station) will also be arranged. In this regard, the construction of Pier III for which the financial and technical plans for a car handling platform, ro-ro operations and project- and general cargo throughput will be prepared in the meantime, has not been considered.

Picture 5: Spatial distribution of terminals in the Port of Koper by the end of 2030



Source: Own projections

Conclusions

The vision of the Port of Koper is to become the leading port and logistics system as well as provider of global logistics solutions for the countries of Central and Eastern Europe. Trade between countries and continents is increasingly depending on fast, state-of-the-art and efficient transport links. In logistics, the cost of the entire logistics route, i.e. the sum of all costs of sea and land transport, is more and more at the centre of attention. That is why the simultaneous development of port facilities and state-of-the-art land connections, supported by all stakeholders, is important. Slovenia is well on its way, especially by taking resolute actions in the construction of the second rail-way line between Koper and Divača and by investing in the modernization of the entire railway network. At Luka Koper we are aware that only those logistics companies that have a clear development strategy can expect stable growth in the long run. Since our company's Strategic Business Plan until 2025 answers all these key questions, we are convinced that the goals we have set will be achieved.
