LUKA KOPER
Port of Koper

2018

ANNUAL REPORT

THE LUKA KOPER GROUP

AND LUKA KOPER, D. D.

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INTRODUCTION

1 Business performance highlights of the Luka Koper Group in 2018

WE HAD A SUCCESSFUL YEAR

24 MILLION TONS
TOTAL PORT THROUGHPUT 2018/2017 +3%

1.5 MILLION TONS
GENERAL CARGOES 2018/2017 +11%

988 THOUSAND TEU
CONTAINERS 2018/2017 +8%

754 THOUSAND CARS
CARS 2018/2017 +2%

In 2018, total throughput in the Port of Koper was 24 million tons of cargo, up 3% year-on-year and the highest annual throughput in the history of the port.

In comparison to the preceding year, the Luka Koper Group recorded growth in the throughput of all product groups except for liquid cargoes. In its profit/loss for 2018, the Group recorded an 11% increase year-on-year in the general cargoes group compared with 2017, which mainly related to the throughput of iron and steel products as well as the throughput of wood due to the reopening of the Northern African market. In 2018, the Luka Koper Group achieved good results and the highest ever throughput in the cargo groups of containers and cars. The Group's throughput of dry bulk and bulk cargoes was up 1% year-on-year, whereas the throughput of liquid cargoes was lower by 1% in 2018 compared with 2017, which was due to lower throughput of petroleum products. The passenger terminal recorded 101,415 passengers in 2018, which is a 41% increase from 2017.

Throughput in tons per cargo group in 2017 and 2018

CARGO GROUPS (in tons)	1-12 2017	1-12 2018	Index 2018/2017
General cargoes	1,377,702	1,526,026	111
Containers	9,071,440	9,520,007	105
Cars	1,123,779	1,156,265	103
Liquid cargoes	3,876,535	3,855,247	99
Dry bulk and bulk cargoes	7,917,542	7,991,074	101
TOTAL	23,366,998	24,048,618	103

Throughput of containers (number of containers and TEU) and cars (pieces) in 2017 and 2018

CARGO GROUPS	1-12 2017	1-12 2018	Index 2018/2017
Containers – number	540,245	582,397	108
Containers – TEU	911,532	988,499	108
Cars – pieces	741,253	754,409	102

EUR 226 MILLION

NET SALES 2018/2017 **+7%**

In 2018, net sales amounted to EUR 226 million, which was an increase by 7% or EUR 15 thousand compared to 2017.

EUR 70 MILLION

EARNINGS BEFORE INTEREST AND TAXES (EBIT) 2018/2017 **+90%**

In 2018, earnings before interest and taxes (EBIT) of the Luka Koper Group amounted to EUR 70 million, which was an increase of 90% or EUR 33 million from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, which is disclosed under other income, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, which are disclosed under other expenses, earnings before interest and taxes (EBIT) of the Luka Koper Group for 2018 would amount to EUR 60.2 million, which would, therefore, be an increase of 15% or EUR 8 million from 2017.

EUR 99 MILLION

EARNINGS BEFORE INTEREST, TAXES, DEPRECIATION AND AMORTISATION (EBITDA) 2018/2017 **+52%**

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Luka Koper Group amounted to EUR 99 million in 2018, which was a 52% or EUR 34 million increase from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Group for 2018 would amount to EUR 89.5 million, which would, therefore, be an increase of 11% or EUR 9 million from 2017.

43.8%

EBITDA MARGIN 2018/2017 **+42%**

The EBITDA margin of the Luka Koper Group in 2018 accounted for 43.8%, which was an increase of 42% or 13 percentage points from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, the EBITDA margin for 2018 would amount to 39.6%, which would, therefore, be an increase of 4% or 1.4 percentage points from 2017.

EUR 60 MILLION

NET PROFIT OR LOSS 2018/2017 **+71%**

Net profit or loss of the Luka Koper Group amounted to EUR 60 million in 2018, which was an increase of 71% or EUR 25 million from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, net profit or loss of the Luka Koper Group for 2018 would amount to EUR 51.8 million, which would, therefore, be an increase of 9% or EUR 4 million from 2017.

EUR 16 MILLION

INVESTMENTS 2018/2017 **-56%**

In 2018, the Luka Koper Group allocated the amount of EUR 16 million to investments, which was a decrease of 56% or EUR 20.9 million from 2017. Major investments included:

- Purchase of five new electrified rubber tired gantry (RTG) cranes,
- Purchase of two Terberg terminal tugs for the needs of general cargoes,
- Reconstruction of the existing diesel RTG cranes to achieve a decrease in noise emissions,
- Winding up of the construction of the railway track No 61 to increase the safety of railway traffic and relieve congestion on transport routes,
- Development of premises for the needs of car and RO-RO terminals,
- Purchase of a 33- T forklift for the needs of general cargoes,
- Purchase of two grabs for overhead cranes,
- Commencement of renovation of the administrative building for bulk cargo,
- Purchase of replacement equipment for the fire-fighting system,
- Arrangement of handling areas beside warehouses for the needs of general cargoes,
- Construction of a new entrance by merging the internal and external truck terminals (ongoing),
- Order of a new mooring boat by the company Luka Koper INPO, d. o. o.

The sole reason for falling levels of investments was lengthy procedures for acquiring the required permits and unpredictable public procurement procedures. It was only in the middle of 2018 that the Company managed to break the deadlock on the Pier I extension project, which was due to the local community expressing concerns about increased noise. From the financial perspective, this is currently the largest ongoing infrastructure project. Another issue is public procurement, with complaints extending the time within which certain projects might be completed.

1,242

NUMBER OF EMPLOYEES 2018/2017 **+12%**

213 new employments were realised in 2018 in the Luka Koper Group. The total number of employees increased by 12% or 134 from 2017, to 1,242 employees in 2018, which was due to the Group having commenced the implementation of the action plan for the implementation of the port service provision strategy.

16.1%

RETURN ON EQUITY (ROE) 2018/2017 **+57%**

The return on equity (ROE) amounted to 16.1% in 2018, which is 57% or 5.8 percentage points higher than in 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, the return on equity (ROE) for 2018 would amount to 14.1%, which would, therefore, be an increase of 1% or 0.2 of a percentage point from 2017.

0.1

NET FINANCIAL DEBT/EBITDA 2018/2017 **-91%**

In 2018, the net financial debt/EBITDA indicator was 0.1, while in 2017 it was 1.3, which is less than in 2017 and is a result of a lower volume of investments made. A low level of the net financial debt /EBITDA indicator demonstrates a high financial stability of the Company and the entire Luka Koper Group, as well as their high willingness to enter a more intense investment cycle envisaged for the coming years.

AS WELL AS EXCEEDING PHYSICAL AND FINANCIAL INDICATORS, FOR THE LUKA KOPER GROUP, THE YEAR 2018 WAS MARKED BY SHIFTS IN STRATEGIC AREAS

In 2018, Luka Koper acquired building permits to extend the operational coast of the container terminal at Pier I, to construct additional railway tracks inland of Basin III, and to construct a new RO-RO berth in Basin III for the needs of the car terminal, which have also become final. Construction of the Sermin port entrance has also begun, which will mainly serve as the entry point for Pier II. This will improve internal logistics and relieve the town approach road of truck traffic. In parallel to this, in July Luka Koper signed a letter of intent with the Municipality of Koper to reach an agreement on the implementation of mitigation measures to reduce the environmental impact of port activity and ensure further development of the port.

In June 2018, the Government of the Republic of Slovenia amended the Decree on the administration of the freight port of Koper, which includes the expansion of the concession area, both territorial and maritime, by 705,436 square metres.

At its ordinary meeting of 26 March 2018, the Supervisory Board discussed the course of business restructuring of the Company and was briefed about the proposal for a port service provision strategy, which was devised by the Management Board. By announcing a substantial notification of 307 vacancies in September, Luka Koper undertook the action plan for implementing the port service provision strategy; which was followed by a public tender for the selection of recruitment agencies to provide workers for performing port services in November.

Having entered into force on 21 July, the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line will be an additional financial burden to the Company, but will also enable sustainable development of the Port of Koper and an increase of Port throughput in the long term.

Luka Koper, d. d., began the procedure of refinancing part of its long-term loans payable in 2018 and completed in January 2019. Long-term loan contracts were signed with two banks, i.e. Intesa Sanpaolo, d. d., and SID, d. d., for the period of 10 years and for a total amount of EUR 43.7 million, each bank providing a half. By refinancing part of its loans, the Company has lengthened the maturity of its sources of funds, while also replacing part of its variable-rate sources of funds with fixed interest rate sources and reducing financing costs.

OUR THRUOGHPUT IN 2018

24
million tons of maritime throughput

988,499 TEU
of loaded and unloaded containers

754,409
of loaded and unloaded cars

986,637 tons
tons of loaded and unloaded general cargoes

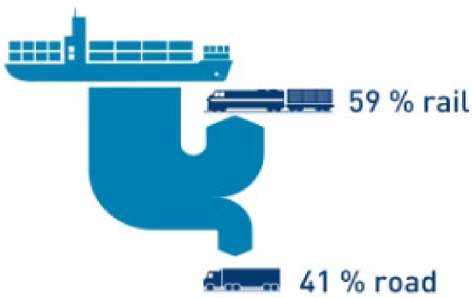
23,084
trains arrived in and departed from the port

300,178
of loaded and unloaded wagons

326,693
trucks entered the port

1903
moored ships

Modal split - high percentage of rail transport



FINANCIAL RATIOS

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
Income statement	2017	2018	IND 2018/ 2017	2017	2018	IND 2018/ 2017
Revenue	206,835,533	222,980,390	108	211,438,377	226,305,538	107
Earnings before interest and taxes (EBIT)	35,032,311	68,744,504	196	36,639,872	69,707,500	190
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	62,570,820	97,289,912	155	65,087,648	99,074,675	152
Profit or loss from financing activity	1,385,636	2,055,290	148	-377,307	624,300	-165
Profit before tax	36,417,947	70,799,794	194	37,952,498	71,990,783	190
Net profit or loss	33,143,408	58,588,995	177	34,982,789	59,760,203	171
Added value[1]	115,524,196	153,696,710	133	124,516,296	162,462,410	130

Statement of financial position	31 Dec 2017	31 Dec 2018	IND 2018/ 2017	31 Dec 2017	31 Dec 2018	IND 2018/ 2017
Assets	518,952,908	553,542,207	107	536,478,688	572,242,060	107
Non-current assets	447,568,391	433,899,168	97	459,505,654	445,660,208	97
Current assets	71,384,517	119,643,039	168	76,973,034	126,581,852	164
Own funds	320,652,651	362,644,966	113	350,437,387	393,878,805	112
Non-current liabilities with provisions and long-term accruals and deferred revenue	156,033,161	137,848,415	88	142,700,743	124,316,097	87
Short-term liabilities	42,267,096	53,048,826	126	43,340,558	54,047,158	125
Financial liabilities	133,114,842	107,273,741	81	117,114,842	91,262,420	78

Investments	2017	2018	IND 2018/ 2017	2017	2018	IND 2018/ 2017
Investments in property, plant and equipment, investment property and intangible assets	36,661,385	15,867,036	43	37,342,062	16,442,606	44

[1] Added value = net sales + capitalised own products and own services + other revenue – costs of goods, material, services – other operating expenses excluding revaluation operating expenses.

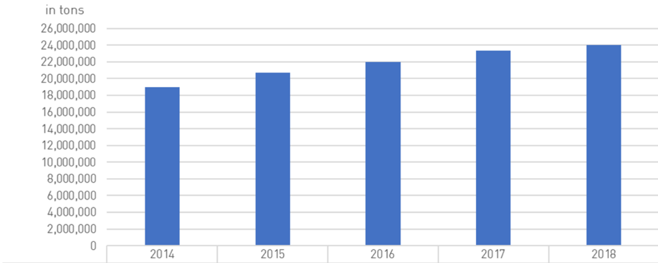
(in EUR)	Luka Koper, d. d.			Luka Koper Group		
Ratios (in %)	**2017**	**2018**	**IND 2018/ 2017**	**2017**	**2018**	**IND 2018/ 2017**
Return on sales (ROS)[2]	16.9%	30.8%	182	17.3%	30.8%	178
Return on equity (ROE)	10.6%	17.1%	162	10.3%	16.1%	157
Return on assets (ROA)	6.7%	10.9%	163	6.8%	10.8%	158
EBITDA margin[3]	30.3%	43.6%	144	30.8%	43.8%	142
EBITDA margin from market activity[4]	30.8%	44.5%	145	31.3%	44.6%	143
Financial liabilities/equity	41.5%	29.6%	71	33.4%	23.2%	69
Net financial debt /EBITDA[5]	1.7	0.3	21	1.3	0.1	9
Dividend pay-out ratio	33.6%	29.5%	88	33.6%	29.5%	88

Port throughput (in tons)	2017	2018	IND 2018/ 2017	2017	2018	IND 2018/ 2017
Maritime throughput	23,366,998	24,048,618	103	23,366,998	24,048,618	103

Number of employees	2017	2018	IND 2018/ 2017	2017	2018	IND 2018/ 2017
Number of employees	926	1,089	118	1,108	1,242	112

