

2018

LUKA KOPER GROUP

SUMMARY OF THE BUSINESS PLAN OF LUKA KOPER, D. D., AND LUKA KOPER GROUP FOR 2018

KOPER, FEBRUARY 2018

At its regular session on February 16, 2018 the Supervisory Board of Luka Koper, d. d., was acquainted with the Business Plan of Luka Koper, d. d., and Luka Koper Group for 2018 and gave its approval thereto.

Luka Koper Group has been setting ambitious plans for 2018 by exceeding the planned results from the approved Strategic Business Plan from 2015, notably in maritime throughput of containers, net revenue from sale and ROE, meanwhile in the provision of additional capacities with key new investments has been delayed, where significant move forwards will be needed. The performance in 2018 will also depend on two relevant factors, which are currently still under assessment. The first is the Act on the construction, management and governance of the second track of the Divača-Koper railway line, which is still subject to the assessment of the Supreme Court - Luka Koper, d. d. included in the Business Plan for 2018 the expense from the taxation of the port throughput from July onwards. The second factor is related to port services providers. The strategy related to port service providers shall be presented to the Supervisory board on the next session and an action plan to implement the mentioned strategy shall follow.

MARITIME THROUGHPUT

In 2018, the maritime throughput is planned in the amount of 23 million tonnes resp. at the same level of the achieved throughput in 2017. A major increase is still expected in containers throughput in the amount of 8 percent and in the segment of cars in the amount of 4 percent, whilst the overall level of the maritime throughput in 2018 will substantially have an impact on a lower throughput of dry bulk cargoes due to a planned one-time event related to the extensive maintenance works and the overhaul of the customer's furnace in the hinterland.

INVESTMENTS

In 2018, the investment activities, in accordance with the company's strategy will be mainly directed in the increase of the Container terminal capacities at the southern side of the Pier I, construction of the new Ro-Ro berth in Basin III, acquisition of new additional storage areas for the needs of the Car and Ro-Ro terminal and the construction of a new entrance in the Port of Koper. Most key projects are still subject to the obtainment of appropriate permits and the implementation of the public procurement procedures, and therefore in 2018 further and reinforced constructive dialogue with all institutional stakeholders will be needed, with aim to start the construction works in compliance with new plans. In 2018, expense for investments in property, plants and equipment, investment property and intangible assets of Luka Koper, d. d., are planned in the amount of EUR 51.9 million, and of Luka Koper Group in the amount of EUR 52.3 million.

ISSUES RELATED TO PROVIDERS OF PORT SERVICES

In accordance with the Special Audit Report concerning the management of providers of port services (PPS) at Luka Koper, d. d., (The Report on agreed procedures) PwC of November, 12, 2017, the company started to regulate the business relationship with the providers of port services. A working group for the preparation of a strategy related to port service providers has been set up. This strategy should be further on the basis for the action plan to implement the strategy. Therefore, the financial effects of the solving of the business relationship with the providers of port's services are not the part of the Business Plan for 2018.

- ➔ In 2018, the net revenue from sale of Luka Koper, d. d., will amount to EUR 228 million, thereof the net revenue from the sales activity will amount to EUR 215 million and from the performance of the public utility service, to EUR 13 million. Net revenue from sale of Luka Koper Group in 2018 will amount to EUR 232 million, whereof net revenue from the sales activity will amount to EUR 219 million and from the performance of the public utility service, to EUR 13 million. For 2018, higher revenue from the performance of the public utility service of the regular maintenance of the port's infrastructure is planned, since due to investment plans for 2017 which were not approved by the Ministry of Infrastructure, the plan comprises the transfer of a major share of the investment maintenance for 2017.
- ➔ In 2018, the operating profit (EBIT) of Luka Koper, d. d., was planned in the amount of EUR 55 million, the EBIT of Luka Koper Group will expectedly achieve EUR 57 million .
- ➔ In 2018, the EBITDA of Luka Koper, d. d., is planned in the amount of EUR 84 million, the EBITDA of Luka Koper Group in the amount of EUR 86 million. Thus, in 2018, Luka Koper, d. d., will expectedly achieve the EBITDA margin from the sales activity in the amount of 38.9 percent, the Group 39.1 percent.
- ➔ In 2018, the net profit of Luka Koper, d. d., was planned in the amount of EUR 48 million, Luka Koper Group will expectedly achieve the net profit in the amount of EUR 49 million.
- ➔ In 2018, both Luka Koper, d. d., and Luka Koper Group will additionally decrease the volume of financial liabilities, which will at the end of 2018 expectedly amount to EUR 117 million in Luka Koper, d.d. and to EUR 101 million in Luka Koper Group.

- ➔ **The Return On Equity (ROE) of Luka Koper, d. d., in 2018 is planned in the amount of 13.7 percent, and in the amount of 12.9 percent in Luka Koper Group.**