



# **Summary of Five-year Strategic Plan of Luka Koper and the Luka Koper Group**

## **Address by the Management Board President**

Koper is Slovenia's sole seaport, and handles as much as two-thirds of the overseas trade of its continental hinterland. In terms of container throughput in 2010, Luka Koper operated the largest container terminal in the Northern Adriatic. In addition, it also manages the principal car terminal in the Adriatic and – according to 2010 data – the fourth largest automotive hub in the Mediterranean. Such facts have served as a basis in the preparation of the five-year strategic plan for Luka Koper d.d. and the Luka Koper Group.

However, Luka Koper is more than just a port operator. It is primarily a company which is a motor of development not only in the Slovenian Istria, but the entire country, as well as a driving force of the logistics sector. Thus the calculation by the Ljubljana Institute for Economic Research that every euro earned through port operations generates 1.12 euro of value added at the state level, and each employment post within the company engenders 1.6 private sector jobs doesn't come as a surprise. The model used in this calculation was one employed by the Belgium Central Bank to evaluate the effects of the nation's ports on the Belgian economy. The comparison also reveals that the multiplication effects Slovenia's ports are similar to those in Belgium, and are, accordingly, comparable to those which exist in European countries with longstanding maritime traditions.

In addition, Luka Koper is a socially engaged company which provides social security for its personnel; further to which its INPO d.o.o. subsidiary actively recruits and rehabilitates disabled workers. Luka Koper is also engaged in development and, through its support of numerous activities and events, improving quality of life in the local community. Based on the company's policy of sustainability, significant resources are allocated to environmental protection and eco-friendly technologies.

The five-year strategic plan is based on the equilibrium of four systems: port, logistics, business and institutional. The company shall build an efficient port system, promote its visibility as a part of integrated logistics solutions, create a long-term successful business system and provide for sustainable development and institutional support.

We firmly believe that the accomplishment of these objectives will contribute to the long-term stability of operations and the development of the entire Luka Koper Group, as well as the local community and Slovenian logistics sector in general.

Dr Gregor Veselko  
President of the Management Board  
Luka Koper d.d.

**Vision:**

For Luka Koper to become the leading port operator and global logistics solution provider serving the countries of Central and Eastern Europe.

**Mission:**

To offer a reliable port system, developing and promoting logistics solutions on the shortest maritime route to the heart of Europe.

**Strategic provision (equilibrium of four systems)**

- **Port system**

An efficient seaport

Generating value added through the application of technologically optimised handling, storage and transport services in relation to a variety of cargo types.

- **Logistics system**

A visible link in the provision of integral logistics solutions

A partner connecting links in the transport chain.

- **Business system**

Efficient business system in long-term

Developing modern and co-ordinated internal operations which maintain equilibrium between enhanced profitability and the interests of the broader community.

- **Institutional system**

Concern for sustainable development and institutional support

Maintaining equilibrium in relations with the business, natural, institutional environment and other interest groups.

## Objectives

As Slovenia's only seaport, the Port of Koper is of prime strategic importance, and exerts multiple impacts on the development of the economy, both locally as well as nationally.

Luka Koper's long-term strategic objectives may be classified under three headings: Operational/Market, Corporate and Institutional.

### a. Operational/Market objectives

#### **Objective 1: Increase cargo throughput achieving optimal structure according to market potentials and capacities**

**Intention:**

- Achieving an annual cargo throughput of 21.4 million tonnes by 2015;
- Preserving the port's multipurpose character, considering the interdisciplinarity of cargo types;
- Further developing its container freight and vehicle operations as a strategic business.

#### **Objective 2: Development of services achieving optimal structure according to yield**

**Intention:**

- Ensuring growth and equilibrium in handling and warehouse operations;
- Promotion of distribution (macro distribution within the port, micro distribution beyond the port);
- Focus on RO-RO transport and project cargos.

#### **Objective 3: Market management**

**Intention:**

- Management of the Slovenian market as a whole, and further penetration of other hinterland markets;
- Preservation and increase of existing market shares;
- Enhancing presence within new transitional markets in Europe;
- Strengthening the port's role in Mediterranean maritime trade.

#### **Objective 4: Continuation of client satisfaction**

**Intention:**

- Preservation of client base;
- Achieving growth in market share;
- Acquisition of new clients and business;
- Improving the reliability and efficiency of port services.

#### **Objective 5: Maintenance of effective relations with the port community**

**Intention:**

- Ensuring expedient relations with freight forwarders and agents, as well as various external authorities, including the customs and police.

**Objective 6: Establish relationships with shippers and carriers**

**Intention:**

- Ensuring maximum possible utilisation of existing services and the acquisition of new shipping lines;
- Promotion of additional regular rail-freight links serving the continental hinterland;
- Ensuring that the Port of Koper is integrated into an optimal number of logistics solutions.

**Objective 7: Maintaining sufficient autonomy whilst simultaneously connecting with the global logistics providers who predominate in intercontinental trade**

**Intention:**

- Regular contacts, enhancement of good relations and conclusion of long-term partnership agreements with all providers and operators.