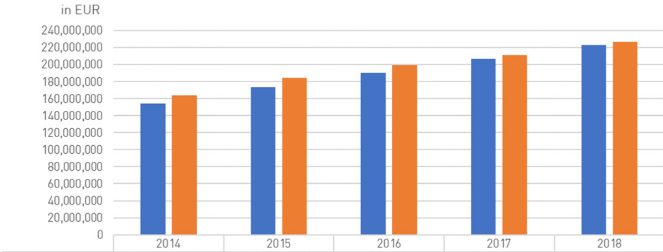
[2] Return on sales (ROS) = earnings before interest and taxes (EBIT) / net sales
[3] EBITDA margin = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales
[4] EBITDA margin from market activity = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales from market activity
[5] Net financial debt /EBITDA = (financial liabilities – cash and cash equivalents)/EBITDA

Maritime throughput



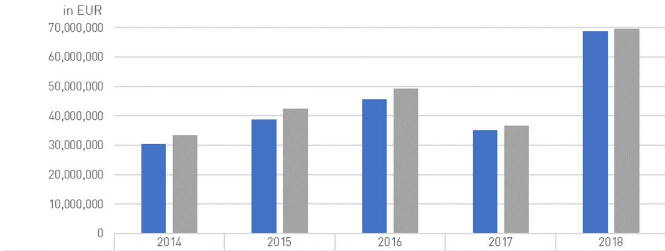
	2014	2015	2016	2017	2018
Luka Koper, d. d.	18,965,351	20,711,872	22,010,657	23,366,998	24,048,618

Net sales



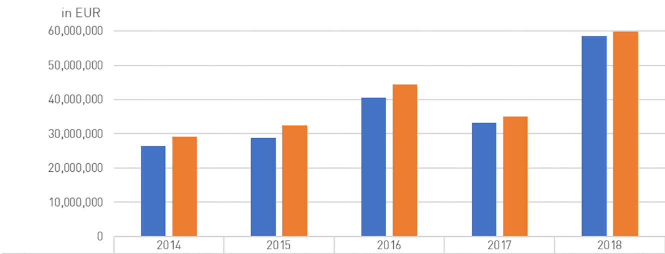
	2014	2015	2016	2017	2018
Luka Koper, d. d.	154,464,507	173,277,749	190,407,498	206,835,533	222,980,390
Luka Koper Group	163,595,376	184,273,472	199,543,696	211,438,377	226,305,538

Earnings before interest and taxes (EBIT)



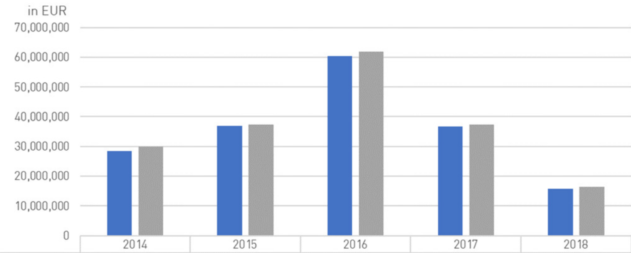
	2014	2015	2016	2017	2018
Luka Koper, d. d.	30,474,904	38,826,283	45,536,427	35,032,311	68,744,504
Luka Koper Group	33,381,026	42,420,503	49,325,438	36,639,872	69,707,500

Profit or loss for the period



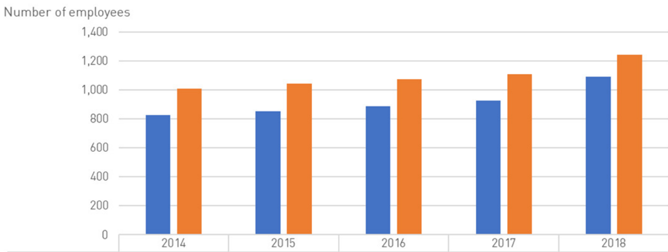
	2014	2015	2016	2017	2018
Luka Koper, d. d.	26,448,414	28,845,074	40,581,116	33,143,408	58,588,995
Luka Koper Group	29,098,342	32,414,723	44,375,981	34,982,789	59,760,203

Investment expenditure



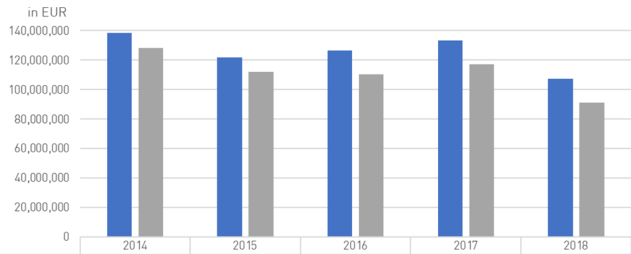
	2014	2015	2016	2017	2018
Luka Koper, d. d.	28,485,811	36,871,798	60,313,916	36,661,385	15,867,036
Luka Koper Group	29,958,975	37,402,753	61,781,064	37,342,062	16,442,606

Number of employees



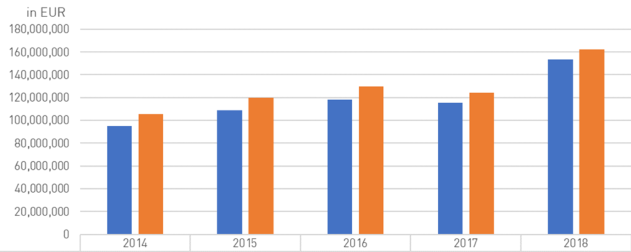
	2014	2015	2016	2017	2018
Luka Koper, d. d.	824	852	886	926	1,089
Luka Koper Group	1,009	1,040	1,071	1,108	1,242

Financial liabilities



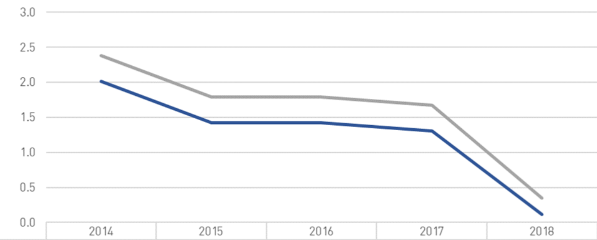
	2014	2015	2016	2017	2018
Luka Koper, d. d.	138,202,764	121,896,954	126,332,908	133,114,842	107,273,741
Luka Koper Group	128,146,556	111,866,534	110,332,958	117,114,842	91,262,420

Added value



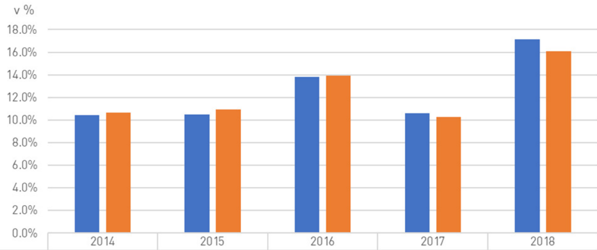
	2014	2015	2016	2017	2018
Luka Koper, d. d.	95,235,916	108,912,973	118,409,242	115,524,196	153,696,710
Luka Koper Group	105,591,082	120,029,932	129,692,675	124,516,296	162,462,410

Net financial debt/EBITDA



	2014	2015	2016	2017	2018
Luka Koper, d. d.	2.4	1.8	1.8	1.7	0.3
Luka Koper Group	2.0	1.4	1.4	1.3	0.1

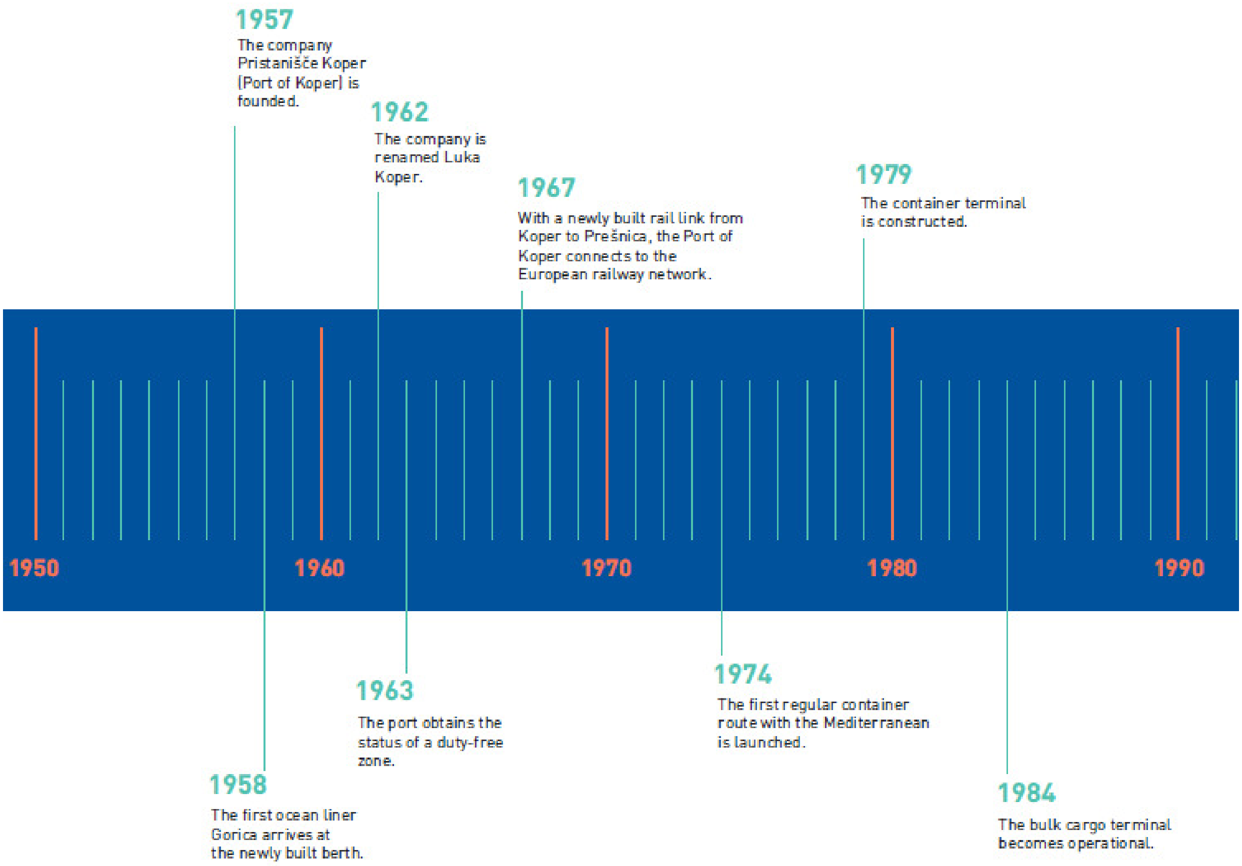
Return on equity (ROE)



	2014	2015	2016	2017	2018
Luka Koper, d. d.	10.4%	10.5%	13.8%	10.6%	17.1%
Luka Koper Group	10.7%	10.9%	13.9%	10.3%	16.1%

2 Presentation of the Luka Koper Group

THE KEY MILESTONES IN THE DEVELOPMENT OF THE PORT



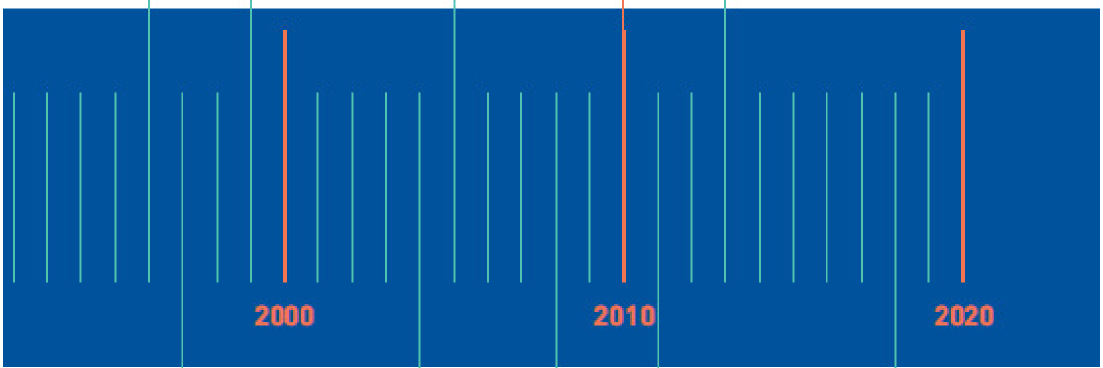
1996
Following the ownership transformation process, Luka Koper becomes a company limited by shares.

1999
Luka Koper is awarded the ISO14001 environmental certificate.

2005
The first passenger ship berths in the port.

2010
The European system of environmental management (EMAS) is established.

2013
The EU includes the Port of Koper in its Mediterranean and Baltic-Adriatic corridors.



1997
Luka Koper is awarded the ISO 9002 certificate.

2004
The EU grants Luka Koper the status of a Border Inspection Point (BIP).

2008
The state of Slovenia grants Luka Koper a 35-year concession for the performance of port activity in the Port of Koper.

2011
The State Spatial Plan is adopted for the comprehensive spatial development of the port for international transport in Koper.

2018
The port service provision strategy is adopted.

PORT THROUGHPUT THROUGH HISTORY

2.1 Company profile of Luka Koper, d. d. as at 26 April 2019

Company name	LUKA KOPER, pristaniški in logistični sistem, delniška družba
Trade name	Luka Koper, d. d.
Registered office	Koper
Business Address	Koper, Vojkovo nabrežje 38, 6000 Koper/Capodistria
Legal form of organisation	Public limited company
	Telephone: 00 386 (0)5 66 56 100
	Fax: 00 386 (0)5 63 95 020
	E-mail: portkoper@luka-kp.si
	Website: www.luka-kp.si
	Sustainable development website: http://www.zivetispristaniscem.si
Entry in the court register of	District Court of Koper under the entry number 066/10032200
Company registration number:	5144353000
ID for VAT:	SI 89190033
Share capital	EUR 58,420,964.78
Number of shares	14,000,000 ordinary no-par value shares
Share listing	Ljubljana Stock Exchange, first listing
Share ticker symbol	LKPG
President of the Management Board	Dimitrij Zadel
Member of the Management Board	Metod Podkrižnik
Member of the Management Board	Irma Gubanec
Member of the Management Board - Worker Director	Vojko Rotar
President of the Supervisory Board	Uroš Ilić
Core activity of the company	Seaport and logistics system service provider
Activities performed by the Luka Koper Group	Various service activities

2.2 Organisation of the Luka Koper Group

The Luka Koper Group includes related parties that contribute to the comprehensive range of services provided by the port.

The Luka Koper Group as at 31 December 2018

- Luka Koper, d. d.
- Subsidiaries
    - Luka Koper INPO, d. o. o., 100%
    - Adria Terminali, d. o. o., 100%
    - Luka Koper Pristan, d. o. o., 100%
    - Logis-Nova, d. o. o., 100%
    - Adria Investicije, d. o. o., 100%
    - TOC, d. o. o., 68.13%

Associated companies

- Adria Transport, d. o. o., 50%
- Adria-Tow, d. o. o., 50%
- Adriafin, d. o. o., 50%
- Avtoservis, d. o. o., 49%

Further details regarding changes in the subsidiaries and associated companies are available in the chapter Composition of the Luka Koper Group.

2.3 Activities of the Luka Koper Group

Luka Koper is the only Slovenian multipurpose port. Its activity influences the development of the region, Slovenian economy, and logistics in this part of Europe. It comprises an integrated marine and coastal area, accommodating activities related to cargo and passenger port services.

Core port activities include transhipment and warehousing of a variety of goods. They are supplemented by a range of services on goods and other services, providing customers with comprehensive logistic support.

Concession Agreement

In 2008, Luka Koper, d. d. concluded with the Republic of Sloveina the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure in the area of the Koper cargo port. The Concession Agreement was concluded for a period of 35 years, as stipulated by the Maritime Code. The agreed concession fee amounts to 3.5% of the Company's sales revenue, excluding port fee income. The concession fee also includes the water right, water charges and other duties related to the use of the sea belonging to the Republic of Slovenia. Luka Koper, d. d. pays the total concession fee to the Republic of Slovenia, which then allocates half of the amount to the two local communities, the Municipality of Koper and since 1 January 2015 also to the Municipality of Ankaran.

Two public utility services are performed in Luka Koper, d. d., i.e. the public utility service of regular maintenance of the port infrastructure intended for public transport, and the public utility service of collecting waste from vessels in the Koper port area.

Port and logistic activities

The core port activity of throughput and warehousing is carried out at twelve specialised port terminals. The terminals are organised according to the goods/cargo they receive:

Each terminal has its own characteristics depending on its goods-specific work process, technological procedures and technology. The terminals are organised in five profit centres. A detailed description of terminals is available at https://luka-kp.si/eng/terminals.

The port area consists of 274 hectares of land, with 50.7 hectares of warehouses and 109 hectares of open-air storage areas. We provide 28 berths located on 3,282 metres of the shoreline along 179 hectares of the sea. In terms of logistic activities, our services include:

- Management of the port area,
- Services provided by the collection and distribution centre for all types of cargo,
- Services on goods (sorting, palletising, sampling, protection, labelling, weighing, cleaning and other services), which are regularly improved in line with the development of the transport industry and the needs of our customers,
- Integrated logistics solutions.

The services of individual terminals are supplemented by Luka Koper INPO, d. o. o., Adria-Tow, d. o. o., Adria Transport, d. o. o., and Avtoservis, d. o. o., which enables us to quickly respond to the customer needs.

Luka Koper INPO, d. o. o. performs various services such as the simple cleaning and lubrication maintenance of railroad switches, vehicle and wagon weighing and truck terminal management services, in-port bus services, maritime services relating to berthing and sea protection, outdoor cleaning and landscaping services, services relating to collection, processing and management of waste, and other support services for the needs of the parent company and other users. As a support services company, Luka Koper INPO, d. o. o., provides the simple maintenance of railway tracks, weighing, bus transportation and public utility services. In its operations, the company remains true to its original mission, which in addition to successful commercial operation is the employment and training of disabled persons.

Adria-Tow, d. o. o. provides vessel towing services, ship supply services, sea rescue and vessel assistance at the port.

Adria Transport, d. o. o. facilitates an efficient logistic route between the port of Koper and its hinterland being in charge of the transport of large volumes of freight via the rail, both in and out of the port.

Avtoservis, d. o. o. provides full servicing for personal and light commercial vehicles. Their services are available to vehicle importers and exporters as well as freight forwarders using the Port of Koper as a logistic solution.

Hinterland logistic activity in Sežana

Adria Terminali, d. o. o. manages the hinterland logistics terminal in Sežana. Its operation focuses on the throughput and warehousing of various kinds of goods, particularly general cargoes with iron products and wood pellets as well as collective and conventional throughput in container traffic. Well-connected to the railway and road infrastructure, the terminal comprises nearly 50,000 m2 of storage facilities and boasts state-of-the-art machinery for handling goods. As a land terminal manager, the company endeavours to attract goods flows in the inland transport from Central and East European markets.

Other activities

In addition to the core activity, i.e. the port activity, the Luka Koper Group provides the following activities:

- Luka Koper Pristan, d. o. o. provides hotel, accommodation, catering and congress services.
- TOC, tehnološko okoljski in logistični center, d. o. o. is a market-oriented company that provides services in technological and ecology research and analytical laboratory services.

3 Business development strategy

3.1 Mission, Vision, Strategy, Values

MISSION

To be a reliable port system developing and promoting global logistics solutions that can reach the heart of Europe, while meeting the needs of the economy and the most demanding customers.

VISION

Luka Koper as a leading port operator and global logistics solutions provider for the countries of Central and Eastern Europe

CORPORATE STRATEGY

Flexible, modern and competitive port operator.

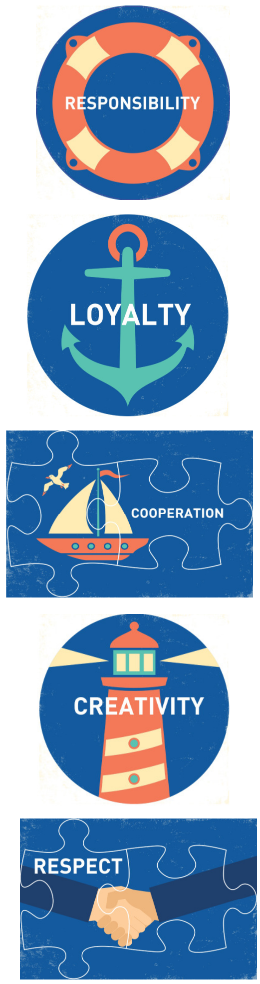
Reliable and effective provider of high-quality port services.

A successful business system stable over time.

Promoter of comprehensive logistic solutions.

Prudent institutional sustainable development stakeholder.

VALUES



3.2 Strategic orientation

Flexible, modern and competitive port operator	Reliable and effective provider of high-quality port services	A successful business system stable over time	Promoter of comprehensive logistic solutions	Prudent institutional sustainable development stakeholder
Implementing the identified market potentials by managing markets and establishing partnership relations with customers.	Achieving high operational effectiveness by improving process productivity, and ensuring terminal synergies and optimum use of capacities.	Improving coordination between our principal activity and supporting functions, and seeking to enhance product profitability and increase assets.	Striving to integrate various participants of the logistics chain and port community with a view to form integrated transport solutions.	Advocating long-term sustainable development of the natural and social environment, and supporting port development in a wider regional and international context.

3.3 Implementation of plans, strategic objectives and outlooks in 2018

The latest Business development strategy and the revised strategic documents of the company up to 2020 with an outlook to 2030 were adopted in 2015. Activities in 2018 continued along the line of adopted strategic concepts to which the annual plan had been aligned, which included the monitoring of the implementation of the action plan additionally adopted in 2016 to ensure the implementation of the activities required to achieve the strategic objectives. Adopted in order to manage the implementation of the strategy, the action plan comprises 4 strategic programmes:

- Increasing the throughput of containers,
- Increasing the throughput of cars,
- Increasing additional services of loading and unloading containers,
- Increasing the flow capacity of the port.

Considering the complexity and interconnection of all the factors that impact the accomplishment of the strategic objectives within such a variety of business functions and aspects, these management activities are useful. The coordination of the strategic programmes focuses on comprehensive management of each project in terms of marketing, provision of capacity, process efficiency, adequacy of human resources, and other aspects that impact the efforts to meet the strategic objectives.

In terms of quantitative implementation of the strategy, the company saw its business results soar to new record highs in 2018. Total port throughput as well as container throughput have been growing at rates higher than those envisaged by the strategic documents, resulting in a considerable rise in the activity of loading and unloading containers. In car throughput, with a growing trend and new demand, transport is stable. This means that port capacities are filling up faster than expected.

The concession area was expanded in dialogue with the state in 2018, which forms the basis for expansion of the Port of Koper. It should be stressed that further implementation of the strategy will be influenced by the challenges related to timely provision of relevant and sufficient port capacity, which future growth of traffic is subject to. Following the removal of certain barriers and having been granted consent for construction in 2018, key investments are being implemented, which include the extension of Pier I and construction of an additional RO-RO berth, and procedures are continued to acquire from the state additional land for the storage of cars in compliance with the national spatial plan.

A major challenge in the implementation of strategic plans is the port service provision strategy, which seeks to implement a three-tier model presented in chapter 10 of the sustainability report, **Care for employees.** Furthermore, in 2019 Luka Koper will become liable for payment of transhipment fee as a way to finance the second Koper–Divača track project, which is an additional operating cost for the Company. However, in the long term it enables sustainable development of the port of Koper and growth of its throughput. According to current information, the second track is supposed to be attainable in 2026, and both tracks together in 2027.

3.4 Implementation of business objectives in 2018

The key financial ratios of Luka Koper, d. d., and the Luka Koper Group in 2018 compared to the plan for 2018

	Luka Koper, d. d.			Luka Koper Group		
Income statement	PLAN 2018	2018	IND 2018/ PLAN 2018	PLAN 2018	2018	IND 2018/ PLAN 2018
Net sales	224,431,963	222,980,390	99	228,894,117	226,305,538	99
Earnings before interest and taxes (EBIT)	65,389,038	68,744,504	105	66,232,590	69,707,500	105
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	93,787,334	97,289,912	104	95,447,200	99,074,675	104
Profit or loss from financing activity	1,748,758	2,055,290	118	593,146	624,300	105
Loss before tax	67,137,796	70,799,794	105	68,272,889	71,990,783	105
Net profit or loss	54,889,584	58,588,995	107	55,798,178	59,760,203	107
Added value[6]	148,421,235	153,696,710	104	156,430,945	162,462,410	104

Statement of financial position	PLAN 31 Dec 2018	31 Dec 2018	IND 2018/ PLAN 2018	PLAN 31 Dec 2018	31 Dec 2018	IND 2018/ PLAN 2018
Assets	559,587,395	553,542,207	99	576,791,071	572,242,060	99
Non-current assets	445,685,979	433,899,168	97	457,233,085	445,660,208	97
Current assets	113,901,416	119,643,039	105	119,557,986	126,581,852	106
Own funds	359,044,293	362,644,966	101	389,929,283	393,878,805	101
Non-current liabilities with provisions and long-term accruals and deferred revenue	140,364,820	137,848,415	98	126,881,232	124,316,097	98
Short-term liabilities	60,178,282	53,048,826	88	59,980,557	54,047,158	90
Financial liabilities	116,847,995	107,273,741	92	100,848,101	91,262,420	90

[6] Added value = net sales + capitalised own products and own services + other revenue – costs of goods, material, services – other operating expenses excluding revaluation operating expenses.