**Objective 8: Creation of strategic partnerships**

**Intention:**

- Utilisation of free capacities, acquisition of new cargoes and funds through partnership;
- Possible joint investments in the development of new port infrastructure.

**Objective 9: Monitoring the development of competition**

**Intention:**

- Ensuring that Luka Koper clients are provided better operational conditions and scope of services than its competitors.

**Objective 10: Promoting a discernible brand with an excellent reputation**

**Intention:**

- Ensuring visibility amongst all stakeholders: clients, suppliers and investors, as well as the local, national and international community;
- Clear communication: "Luka Koper is a stable company which provides excellent services and better terms than the competition; it is a socially committed and internationally-oriented company."

**b. Corporate objectives**

**Objective 1: Return on capital and enhanced operational efficiency**

**Intention:**

- Positive EVA<sup>1</sup>;
- 15% return on sales.

**Objective 2: Healthy financial foundations**

**Intention:**

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<sup>1</sup> Economic Value Added - one of the key indicators of *Luka Koper Group* performance – is anticipated to improve, and achieve a positive value after 2015.

- Debt accounting for no more than 40% of liabilities;
- A three-fold net debt / EBITDA ratio;
- Average maturity of debt financing > 3 years.

**Objective 3: Positive corporate culture – loyal, well-motivated employees**

**Intention:**

- Creative and innovative corporate culture, with a workforce sharing common values;
- Enhanced efficiency and productivity of employees;
- Optimal application of human resources;
- Ongoing dialogue with social partners.

**Objective 4: Promotion of knowledge as key value**

**Intention:**

- Ensure a concentration of know-how and skills;
- Develop new knowledge and abilities;
- Upgrade ability through experience, as well as ensure skill and know-how transfer;
- Generation of new ideas and solutions (stimulation of creativity and a thinking environment).

**Objective 5: Enhancing efficiency and enterprise, ensuring operational integrity through transparency**

**Intention:**

- Increased productivity and risk management;
- Focus on the provision of safe working conditions within the port zone;
- Development of improved organisation;
- Optimal implementation of processes without duplication;
- Outsourcing of non-strategic processes (partnerships);
- Generation of synergies, regular communication, monitoring results and taking action.

**Objective 6: Enhancing cost efficiency**

**Intention:**

- Process approach in relation to key processes.

**Objective 7: Management of subsidiaries and associated enterprises**

**Intention:**

- Organisation of the Luka Koper Group in the context of centralised control;
- Acquisition of control over companies whose activities are of strategic importance;
- Preservation of (the major portion of) core activities under the control of Luka Koper d.d., and the conclusion of strategic partnerships for other activities.

**Objective 8: Efficient supplier relation management**

**Intention:**

- Enhancing competitiveness amongst contractors and suppliers;
- Application of sustainable long-term most favourable supplier and contractor statuses in port service provision:

- Implementation of risk management in relation to exposure to individual suppliers and contractors;
- In-house personnel to maintain control over key processes.

### **Objective 9: Investment management**

#### **Intention:**

- Efficient withdrawal from and non-strategic and real-estate investments.

### **Objective 10: Regular dividend distribution**

#### **Intention:**

- Disbursement of one-third of net profits to shareholders.

## **c. Institutional objectives**

### **Objective 1: Responsibility to the community**

#### **Intention:**

- On-going and balanced dialogue with all interested parties and the community.

### **Objective 2: Promotion of the port internationally**

#### **Intention:**

- Integration within European transport corridor initiatives and priority infrastructural projects;
- Monitoring of European and international legislation;
- Active participation in NAPA, ESPO, FEPOR and other European projects;
- Protection of the company's business interests within the context of the Concession Agreement with the state.

### **Objective 3: Development of communications and infrastructure**

#### **Intention:**

- To ensure shorter transit times to hinterland markets;
- Eliminate bottlenecks on the railway network;
- Maintain navigational channels per mandatory draughts.

### **Objective 4: Pro-active relationships with the state**

#### **Intention:**

- Acquire support in development activities, and in particular the realisation of the National Spatial Plan for the Port of Koper;
- Enhancement of an understanding of port operations and activities;
- Acceleration of the issue of permits, certification and other documentation;
- Arrangement of prior customs clearance provision;
- Assistance in the resolution of topical issues, such as land use status;
- Ensure the ongoing suitability of the Concession Agreement through the provision of any necessary amendments.

### **Objective 5: Pro-active relationships with the local community**

**Intention:**

- Greater understanding as to the importance of port development by local authorities;
- Preparation of joint development projects and co-design of a modern port city.

### **Objective 6: Environmental protection**

**Intention:**

- Compliance with all requisite standards;
- Implementation of new regulations and measurements that will guarantee protection of maritime and terrestrial environments;
- Introduction of green logistics concepts which ensure that ports are the greenest link in the logistics chain.

### **Objective 7: Port zone security**

**Intention:**

- Compliance with all required standards;
- Implementation of new rules that will guarantee port zone security;
- Safety risk identification and management.

### **Objective 8: Efficient grant applications and financing**

**Intention:**

- Resolution of the issue of state aid;
- Exploration of the possibilities of financing port infrastructure through grants;
- Provision of project financing agreements;
- 30%+ financing of port infrastructure from EU cohesion fund.