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
Investments	**PLAN 2018**	**2018**	**IND 2018/ PLAN 2018**	**PLAN 2018**	**2018**	**IND 2018/ PLAN 2018**
Investments in property, plant and equipment, investment property and intangible assets	25,371,150	15,867,036	63	25,612,575	16,442,606	64

Ratios (in %)	PLAN 2018	2018	IND 2018/ PLAN 2018	PLAN 2018	2018	IND 2018/ PLAN 2018
Return on sales (ROS)[7]	29.1%	30.8%	106	28.9%	30.8%	106
Return on equity (ROE)	16.2%	17.1%	106	15.1%	16.1%	107
Return on assets (ROA)	10.2%	10.9%	107	10.0%	10.8%	108
EBITDA margin[8]	41.8%	43.6%	104	41.7%	43.8%	105
EBITDA margin from market activity[9]	43.5%	44.5%	102	43.4%	44.6%	103
Financial liabilities/equity	32.5%	29.6%	91	25.9%	23.2%	90
Net financial debt /EBITDA[10]	0.6	0.3	61	0.3	0.1	35
Dividend pay-out ratio	29.5%	29.5%	100	29.5%	29.5%	100

Port throughput (in tons)	PLAN 2018	2018	IND 2018/ PLAN 2018	PLAN 2018	2018	IND 2018/ PLAN 2018
Maritime throughput	23,181,410	24,048,618	104	23,181,410	24,048,618	104

Number of employees	PLAN 2018	2018	IND 2018/ PLAN 2018	PLAN 2018	2018	IND 2018/ PLAN 2018
Number of employees	1,147	1,089	95	1,311	1,242	95

[7] Return on sales (ROS) = earnings before interest and taxes (EBIT) / net sales
[8] EBITDA margin = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales
[9]EBITDA margin from market activity = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales from market activity
[10]Net financial debt /EBITDA = (financial liabilities – cash and cash equivalents)/EBITDA

3.5 Comparative analysis with the competition

Container Cargo Group

In terms of container transport and container shipping companies, the year 2018 was again marked by mergers, takeovers, and consolidation. At the same time, shipping companies are expanding into freight forwarding by acquiring considerable shares of major logistics companies or integrating logistics departments into the shipping segment. There are signs that the trend will continue into 2019 as this is the only way for shipping companies to remain competitive at the global level. Forecasts suggest that in the coming years 5 to 6 major container shipping companies will integrate into only 3 alliances instead of 5 that existed in recent years (2M, Ocean Alliance, The Alliance).

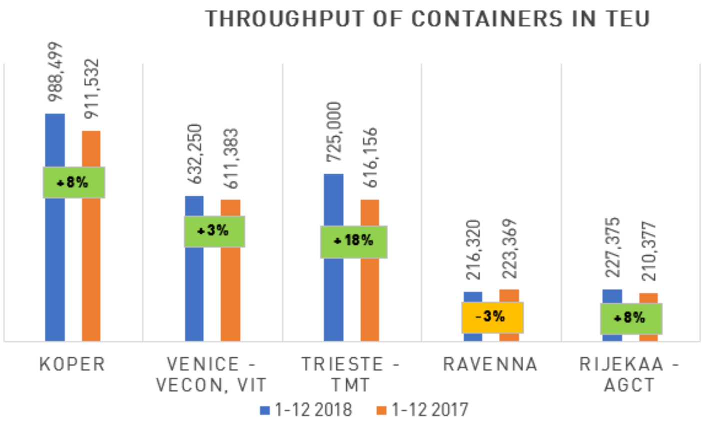
In 2018, ship freight rates decreased on almost all major trade routes despite the growing fuel costs. This was mainly due to the excessive shipping capacities available on major routes, mostly as a result of an increasing number of ultra large container vessels (ULCVs, >21.000 TEU), which has been predicted to continue into 2019. This will also cause a shift from current major routes (e.g. Asia – Northern Europe) to other routes (e.g. Mediterranean or the Adriatic), and with it, most likely, a further decrease of freight rates. The shift of current capacities to other routes means that we can expect larger container ships also in the Mediterranean, and therefore in Northern Adriatic ports.

In the container segment, the ca. 4% annual growth will continue until 2020: as the shipping capacity growth rate matches the growth in demand, we can expect no major traffic changes. Container shipping companies have ordered the construction of twenty new vessels with the capacity of 22,000 TEU to be delivered in 2019 and 2020. This means that the nominal level of fleet growth for the container shipping transport segment in the coming years is approximately 4% and therefore matches the growth of the volume of trade, which prevents considerable growth in the market.[11]

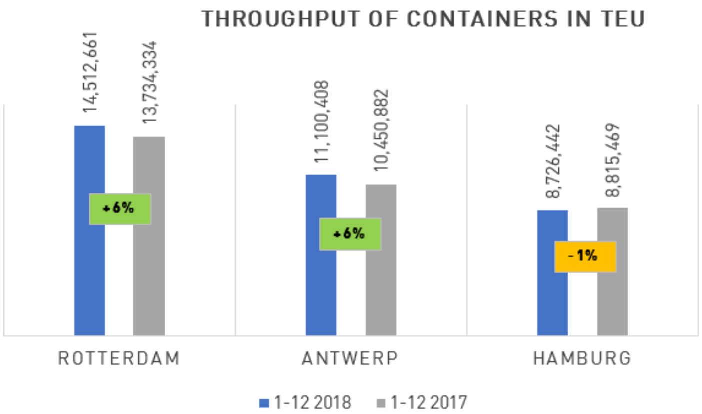
In 2018, Luka Koper, d. d., recorded 8% growth in container throughput compared with 2017. Its growth exceeded that of North European ports as well as North Adriatic ports with the exception of Trieste (TMT).

[11] Source: UN ESCAP: https://www.unescap.org/sites/default/files/ESCAP_Container%20throughput%20forecast.pdf

Throughput of containers in North Adriatic ports, in TEU per port[12]



Throughput of containers in the three most important North European ports, in TEU per port[13]



[12] Source: Websites of the ports in question, and NAPA
[13] Source: Websites of the ports in question, and NAPA

CARS CARGO GROUP

On a global scale, a 0.8% decrease in sales was recorded in 2018, with almost EUR 79 million passenger cars sold. In North America, sales of passenger cars slowed down by 1% in 2018. This year, the United States of America accounted for 17.6% of the global car market, which places the country in the third position, behind China and the European Union. In South America, results for 2018 were higher than in 2017 by 7%. Sales of passenger cars in South Korea increased by 2.4% compared with 2017, whereas the Japanese market remained stable. Last year, sales in China amounted to 23.2 million passenger cars, which is a 3.5% decrease from 2017 and the first decline in sales in almost three decades. Representing 29.4% of global car sales last year, China remains the largest global passenger car market. In India, sales of passenger cars increased by 6.2% in 2018 despite modest growth in the second half of the year.

In 2018, the share of cars using diesel fuel decreased from 44% to 35.9% in the EU market, while the share of petrol-engine cars grew from 50.3% to 56.7%. Electric vehicles represent a mere 2% of new cars, whereas alternative propulsion vehicles (APV) account for a total 7.4% of the market.

In 2018, the production of new passenger cars in the EU decreased by 2.1%, a level similar to that seen the year before. In Western Europe, production rose slightly in France, by 0.4%, but declined sharply in Italy by 10.2%, in Germany by 9.9%, and in the UK by 9.7%. In Central Europe, the countries to increase production were Romania by 29.7%, and Slovakia by 9.8%, whereas Poland and Hungary recorded a decrease, by 14.9% and 3.7% respectively.

In 2018, the European Union exported 5.4 million cars, which is a 1.6% decrease in the volume of export, and increased the import considerably, i.e. by 9.3% to a total of 3.6 million cars.

The throughput of cars in the Port of Koper was mainly a result of the 7% increase of sales in Spain. The slowing demand for new cars in Western Europe was compensated for positive results in Central European markets.

As the 2018 results on the throughput of cars in other European ports are to be published in the Automotive Logistics magazine later this year[14] a comparison with competitors has not yet been made.

[14] Source: AUTOMOTIVE LOGISTICS: http://automotivelogistics.media/

3.6 Analysis of the wider and sectoral environment

Trends like globalisation, demographic shifts, technological development and climate change will shape the future of the global transport sector in the coming decades, with implications including higher investment, higher energy costs, and shrinking of the workforce, according to a study conducted by the European Transport Workers' Federation (EFT).

Harbours will be seen as hubs integrated into main transport corridors. The organisation of goods transport around such hubs will have a key function, making growing logistics companies increasingly important and influential. Infrastructure capacities will need to be expanded. Further integration of the supply chain will be vital:

- Connections with the hinterland are turning into ports' main advantages.
- Ports are acquiring a different role, becoming increasingly active players in the supply chain.
- Shipping companies, logistics service providers, and terminal operators are going global: by increasing their market power, they are building a stronger negotiating position.

The vital trends to shape the future of ports and maritime transport worldwide include:

- Globalisation, population growth, and scarcity of natural resources,
- Energy transition and bioeconomy;
- Digitisation of logistics;
- Blockchain technology;
- Security;
- Skilled, high-quality workforce;
- Further integration of the supply chain;
- Increase in the volume of transport;
- Sustainable development;
- Ecology.

In the transport-logistics chain and in port activity, shipping companies play a very important role. It is shipping companies that major changes in the field of ecology are expected of, the aim being to reduce atmospheric emissions. According to IMO standards, they will have to opt for one of the possibilities to reduce atmospheric emissions as of 2020.

The European transport policy aims at shifting as much cargo as possible away from roads and thus contribute to the reduction of CO2 emissions and encourage sustainable transport solutions. One of the targets set by the European Union in its Transport 2050 strategy is to shift 30% of road freight across distances of over 300 km to railway or waterborne transport until 2030; whereas this share is to increase to 50% by 2050. Over such distances, rail is a more efficient and environmentally more acceptable alternative to road transport.

3.7 The economic environment in 2018 and forecasts for 2019

2018 was marked by weakened global growth[15]. Global growth for 2018 was estimated at 3.7% in an economic growth forecast in October 2018 (WEO) despite a slowdown in some economies, particularly in Europe and Asia.

For 2019, the International Monetary Fund (IMF) forecasts a 3.7% growth of the entire global economy. Based on a positive outlook for the international environment, the global economic growth forecast remains promising. However, a more substantial growth is blocked by weak global demand, increasing geopolitical tension and trade tension, particularly the rise of protectionism. Increased risks to achieving economic growth are not yet reflected in major macroeconomic indicators. However, these factors have to be monitored carefully as they can play a significant role in the growth of foreign demand, and consequently in the volume of throughput in the coming period. Global growth will continue to be propelled by developing countries (4.7%), whereas the growth forecast for developed economies for 2019 is at 2% (IMF, 2018[16]).

According to IMF forecasts, the rate of GDP growth will remain approximately at the 2018 level up to 2022. The World Trade Organisation also predicts the volume of global trade to grow, but somewhat more moderately while the growth rate abates slightly. Its international trade growth forecast was at 3.9% for 2018, and at 3.7% for 2019 (source: WTO 2018[17]).

In the past three years, the throughput share for the Slovenian market through the Port of Koper attained between 25 and 30 percent, which makes it the second most important market after Austria. The Port of Koper focuses on the domestic market and by actively selling it increases the transhipment of Slovenian goods through the port. For Slovenia, 3.4% growth is predicted for 2019 and it will be based on strengthening domestic demand and export sector as estimates of growth for main Slovenian trade partners remain positive. Despite its levelling dynamics in Slovenia compared with the previous year, economic growth will be considerably higher than in the euro area where it is estimated at 2% for the coming year. Growth forecasts for all Company's major hinterland markets remain positive. The figures for 2019 are as follows: 2.2% for Austria, 1.9% for Germany, 3.3% for Hungary, 4.1% for Slovakia, 3.5% for Poland, and 3% for the Czech Republic. A complete slowdown is

[15] Source: IMF: https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019
[16] Source: Real GDP growth - Annual percent change, IMF datamaper, 2018
[17] Source: WTO downgrades outlook for global trade as risks accumulate, WTO, 2018

predicted for Turkey (0.4% growth) as the country is faced with currency devaluation, over-indebtedness and high inflation.

Forecasts of growth rates in developing markets remain high, but differ substantially depending on the region. Growth is predicted to remain very strong in the developing part of Asia. Despite a gradual slowdown, the Chinese economy will maintain strong dynamics, with the 2019 growth estimated at more than 6%. High economic growth is also predicted for India, at 7.4%. Growth in North Africa is estimated at 4.5%, whereas a lower growth rate of 1.9% is predicted for the Middle East.

3.8 Business objectives for 2019

Key operating ratios of Luka Koper, d. d., and the Luka Koper Group in 2019

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
Income statement	**2018**	**PLAN 2019**	**IND PLAN 2019 2018**	**2018**	**PLAN 2019**	**IND PLAN 2019 2018**
Revenue	222,980,390	238,126,934	107	226,305,538	242,767,294	107
Earnings before interest and taxes (EBIT)	68,744,504	42,624,782	62	69,707,500	44,037,110	63
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	97,289,912	71,214,780	73	99,074,675	73,407,349	74
Profit or loss from financing activity	2,055,290	1,840,560	90	624,300	503,696	81
Loss before tax	70,799,794	44,465,342	63	71,990,783	45,788,569	64
Net profit or loss	58,588,995	37,214,551	64	59,760,203	38,344,688	64
Added value[18]	153,696,710	145,952,935	95	162,462,410	154,112,233	95

Statement of financial position	31 Dec 2018	PLAN 31 Dec 2019	IND PLAN 2019 2018	31 Dec 2018	PLAN 31 Dec 2019	IND PLAN 2019 2018
Assets	553,542,207	565,955,791	102	572,242,060	585,725,899	102
Non-current assets	433,899,168	476,186,652	110	445,660,208	488,124,415	110
Current assets	119,643,039	89,769,139	75	126,581,852	97,601,485	77
Own funds	362,644,966	378,059,552	104	393,878,805	411,802,821	105
Non-current liabilities with provisions and long-term accruals and deferred revenue	137,848,415	139,748,907	101	124,316,097	125,858,360	101
Short-term liabilities	53,048,826	48,147,332	91	54,047,158	48,064,718	89
Financial liabilities	107,273,741	107,189,943	100	91,262,420	91,129,943	100

Investments	2018	PLAN 2019	IND PLAN 2019 2018	2018	PLAN 2019	IND PLAN 2019 2018
Investments in property, plant and equipment, investment property and intangible assets	15,867,036	69,818,024	440	16,442,606	71,737,774	436

[18] Added value = net sales + capitalised own products and own services + other revenue – costs of goods, material, services – other operating expenses excluding revaluation operating expenses.

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
Ratios (in %)	**2018**	**PLAN 2019**	**IND PLAN 2019 2018**	**2018**	**PLAN 2019**	**IND PLAN 2019 2018**
Return on sales (ROS)[19]	30.8%	17.9%	58	30.8%	18.1%	59
Return on equity (ROE)	17.1%	10.1%	59	16.1%	9.6%	60
Return on assets (ROA)	10.9%	6.6%	60	10.8%	6.5%	60
EBITDA margin[20]	43.6%	29.9%	69	43.8%	30.2%	69
EBITDA margin from market activity[21]	44.5%	31.6%	71	44.6%	31.9%	71
Financial liabilities/equity	29.6%	28.4%	96	23.2%	22.1%	96
Net financial debt /EBITDA[22]	0.3	1.0	287	0.1	0.6	509
Dividend pay-out ratio	29.5%	31.9%	108	29.5%	31.9%	108

Port throughput (in tons)	2018	PLAN 2019	IND PLAN 2019 2018	2018	PLAN 2019	IND PLAN 2019 2018
Maritime throughput	24,048,618	24,654,959	103	24,048,618	24,654,959	103

Number of employees	2018	PLAN 2019	IND PLAN 2019 2018	2018	PLAN 2019	IND PLAN 2019 2018
Number of employees	1,089	1,524	140	1,242	1,695	136

[19] Return on sales (ROS) = earnings before interest and taxes (EBIT) / net sales
[20] EBITDA margin = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales
[21] EBITDA margin from market activity = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales from market activity
[22] Net financial debt /EBITDA = (financial liabilities – cash and cash equivalents)/EBITDA

Business operation forecast for 2019

The Luka Koper Group is about to enter an important development cycle. Having acquired a final building permit for the extension of Pier I, it has made a significant step in the implementation of its key strategic investments. With the increased container terminal capacity, the Port of Koper will be able to follow the global trends in container throughput and maintain its competitive edge over other ports that are also investing to increase their capacities.

In 2019, the Company will seek to achieve increased throughput and to increase net sales revenues from market activities. However, higher employee benefit costs arising from the implementation of the port service provision strategy and forecast costs of the transhipment fee will have a major influence on financial indicators. At the same time, a sound working environment and a reliable rail link are the two factors to enable stable sustainable and competitive operation in the long term.

In the first quarter of 2019, the Luka Koper Group will devise a new Strategic Business Plan for the period 2020-2025. Updating the current plan which is coming to an end, the new plan will respond to strategic challenges in global logistics. It will define the crucial trends in the areas of cargo groups, human resources, technologies, equipment and spatial solutions.

Investments

The planned value of investment by the Company in 2019 is EUR 71.7 million. Key projects will be: extension of Pier I (container terminal quay), construction of a parking garage, construction of the 6th group or rails (inland of Basin III, for the needs of the car terminal), construction of a new RO-RO berth in Basin III (vessels designed to carry wheeled cargo), a new truck entrance to the port, investment into cranes and other equipment. The purpose of all these investments is to increase port capacity, which will enable a higher volume of throughput, higher cargo turnover, improved efficiency of port operations, and enhance the port's competitiveness.

Port throughput

The 2019 target for port throughput in the Port of Koper is 24.7 million tons, which is a continuation of the positive trend and a 3% increase compared with 2018. Growth is envisaged for all cargo groups, yet the highest growth rate in tons is expected at the container terminal. Regarding other strategic cargo groups, growth will depend on the implementation of key infrastructure investments and acquisition of additional area. The

Company will also strive to achieve further growth of throughput in the container filling and emptying segment, which has multiplier effects at several terminals.

Rail link between the Port and its hinterland

Planned investments will contribute to throughput increase in the port. However, it is crucial how the increased volume of cargo will be transported to chosen destinations. The rail to road ratio in cargo transport has long been in favour of the former, which we wish to preserve in the future, since direct rail links with hinterland countries are the main generator of throughput growth in the Port of Koper.

The second Koper – Divača railway track construction project is underway and expected to be completed by 2027. In regard to this, Luka Koper will be paying the new transhipment fee in compliance with the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line. The challenge remains how to increase the fluidity of the existing track in the meantime. In cooperation with other stakeholders, the Company has identified the measures (infrastructural, organisational and others) to ensure an increased capacity of the track.

The issue of external port services provision

2019 will be a landmark year in regard to the completion of a new business model of cooperation with external port services providers, which brings a change to a practice that goes back for more than 20 years. The action plan for implementing the port service provision strategy introduces a three-tier model that envisages 307 new employments (tier I), 346 agency workers (tier II) and cooperation with external contractors for certain sectors (tier III). The Company will thus reduce the risk of inequality of pay for work of equal value, follow the sustainable development targets and enhance its reputation in the business environment.

4 Letter of the President of the Management Board

Dear Ladies and Gentlemen,

The Luka Koper Group has attained another record throughput level in 2018, i.e. 24 million tons, which was a 3% increase from the preceding year. Growth was recorded at practically all terminals. In profit or loss for 2018, we recorded an 11% increase year-on-year in the general cargoes group, which mainly related to the throughput of iron and steel products as well as the throughput of wood due to the reopening of the African market. We are satisfied with the results in both crucial cargo groups, i.e. containers and cars. The number of container units increased by 8% to 988 thousand TEU, and the number of cars by 2% to 754 thousand units. We have maintained our leading position in the Adriatic in terms of container throughput, and one of the highest volumes of throughput in the Mediterranean in terms of cars. The growth in the dry bulk and bulk cargoes group was more modest, reaching only 1%, as had been projected.

In 2019, we plan a 3% growth compared with the previous year. Growth is envisaged for all cargo groups, yet the highest growth rate in tons is expected at the container terminal. At this terminal, the historical milestone of one million TEU (container unit) might be exceeded in the current year. Regarding other strategic cargo groups, growth will depend on the implementation of key infrastructure investments and acquisition of additional area. We will also strive to achieve further growth of throughput in the container filling and emptying segment, which has multiplier effects at several terminals.

The positive trend of throughput growth has also yielded positive operating results. In 2018, the operating profit of the Luka Koper Group amounted to EUR 70 million, which was an increase of 90% or EUR 33 million from 2017. Not including the one-off event of receiving a compensation for the collapsed crane amounting to EUR 9.6 million, and the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, the operating profit increased by 15% or EUR 8 million. Without taking into account the above one-off events, net profit increased by 9% or EUR 4 million compared with the previous year.

A low level of the Net financial debt /EBITDA indicator, valued at 0.1, demonstrates a high financial stability of the Company and the entire Luka Koper Group as well as high willingness to enter a more intense investment cycle envisaged for the coming years. In 2018, we succeeded in implementing 64% of the investments planned. The sole reason for this was lengthy procedures for acquiring the required permits and unpredictable public procurement procedures. It should be noted that it was only in the middle of the preceding year that the Company managed to break the deadlock on the Pier I extension project, which was due to the local community expressing concerns about increased noise. From the financial perspective, this is currently the largest ongoing infrastructure project. Another issue is public procurement, with complaints extending the time within which certain projects might be completed.

Implementing new investments, particularly in the area of containers and cars, we follow the trends set by major container shipping companies and modern logistics at large, thus maintaining our competitive edge over neighbouring ports and in key markets. The planned value of investment for the current year is EUR 71.7 million. Key projects include: extension of Pier I (container terminal quay), construction of a parking garage, construction of the 6th group or rails (inland of Basin III, for the needs of the car terminal), construction of a new RO-RO berth in Basin III (vessels designed to carry wheeled cargo), a new truck entrance to the port. The purpose of all these investments is to increase port capacity, which will enable a higher volume of throughput, higher cargo turnover, improved efficiency of port operations, and enhance the port's competitiveness.

However, the largest project, which is also essential for the future throughput growth, is being implemented beyond the port area. At Luka Koper, we are extremely pleased that the project of constructing the second railway track between Koper and its hinterland should continue. For us, it is of key importance. Although the trend in recent years has been towards an increase in the number of trucks, a modern, efficient and reliable rail link is the basis for the future strategic development of the port. What we also have to consider is the state of the entire Slovenian rail network, which will be undergoing major maintenance works in the coming years. Such works are inevitable if we are to exploit the full potential of the new capacity once the second track is constructed.

2018 was not only a record year in terms of throughput, but also a milestone year in terms of establishing a new business model of cooperation with external port services providers.

This brings a change to a practice that goes back for more than 20 years, which will be implemented fully in the current year. The new model envisages three tiers, i.e. own employees, agency workers and for certain sectors also cooperation with external contractors While beginning to implement the new model, last year the Group also accelerated recruitment due to increased throughput. Therefore, the number of employees at the year-end of 2018 was 12% higher than the year before, and by the end of 2019 it will predictably have risen to 1,695.

Financial indicators will be affected considerably by higher employee benefits cost and the new transhipment fee intended for financing the second railway track (which the State has been charging since March 2019). On the other hand, a sound working environment and a reliable rail link are the two factors to enable stable, sustainable and competitive operation of the Luka Koper Group in the long term.

Dimitrij Zadel
President of the Management Board of Luka Koper, d. d.

5 Report of the Supervisory Board for 2018

Composition of the Supervisory Board

In 2018 the Supervisory Board operated in the following composition: Uroš Ilić (President), Andraž Lipolt, (Deputy President), Milan Jelenc, Rado Antolovič PhD, Barbara Nose, Sabina Mozetič, Mladen Jovičić, Rok Parovel and Marko Grabljevec. The Supervisory Board members were in synergy with expertise and competences, and its composition was diversified with respect to the education, professional experience, gender and age.

Supervisory Board's work

In 2018, the Supervisory Board met at nine regular and two extraordinary meetings. As a key topic discussed at each meeting, the Supervisory Board was monitoring the changed business model of providing port services. Examining lawfulness, resource efficiency and risk control with a view to the future development and operations of the Company and the Luka Koper Group, the Supervisory Board was reinforcing mutual relations and trust in an open dialogue with the Management Board.

In February 2018, the Supervisory Board made an agreement with the then Member of the Management Board - Worker Director Stojan Čepar on consensual termination of his office as Member of the Management Board - Worker Director; and proposed a new Worker Director, Vojko Rotar, following a proposal of the Workers' Council. At the same meeting, the Supervisory Board instructed the Management Board to begin devising the strategy and action plan for changes in providing port services. They adopted the business plan of the Company and Group for 2018 and discussed the Management Board report on the procedures regarding the workplace responsibility for the fatal accident at work in 2017, in which a Member of the Supervisory Board - workers representative - was also involved. The topic was discussed by the Supervisory Board in absentia of the Member in question. In 2018, the Supervisory Board in general paid great attention to recognising, disclosing, managing and eliminating conflict of interest among members of the Supervisory Board. All members of the Supervisory Board including workers' representatives Mladen Jovičić, Marko Grabljevec and Rok Parovel, and representative of local communities, Sabina Mozetič, stated to be independent and not acting as delegates for the Workers' Council, the trade union or the local communities. At its April meeting, the Supervisory Board endorsed the audited 2017 Annual report of the Luka Koper Group and Luka Koper, d. d., and reviewed the Management Board proposal for the use of accumulated profit. It adopted the Diversity Policy of the Management Board and the Supervisory Board of Luka Koper, d. d. At its May meeting, the Supervisory Board expressed agreement with the planned changes to the model of port service provision devised by the Management Board, and with the notice convening the 30th general meeting of shareholders, which took place on 29 June 2018. On the day of the General Meeting of Shareholders, the 13th regular meeting of the Supervisory

Board was also held, where the Supervisory Board was informed of the General Meeting's counterproposals, and gave its consent for the construction of the new Sermin entrance to begin. Having regularly monitored the quarterly or half-yearly business results of the Company and the Luka Koper Group, at its August meeting the Supervisory Board gave its consent to the revision of the business plan for the year 2018, and authorised the President of the Supervisory Board to sign a contract on the auditing of financial statements of the Company and of the Luka Koper Group for the financial year 2018. At its October and November meetings, the Supervisory Board took note of the Management Board's Investment Management Strategy, the possibility of investing cash, the possibility of obtaining additional areas for the development of the port, and the situation as regards the extension of Pier I. At its last meeting in 2018, which took place in December, the Supervisory Board was informed on done *benchmark* analysis based on comparison of ports and terminals, on long-term benefits for the Company arising from the construction of the second railway track, endorsed the 2019 Business plan of the Company and the Group, and discussed the criteria for remunerations to the Management Board. The work of the Members of the Supervisory Board was done expertly, the focus being on carrying out their functions efficiently.

In addition to the above activities, in 2018 the Supervisory Board also addressed the following important issues:

- Discussed the report on the work of the internal audit for 2017, and the revised internal audit work programme for 2018;
- Gave consent to the Management Board proposal on the appointment of and remuneration to the head of internal auditing;
- Discussed regular reports on safety and health at work and fire safety, and recommended to the Management Board to perform periodic inspection and renovation of technological processes and analyses on safe work;
- Endorsed the Criteria for allocation of costs on the public utility service, and agreed with the proposal of refinancing a portion of borrowings;
- Monitored and acknowledged the work and the decisions adopted by committees of the Supervisory Board, from which it received regular reports;
- Monitored the implementation of the Company's investment plan and discussed the procedures of property purchase and disposals, and in accordance with the statutory provisions, issued relevant consents and recommendations to the Management Board;
- Regularly monitored the course of judicial proceedings against the former Management Board whose removal was based on fault;
- Performed other tasks in accordance with their respective powers.

The Members of the Supervisory Board were trained regularly and followed new examples of good practice in corporate governance. The Supervisory Board did not discuss the Report of the Workers' Council on the situation regarding worker participation in the management, since the report had not been submitted for discussion by the Workers' Council. Out of 183 resolutions adopted, 98 percent were adopted unanimously by the Supervisory Board.

Supervisory Board Committees' work

In 2018 the following committees provided the Supervisory Board with uninterrupted support: Audit Committee, HR Committee and Business Operations Committee, which was formed at the 2nd Supervisory Board meeting by correspondence on 9 January 2018 to replace the Committee for investments and Committee for organisation and processes. The Supervisory Board appointed Andraž Lipolt as chair of the Business Operations Committee.

Audit Committee

The tasks of the Supervisory Board Audit Committee are stipulated by the Companies Act, EU Regulation No 537/2014, the Rules of Procedure on the Work of the Supervisory Board, Rules of Conduct for the work of the Audit Committee, and Recommendations for Audit Committees. In 2018, the Audit Committee of Luka Koper, d. d. met at 12 regular meetings and 2 meeting by correspondence. It was composed of Barbara Nose (Chair, level of education 7, BSc in Economics, auditing specialist), Uroš Ilić (Member, level of education 8, MSc in Law), Marko Grabljevec (Member, level of education 7, BSc in Criminal justice and Security), and Mateja Kupšek (External Member, level of education 7, BSc in Economics). At its 16th meeting on 26 November 2018, the Supervisory Board appointed Milan Jelenc (Member, level of education 8, MSc in Economics) to replace Uroš Ilić, President of the Supervisory Board, as Member of the Audit Committee.

In 2018, the Audit Committee in the framework of its responsibilities and authorisations given by the Supervisory Board devoted particular attention to the monitoring of the implementation of the action plan for implementing the external port services providers strategy, and followed the concept of a transparent, ethical and socially-responsible model of Company operation and of managing potential conflicts of interests. The committee followed the Recommendations for the Audit Committee and Work Priorities for Audit Committees, and in relation to the monitoring of operations with audit firms and their networks, it sought to respect the Guidelines for selecting and ensuring the autonomy of the auditor of the financial statements of the Luka Koper Group, which were adopted by the Supervisory Board in November 2017. The Audit Committee participated in the drafting of the contract between the Company and the external auditor, met regularly with the latter and participated in the determination of the most important areas to be audited, it discussed its reports and monitored its autonomy and the financial statements audit procedure. It discussed the audited 2017 annual report of the Group and of Luka Koper, d. d., regularly monitored the process of financial reporting, and the annual report being devised, with special emphasis on the grounds for the establishment of provisions for potential legal actions, as well as the non-financial report, and discussed various Company's interim reports. By making proposal and recommendations, it worked towards ensuring the integrity of the proceedings of financial reporting.

The Audit Committee carefully considered and monitored the integrity of management reports on the operations of the Company and the Luka Koper Group, on risk management and functioning of internal controls, suppliers, sponsorships and donations, open judicial proceedings, reward models, corporate integrity and operations compliance, public information, tax and information risks, introduction of new IFRSs, criteria for allocating costs, revenues, assets and their sources to the public utility service, and other reports within the adopted the reporting system; and proposed amendments and appropriate measures for parts where potential gaps were detected. It monitored closely the implementation of recommendations given.

Prior to submitting the proposal to the Supervisory Board for discussion, the Audit Committee examined thoroughly the reasons for the appointment of the head of internal audit, monitored its work on regular and extraordinary internal auditing, remuneration and award, and award and was extremely vigilant as to the respect for the autonomy and personal integrity.

The Audit Committee adopted the 2018 work programme at the beginning of 2018, and the 2019 work programme at the end of the year. The committee also self-assessed its work and adopted an action plan for all areas of operation which it is estimated capable of improvement.

The Audit Committee submitted regular reports on its work to the Supervisory Board, and upgraded reports of the Management Board with demands for higher-quality and more efficient reporting.

HR Committee

In 2018, the HR Committee met at three meetings. It was composed of Uroš Ilić (chair), Milan Jelenc, Barbara Nose and Rok Parovel. The HR Committee proposed to the Management Board to devise a Diversity policy, and proposed to the Supervisory Board to adopt it. It also suggested to the Management Board to prepare a succession programme, having faced the issue of obtaining suitable candidates within the Company when proposing names for the appointment of new members of the Management Board in 2017, since nobody was willing to take on these functions. The committee pointed out that a corporate integrity and operations compliance officer should be appointed in the Company, and examined carefully and submitted to the Management Board the criteria for remunerations to the Management Board. To the Supervisory Board, it proposed an external assessment of the work of the Supervisory Board.

Business Operations Committee

The Business Operations Committee met at its inaugural meeting on 19 January 2018, and at 9 regular meetings throughout the year. It was composed of Andraž Lipolt (president) and members Milan Jelenc, Rado Antolovič PhD, Sabina Mozetič, Rok Parovel and Mladen Jovičić. The committee monitored the implementation of the investment plan and the status of the projects, with a particular emphasis on key projects: extension of Pier I, construction of a multi-storey car park, the new Sermin entrance, and the purchase of a new replacement crane and other equipment. It became acquainted with the situation of investments in IT support and monitored the effects of short-term measures on the rise of productivity. To the Management Board, it submitted recommendations in respect of the implementation of the measures for efficient investment planning and management, and management of public procurement, and was informed regularly of the Company's business targets, opportunities for enlargement, and analyses of the economic viability of investments as devised by the Management Board. The committee took note of the information on the funds and the way in which they are spent in the implementation of the public utility service, of the operation of individual profit centres of the company and relations with subsidiaries. At the end of the year, the Operations Committee thoroughly examined the Management Board-proposed 2019 investment plan and submitted it to the Supervisory Board for adoption.

Meetings of the Supervisory Board and its committees in 2018 and absence of members

Meeting No	Date of the meeting	Absent members
Supervisory Board meetings		
2nd meeting by correspondence	9 January 2018	/
9th ordinary meeting	16 February 2018	/
10th ordinary meeting	26 March 2018	Andraž Lipolt
11th ordinary meeting	26 April 2018	Barbara Nose, Mladen Jovičić
12th ordinary meeting	25 May 2018	/
13th ordinary meeting	29 June 2018	Milan Jelenc
14th ordinary meeting	30 August 2018	/
15th ordinary meeting	12 October 2018	/
3rd meeting by correspondence	26 October 2018	/
16th ordinary meeting	26 November 2018	Sabina Mozetič
17th ordinary meeting	14 December 2018	Sabina Mozetič
HR Committee meetings		
6th ordinary meeting	6 April 2018	/
7th ordinary meeting	7 December 2018	/
8th ordinary meeting	14 December 2018	/
Operations committee meetings		
Inaugural meeting	19 January 2018	Sabina Mozetič
1st ordinary meeting	16 February 2018	Rado Antolovič **PhD**
2nd ordinary meeting	12 April 2018	/
3rd ordinary meeting	25 May 2018	Rado Antolovič **PhD**
5th ordinary meeting	29 June 2018	Milan Jelenc
6th ordinary meeting	31 August 2018	Sabina Mozetič
7th ordinary meeting	26 September 2018	Sabina Mozetič
8th ordinary meeting	22 November 2018	Sabina Mozetič and Rado Antolovič **PhD**

9th ordinary meeting	11 December 2018	Rado Antolovič **PhD**
Audit committee meetings		
8th ordinary meeting	15 January 2018	/
9th ordinary meeting	16 February 2018	/
10th ordinary meeting	26 March 2018	/
11th ordinary meeting	9 April 2018	/
12th ordinary meeting	20 April 2018	/
13th ordinary meeting	26 April 2018	Uroš Ilić
14th ordinary meeting	25 May 2018	/
15th ordinary meeting	29 June 2018	Uroš Ilić
16th ordinary meeting	31 August 2018	/
3rd meeting by correspondence	10 September 2018	/
17th ordinary meeting	15 October 2018	/
18th ordinary meeting	23 November 2018	/
19th ordinary meeting	12 December 2018	/
4th meeting by correspondence	13 December 2018	/

Assessment of the Supervisory Board's work

The Supervisory Board has not conducted self-assessment for 2018. Members of the Supervisory Board prepared thoroughly for the topics addressed and made constructive proposals for the adoption of relevant decisions. Committees were devising proposals for decisions for the Supervisory Board; the work included all members of the Supervisory Board who participated in the discussions actively and exchanged opinions effectively. The work of the Supervisory Board and its committees was managed and supported at a high level. All members of the Supervisory Board signed statements on their autonomy and declared to be autonomous. Cooperation with the Management Board was appropriate, and compliant with the law and good practice. The materials discussed by the Supervisory Board were of good quality.

Costs of Supervisory Board's work

Payments to individual members of the Supervisory Board and to members of committees of the Supervisory Board, and other receipts and operating costs based on the General Meeting decision No 4 of 29 December 2017 are presented in more detail in the accounting report of Luka Koper d. d., in the Note No 29 Related party transactions. In 2018, education costs for the members of the Supervisory Board totalled EUR 4,608.

Adoption of the Annual Report and the view on the auditor's report

The Supervisory Board discussed the 2018 Annual Report of Luka Koper, d. d. and the Luka Koper Group and the proposal of the Management Board for the appropriation of the accumulated profit in its 19th ordinary meeting.

On the basis of the verification of the business report and financial statements with notes, verification of the proposal of the Management Board for the appropriation of the accumulated profit, and review of the report of the authorised auditor, the Supervisory Board endorsed the audited 2018 Annual Report of Luka Koper, d. d. and the Luka Koper Group.

At the time of adoption of the annual report, the Supervisory Board also took a stand on the statement on corporate governance and on compliance with the reference code, which is included in the business report of the 2018 Annual Report of Luka Koper, d. d. and the Luka Koper Group, and established that it reflects the actual corporate governance of Luka Koper, d. d. and Luka Koper Group in 2018.

Uroš Ilić
President of the Supervisory Board of Luka Koper, d. d.

BUSINESS REPORT

6 Corporate Governance Statement

In line with the provision of Article 70 (5) of the Companies Act, Luka Koper, d. d. issues the following Corporate Governance Statement relating to the period from 1 January 2018 to 31 December 2018.

CODES AND MANAGEMENT PRACTICE

In the period from 1 January to 31 December 2018, the company observed the Slovene Corporate Governance Code for Listed Companies of 27 October 2016, which was drawn and adopted jointly by the Ljubljana Stock Exchange (Ljubljanska borza, d. d.), Ljubljana, and the Slovenian Directors' Association, and put into force on 1 January 2017. The code is available on the Ljubljana Stock Exchange website http://www.ljse.si/cgi-bin/jve.cgi?doc=8377.

In the period from 1 January to 31 December 2018, the company also observed The Corporate Governance Code for State-Owned Enterprises (adopted in May 2017) which is available on the Slovenian Sovereign Holding (SDH) website https://www.sdh.si/en-gb/asset-management/key-ssh-asset-management-documents. In addition, the company observed the Recommendations and expectations of the Slovenian Sovereign Holding (adopted in May 2017), and the revised Recommendations and expectations of the Slovenian Sovereign Holding (adopted in March 2018), which are available on the Slovenian Sovereign Holding website https://www.sdh.si/en-gb/asset-management/key-ssh-asset-management-documents. The company adopted no corporate governance of its own. The governance is carried out in compliance with the provisions of the Companies Act, and the codes and recommendations mentioned above.

On 20 April 2010, the Management Board adopted the Corporate Governance Policy that the Supervisory Board approved on 13 May 2010. In 2016, the company prepared a new corporate governance policy that the Management Board adopted on 6 December 2016 and the Supervisory Board approved on 16 December 2016, and is available on the company's website https://luka-kp.si/eng/corporate-documents. A modernised Corporate Governance Policy is being planned.

In its corporate governance, the company voluntarily decided to apply the Slovenian corporate integrity guidelines, which are available on the website http://www.korporativna-integriteta.si/Smernice/Smernice(SSKI).aspx, and based on which it adopted its own

Corporate Integrity Strategy of the Luka Koper Group companies and the Code of Ethics of the Luka Koper Group, which are available on the company's website https://luka-kp.si/eng/corporate-documents. The company has also adopted the Rules of Procedure of the corporate integrity officer and the committee addressing reported violations of corporate integrity of the Luka Koper Group.

1 Governance of Luka Koper, d. d.

In governance, the company observes the provisions of applicable codes. Any derogation is stated and/or explained below.

- The Slovene Corporate Governance Code for Listed Companies, revised in October 2016, introduced for the first time in 2017 the requirement for adequacy of governance statements to be assessed externally at least once every three years, which has not yet been ensured within the Company. However, it will be ensured in the future at the level of the Luka Koper Group (derogation from the Slovene Corporate Governance Code for Listed Companies, Item 5.7).

- Members of the Supervisory Board elected as employee representatives as required by law, communicate with the Workers' Council on matters relating to the operations of the company, one member of the supervisory board is a member of the executive committee of the trade union, while two members of the supervisory board are members of the board of directors of the trade union (partial derogation from the Slovene Corporate Governance Code for Listed Companies, Item 7 and partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.6).

- The Council of Workers' reports on the situation in the field of employee involvement in management did not address the Supervisory Board because the Council of Workers did not intervene for discussion (derogation from the Slovene Corporate Governance Code for Listed Companies, Item 12.4).

- The Supervisory Board only uses information technology partially for the distribution of materials, references and implementation of sessions (partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 12.5).

- The remuneration of the Management Board Members is paid in accordance with the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Due to this fact the company's Supervisory Board did not prepare a special remuneration policy proposal for the Management Board and submit it to the General Meeting of Shareholders for adoption (derogation from the Slovene Corporate Governance Code for Listed Companies, Items 8.7 and 12.10).

- The Corporate Governance Policy has not been revised since December 2016; however, a revision is planned in the future (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 3.2, and from the Slovene Corporate Governance Code for Listed Companies, Item 2).

- No formal succession plan has been devised in the Company with regard to the company management; however, it is expected to be developed in the future (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.1, and from the Slovene Corporate Governance Code for Listed Companies, Item 20.1).

- Members of the Supervisory Board are entitled to the liability insurance benefit of company bodies and managers, which is their only benefit (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.9.3).

- The Supervisory Board has not conducted the self-assessment procedure for 2018 (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.12, and from the Slovene Corporate Governance Code for Listed Companies, Item 14).

- The President of the Supervisory Board is also the Chair of the HR Committee (partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.15.1 and from the Slovene Corporate Governance Code for Listed Companies, Item 15.3).

- In its annual report, the Company did not disclose remuneration from employment of Members of the Supervisory Board who are workers' representatives since it did not receive their consent for this (partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 8.3.).

- The company has an established a system of internal controls, which, however, does not yet allow comprehensive risk management. Therefore, the system is being constantly improved with the aim of ensuring the efficiency of the system of internal controls and high quality of risk management (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 9.2, and from the Slovene Corporate Governance Code for Listed Companies, Item 26).

- The Sustainability Report is prepared in accordance with GRI standards for the second year. The first report prepared in accordance to the GRI standards (2017 report) was submitted to the external verification of GRI reporting to the Slovenian Institute of Quality and Metrology (SIQ). The report for 2018 was not submitted for external verification (partial derogation from the Slovene Corporate Governance Code for Listed Companies, Item 29.2).

- In case of delays in the implementation of internal audit recommendations, the reasons are to be stated and explained (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 9.2.7).

- The function of corporate integrity officer established in 2016 has not yet been provided the required organisational autonomy. The Company intends to arrange for the said function to operate autonomously and independently in the future (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 10.2).

- The Company devises business plans for the Company as well as the Group, which have to be approved by the Supervisory Board. Each periodic report is then published on SEOnet, and when publicly available (the principle of equal treatment of shareholders), the data is submitted to SDH using the required form, whereby only publicly available data is submitted (partial derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Items 1.1, 1.2, 1.5).

- The Company adopts strategic business plans for five-year periods, the reason being that according to the provisions of the Concession Agreement, the Company is liable to prepare the programme of port infrastructure development for five-year periods. Once business plans are published on SEOnet, the Company submits data on extracts of business plans to SDH (partial derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Items 1.3, 1.4, 1.9 pursuant to the agreement between Company Luka Koper, d. d. and SDH).

- The Company has not adopted a special policy on communicating with shareholders. The Company publishes data on SEOnet as required by the legislation in force and stock exchange rules (partial derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 1.10).

- The Company devises quarterly and half-yearly periodic reports, which the Supervisory Board must acquaint with and annual periodic reports on its operations, which have to be approved by the Supervisory Board. Each periodic report is then published on SEOnet, and when publicly available (the principle of equal treatment of shareholders), the report is submitted to SDH using the required form, whereby only publicly available data is submitted (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Items 2.1 and 2.4, 2.8 pursuant to the agreement between Company Luka Koper, d. d. and SDH).

- As a rule, the Company does not conclude any lump-sum agreements. The only exceptions are examples where such a method of cooperation is more economical due to the nature of the service performance (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 3.2).

- The Company did not publish data on the total value of transactions that relate to the service contract, but the Company publishes contracts concerning the service contract in a way that it immediately publishes data on the type of transactions, the date of conclusion, contractual partners, contractual value and duration of the contract (partial derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 3.7).

- The company's collective agreement has not been made public as its publication has not been agreed to by two trade unions who are parties to the agreement (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 4.5).

- In the decade of actively using the EFQM excellence model of the European Foundation for Quality Management, i.e. between 1998 and 2009, when the Company eventually took part in the competition for the European Recognised for Excellence Award based on its self-assessment report, Luka Koper, d. d. had reached in its business practice a level of using the model comparable to the best companies in Europe. After 2009, the Company gradually abandoned the use of the model, and particularly of self-assessment procedures. However, it has not neglected the principles of the excellence model as they have been reflected in numerous business practices, processes and sectors. In the final quarter of 2017, the excellence model began to be used actively again and a special project was devised to this end (project definition was formed). In future, model presentations will be carried out as workshops, and other types of training if required (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 5.1, 5.2, 5.3, 5.4).

2 Governance of subsidiaries

The Corporate Governance Code for State-Owned Enterprises (adopted in May 2017) and the Recommendations and Expectations of the Slovenian Sovereign Holding (adopted in May 2017 and revised in March 2018) also apply to subsidiaries in the Luka Koper Group, where Luka Koper, d. d. is a controlling company. In compliance with the above, Luka Koper, d. d. gives a report on observance of the provisions of the Code and the Recommendations mentioned also for the subsidiaries of the Group, i.e. Adria Terminali, d. o. o., Luka Koper Pristan, d. o. o., Adria Investicije, d. o. o., Luka Koper INPO, d. o. o., Logis-Nova, d. o. o., and TOC, d. o. o. In governance, subsidiaries follow the provisions of the Code and the Recommendations; major derogations are stated and explained below.

- The collective agreements of Luka Koper INPO, d. o. o. and Adria Terminali, d. o. o. have not been made public as their publication has not been agreed to by any of the two parties of both listed companies (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Item 4.5).

- The subsidiaries did not conduct self-assessment in line with the EFQM model as the model had not been introduced at the level of the controlling company, Luka Koper, d. d. (derogation from the Recommendations and expectations of the Slovenian Sovereign Holding, Items 5.1 and 5.4).

3 Corporate integrity

Corporate integrity is reported in detail in the Sustainability Report, section 7 **Corporate integrity, human rights and operations compliance.**

4 Risk control system

Risks are reported in detail in the Sustainability Report, section **3.11 Risk control in the Luka Koper Group.**

INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

The Luka Koper Group manages risk related to financial reporting and the implementation of the guidelines and internal control procedures adopted. The purpose of internal controls is to ensure the accuracy, reliability and completeness of acquiring data on transactions and preparation of financial statements that give a true and fair view of the financial position, profit or loss, cash flows and changes in equity in accordance with the applicable laws, International Accounting Standards and other external and internal regulations. Risk management related to the Group's consolidated financial statements has also been provided through a centralised accounting function in a uniform IT system in the controlling company, which includes all the subsidiaries and the majority of associated companies.

Having been designed in accordance with the principle of reality and division of responsibility, the accounting controls focus on the control of accuracy and completeness of data processing, reconciliation of the balance presented in the books of account and the actual balance, separation of records from conducting transactions, professionalism of accountants and independence. Internal controls in accounting are also related to controls in the field of IT that ensure limitations and supervision over the access to the network, data and applications as well as the accuracy and completeness of data acquisition and processing.

DATA PURSUANT TO ARTICLE 70 (6) OF THE COMPANIES ACT

Luka Koper, d. d. as a company subject to the application of the act regulating acquisitions, states data as at 31 December 2018 and all the required explanations in line with the provision of Article 70 (6) of the Companies Act:

Structure of the Company's share capital

The Company shares are ordinary no-par value shares that grant to their holders the right to participate in the company management, the right to profit sharing - dividend payments, and the right to a proportionate amount of remaining assets after winding up or bankruptcy of the company. All the shares are registered shares, of one class and issued in book-entry form. The Company shares are freely transferable and listed on the Ljubljana Stock Exchange, first listing. Detailed data about the share and ownership structure is presented in Section The LKPG Share.

Share transfer limitations

All Company shares are freely transferable.

Qualified shares pursuant to the Takeovers Act

Pursuant to Article 77 (1) of the Takeovers Act, achievement of the qualified share on 31 December 2018 was as follows:

- the Republic of Slovenia held 7,140,000 shares issued by Luka Koper, d. d., which accounted for 51.00% of the initial capital of the issuer of the shares,
- Slovenian Sovereign Holding (Slovenski državni holding, d. d.) held 1,557,857 shares issued by Luka Koper, d. d., which accounted for 11.13% of the initial capital of the issuer of the shares.

Holders of securities granting special control rights

The company issued no securities that would grant special control rights.

Employee Share Scheme

The company has no employee share scheme.

Limitation of voting rights

There is no limitation of voting rights.

Agreements among shareholders that may result in limitation of share transfer or voting rights

The company has not been informed of any such agreements.

The Company's rules on appointments or replacements of members of management and supervisory bodies

The Management Board of the company has a President and up to three members, of which one is the Worker Director. The President of the Management Board and other Management Board Members are appointed and dismissed by the Supervisory Board. The Worker Director as a Member of the Management Board is appointed and dismissed by the Supervisory Board on a proposal of the Workers' Council. The term of office of the President of the Management Board, Management Board Members and the Worker Director is five years with the possibility of re-appointment. The Supervisory Board has the right and competence to dismiss the entire Management Board or an individual Member of the Management Board.

The Supervisory Board can dismiss the President of the Management Board, Members of the Management Board and the Worker Director early for the reasons set out in the law. The quorum of the Supervisory Board when appointing or dismissing the President of the Management Board, a Member of the Management Board or the Worker Director requires the presence of at least half of the Members of the Supervisory Board and at least half of the present Supervisory Board Members have to be representatives of the capital, of which the President of the Supervisory Board and deputy President of the Supervisory Board are to be present as well.

The President and Members of the Management Board shall have at least university education, a thorough knowledge of one world language, and at least five years of work experience in decision-making positions in large companies in accordance with the criteria as defined by the law governing companies. More detailed conditions and criteria for the President and Members of the Management Board are determined by the Supervisory Board. The terms of appointment of the Worker Director are jointly determined by the Supervisory Board and the Workers' Council.

The Supervisory Board has a HR Committee that carries out preliminary procedures relating to the selection of candidates for the Management Board of the company and proposes the most suitable candidates for the Management Board Members to the Supervisory Board. Before submitting the proposal, it verifies whether the candidates suggested meet the legal and statutory criteria for the Members of the Management Board.

The Supervisory Board of the company consists of nine members, of which six are elected by the General Meeting by a simple majority of the shareholders present and three members are elected by the Workers' Council. One of six Supervisory Board Members can be proposed to the General Meeting by the municipality or municipalities in which the onshore part of the port is located. By decision, the General Meeting establishes the election and discharge of the Members of the Supervisory Board elected by the Workers' Council. The decision on an early discharge of Members of the Supervisory Board has to be taken by a three-quarters majority of the votes submitted in the General Meeting. Members of the Supervisory Board elected out of the employees can be discharged before the expiry of their term of office by the Workers' Council. By decision, the General Meeting only establishes their discharge. After expiry of their term of office, each elected Member of the Supervisory Board may be proposed and re-appointed as a Member of the Supervisory Board.

In 2018, the Management and the Supervisory Boards have formulated and adopted a diversity policy with respect to representation in management and control bodies of the company as defined by the new Companies Act and the new Slovenian Corporate Governance Code for Public Limited Companies adopted on 27 October 2016, which entered into force on 1 January 2017. The Company has thus pursued the objective of diversity with respect to representation in management and control bodies. This is also reflected in the fact that in recent years, gender diversity has significantly improved in management and control bodies, while intergenerational diversity and educational diversity have also been observed.

The Company's rules concerning changes in the articles of association

The General Meeting of Shareholders decides on the changes in the articles of association with a three-quarters majority of the initial capital represented.

Powers of Members of the Management Board, in particular with regard to own shares

Powers of Members of the Management Board are defined in the Section COMPANY MANAGEMENT. The Management Board has no special powers relating to the issue or purchase of own shares

Relevant agreements that are put into effect, changed or terminated on the basis of a change in the company's control as a result of a public takeover offer

The company has not been informed of any such agreements.

Agreements between the Company and the members of its management or control bodies or employees that foresee compensation if they resign, are dismissed without valid grounds or their employment contract expires because of an offer made in compliance with the Takeovers Act

There have been no agreements in accordance with the Takeovers Act.

MANAGEMENT SYSTEM

Luka Koper, d. d. operates under a two-tier management system, under which the Company has three management bodies: the General Meeting of Shareholders, the Supervisory Board, and the Management Board. The competencies of individual bodies and the rules on their operation, appointment, discharge and the changes in the articles of association have been laid down by the Companies Act, the Company's articles of association, and the Rules of Procedure on the Work of the Supervisory Board, the Management Board and the General Meeting of Shareholders. Specific provisions on the operation of the Management Board are also stated in other general acts on internal company regulation. The Company's articles of association are available at https://luka-kp.si/eng/corporate-documents.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest body of the Company, deciding on its status changes, appropriation of the profit, the appointment or discharge of Members of the Supervisory Board and all other issues. It makes decisions in accordance with the

Companies Act and the Articles of Association of Luka Koper, d. d. The ownership structure of Luka Koper, d. d. is presented in the Section The LKPG Share.

Convening the General Meeting of Shareholders

The Management Board shall convene the General Meeting of Shareholders once a year as a general rule, or several times, if necessary. The convening of the General Meeting of Shareholders is announced at least one month in advance on the AJPES website, in the SEOnet electronic system of the Ljubljana Stock Exchange, and on the Company's website. The Company's website https://luka-kp.si/eng/general-assembly includes the entire material with the proposals for decisions, which is also made available to shareholders at the Company's head office. In compliance with the rules of the Ljubljana Stock Exchange, all decisions taken at the General Meeting of Shareholders are also published.

Participation and voting rights

Shareholders may take part in the General Meeting and exercise their voting right if their presence is reported to the Management Board by the end of the fourth day prior to the General Meeting and if shares or a share certificate are submitted for inspection.

The company has no limitations relating to the voting rights, as all shares of Luka Koper, d. d. provide voting rights in line with the legislation.

Luka Koper, d. d. has issued no securities that would grant their holders any special control rights.

Decisions of the General Meeting of Shareholders

On 29 June 2018, the shareholders of Company Luka Koper, d. d., gathered for the 30th General Meeting. At the meeting, the shareholders:

- took a decision on the proposal for the appropriation of the accumulated profit for the year 2017 in the amount of EUR 17,261,910.95 (a counter-proposal of the Small Shareholders' Association of Slovenia and the Slovenian Sovereign Holding as the proposing parties was adopted):
  - a portion in the amount of EUR 17,220,000.00 is to be used for dividend pay-out in the gross value of EUR 1.23 per ordinary share,
  - the residual amount of accumulated profit in the amount of EUR 41,910.95 is to remain unappropriated;

- granted discharge for the year 2017 to the Management Board and Members of the Supervisory Board, except for Mladen Jovičić,
- took note of the adopted Annual Report of Luka Koper, d. d. and the Luka Koper Group for 2017, the auditor's opinion and the Report of the Supervisory Board about the verification of the Annual Report of Luka Koper, d. d. and the Luka Koper Group for 2017,
- took note of the Report on court proceedings against former Members of the Management Board and the Supervisory Board.

SUPERVISORY BOARD

The Supervisory Board oversees the running of the Company's business. Other tasks and powers of the Board, in accordance with the law and the Company's articles of association, are: appointing and dismissing the Management Board, determining the amount of Management Board's remuneration, approving the annual report, preparing proposals for the appropriation of the accumulated profit, and convening the General Meeting of Shareholders.

Composition of the Supervisory Board

The Supervisory Board of Luka Koper, d. d. has nine members. Six are elected by the General Meeting of Shareholders, and three from among employees are elected by the Workers' Council. The Board members' term of office is four years.

Composition of the Supervisory Board of Luka Koper, d. d. as at 31 December 2018

Representatives of shareholders:

Uroš Ilić, President of the Supervisory Board
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting)
Employed: ODI o.p., d. o. o., managing partner
Membership in other management or supervisory bodies: /

Andraž Lipolt, Deputy President of the Supervisory Board
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting)
Employed: Petrol, d. d., director of technical support
Membership in other management or supervisory bodies: /

Rado Antolovič PhD, Member of the Supervisory Board
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting)
Employed: P&O Maritime (DP World), president of the management board
Membership in other management or supervisory bodies: Maritime Services Division, DP World, managing director; P&O Ports, CEO; Dubai Dry Dock World, president of the management board.

Milan Jelenc, Member of the Supervisory Board
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting)
Employed: SŽ, d. o. o., consultant
Membership in other management or supervisory bodies: Adriakombi, d. o. o., president of the supervisory board; CKTZ, d. d., member of the supervisory board

Barbara Nose, Member of the Supervisory Board
Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting)
Employed: Constantia plus, d. o. o., managing partner
Membership in other management or supervisory bodies: /

Sabina Mozetič, Member of the Supervisory Board
Beginning of a 4-year term of office: 21 August 2015 (26th General Meeting)
Employed: Municipality of Koper, director of municipal administration
Membership in other management or supervisory bodies: /

Representatives of the employees:

Mladen Jovičić, Member of the Supervisory Board
Beginning of a 4-year term of office: 8 July 2017 (28th General Meeting – informing of shareholders)

Marko Grabljevec, Member of the Supervisory Board
Beginning of a 4-year term of office: 18 January 2016 (27th General Meeting – informing of shareholders)

Rok Parovel, Member of the Supervisory Board
Beginning of a 4-year term of office: 12 September 2016 (28th General Meeting – informing of shareholders)

External member of the Supervisory Board Audit Committee
Mateja Kupšek, External member of the Supervisory Board Audit Committee
Appointed for the period from 30 August 2017 until revoked.

Changes in the composition of the Supervisory Board Audit Committee

External member of the Supervisory Board Audit Committee
As of 22 February 2019, the Supervisory Board of Luka Koper, d. d., appointed a new External member of the Supervisory Board Audit Committee, Mateja Traven, to replace the former External member of the Supervisory Board Audit Committee, Mateja Kupšek.

Supervisory Board's work

The work of the Supervisory Board is governed by statutory regulations, Company's articles of association and the Rules of Procedure on the Work of the Supervisory Board, the Slovene Corporate Governance Code for Listed Companies, Corporate Governance Code for State-Owned Enterprises, Recommendations and expectation of the Slovenian Sovereign Holding and Recommendations of the Slovenian Directors' Association.

In 2018, the Supervisory Board worked in the above composition. Work, decisions, and viewpoints of the Supervisory Board and the Committees of the Supervisory Board are reported in detail in the Section Report on the Supervisory Board for 2017.

Each Member of the Supervisory Board, taking into account the provisions 8 and 17.2 of the Slovene Corporate Governance Code for Listed Companies, signed a declaration at the beginning of 2018 stating that in the year 2018 there was no conflict of interest that would imply that an individual member:

- Was executive director or member of the management board of the company or an associated company or had occupied such a position in the previous five years,
- Worked for the company or an associated company and had occupied such a position in the previous three years,
- Received significant additional remuneration from the company or an associated company except for the fee received as a Member of the Supervisory Board
- Was the majority shareholder and represented the majority shareholder/majority shareholders,
- Had important business contacts with the company or an associated company in the last year, either directly as a partner, shareholder, managing director or manager in a body,

- Is or has been within the last three years, a partner or employee of the present or former external auditor of the company or an associated company;
- Was executive director or member of the management board of another company, of which the executive director or member of the management board was a member of the supervisory board, or was in any way related to the executive director or members of the management board through cooperation in other companies or bodies,
- Was a member of the Supervisory Board for more than three terms of office (or over 12 years),
- Was a close family member of a member of the management board or of persons occupying positions referred to in items above,
- Was a member of the wider management board of an associated company,
- Participated in drawing up the proposed content of the Company's annual report.

Statements are also available at https://luka-kp.si/slo/pomembni-dokumenti-208.

Committees of the Supervisory Board

Three committees operate under the Supervisory Board:
- HR Committee,
- Audit Committee
- Business Operations Committee.

The committees carry out professional tasks in aid to the Supervisory Board.

The HR Committee is composed of Uroš Ilić, (Chair), Barbara Nose (Member), Milan Jelenc (Member), and Rok Parovel (Member).

In 2018, the Audit Committee was composed of Barbara Nose (Chair), Uroš Ilić, (Member), Marko Grabljevec (Member) and Mateja Kupšek (External Member). At its 16th meeting on 26 November 2018, the Supervisory Board appointed Milan Jelenc (Member) to replace the President of the Supervisory Board Uroš Ilić as Member of the Audit Committee.

The Business Operations Committee is composed of Andraž Lipolt (Chair), Rado Antolovič (Member), Milan Jelenc, (Member), Sabina Mozetič (Member), Mladen Jovičić (Member) and Rok Parovel (Member).

Remuneration of the Supervisory Board

Members of the Supervisory Board and of Committees of the Supervisory Board are entitled to attendance fees and payments for performing the functions. Members of the Supervisory Board and of Committees of the Supervisory Board are also entitled to a refund of travel expenses and other arrival- and attendance-related expenses. Additional information on remuneration of the Supervisory Board and on related levels is given in the Accounting Report of Luka Koper d. d., Note 29 Related party transactions, and in the section Report of the Supervisory Board for 2018, and the ownership of shares is presented in the section The LKPG Share.

THE MANAGEMENT BOARD OF THE COMPANY

The work of the Management Board is governed by statutory regulations, the Company's articles of association and the Rules of Procedure on the Work of the Management Board, the Slovene Corporate Governance Code for Listed Companies, the Corporate Governance Code for State-Owned Enterprises, and Recommendations and Expectations of the Slovenian Sovereign Holding. Pursuant to the Companies Act and the Company's articles of association, the Management Board manages and represents the company.

Composition of the Management Board

The Management Board of Luka Koper, d. d. worked in the following composition until 16 February 2018:

- Dimitrij Zadel, President of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Metod Podkrižnik, Member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Irma Gubanec, Member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Stojan Čepar, Worker Director, beginning of a 5-year term of office: 30 November 2015.

At its regular session on 16 February 2018, the Supervisory Board concluded a consensual termination of the contract on management operations with Stojan Čepar, whose term of office as a Member of the Management Board – Worker Director thus expired on the same day. Based on a proposal of the Workers' Council, the Supervisory Board appointed Vojko Rotar to fill this position.

As at 31 December 2018, the Management Board of Luka Koper, d. d. consisted of:

- Dimitrij Zadel, President of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Metod Podkrižnik, Member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Irma Gubanec, Member of the Management Board, beginning of a 5-year term of office: 29 December 2017,
- Vojko Rotar, Worker Director, beginning of a 5-year term of office: 16 February 2018.

Composition of the Management Board of Luka Koper, d. d. as at 31 December 2018:

- Dimitrij Zadel
  President of the Management Board:

Dimitrij Zadel, born 29 September 1967, graduated in mechanical engineering and subsequently expanded his expertise in business abroad. He began his career in the product development department of Lama, a producer of furniture fittings. Between 1994 and 2003, he occupied key positions in the company Trgoavto d. o. o. As a commercial vehicle sales manager, he was responsible for the IVECO sales and service centre. Between 2001 and 2003, after being promoted to director general, he was in charge of the company's restructuring and modernisation, aimed at increasing the company's sales volumes and achieving its business optimisation. In 2003, he sought new career challenges in the OMV Group. He was director of OMV Slovenija, d. o. o. and, in line with the Group's strategy, also in charge of restructuring and reorganisation of OMV subsidiaries in Croatia, Bosnia-Herzegovina and Italy, in preparation for their planned disposal. Between 2013 and 2017, while performing the function of director and retail manager of OMV companies in the Czech Republic and Slovakia, he introduced important measures aimed at improving the companies' performance. Following the decision of the company's Supervisory Board, he commenced his five-year term of office in Luka Koper, d. d. on 29 December 2017.

- Metod Podkrižnik
  Member of the Management Board

Metod Podkrižnik, born 23 March 1971, graduated in mechanical engineering and obtained a Master's Degree in economics. He began his career in Gorenje d. d., where he was in charge of the interior furnishings production line. Between 1999 and 2006, he was employed with the Agency of the Republic of Slovenia for Commodity Reserves, where he was responsible for a project aimed at establishing 90-day oil-product reserves in Slovenia and for their efficient maintenance. Between 2006 and 2008 he worked as deputy general manager at Holding Slovenske elektrarne (the state-owned power-generation company), where he managed the development department and performed other executive functions aimed at improving the holding's performance, including risk management. Between 2008 and 2015, he continued his business career at the OMV Group, where he was in charge of product supplies, sales, customer support, logistics and other key business functions in the Group's subsidiaries in Slovenia, Bosnia and Herzegovina, Croatia, Hungary, the Czech Republic and Slovakia. During his employment with OMV, he was appointed procurator in several of the group's subsidiaries and performed the function of director general at OMV Slovakia for two and a half years. In 2016, he joined the logistics company Fersped, d. o. o. as company director. Following the decision of the company's Supervisory Board, he commenced his five-year term of office in Luka Koper, d. d. on 29 December 2017.

- Irma Gubanec
  Member of the Management Board

Irma Gubanec, born 9 July 1968, completed her master's studies in business policy and organisation from the Faculty of Economics, University of Ljubljana. She began her career as independent finance consultant at the Development Fund of the Republic of Slovenia, where she was subsequently promoted to director of the Finance Department. Between 1999 and 2000, she worked at the Ministry of Economic Affairs as state secretary responsible for assets and finance. She subsequently sought new career challenges in the company P&S Svetovanje in analize as independent finance consultant in charge of company valuations and company mergers and acquisitions. Between 2001 and 2010, she held the position of deputy director general responsible for business economics at the national public broadcasting company RTV Slovenia, where she was responsible for finance, accounting, controlling and RTV subscription calculation. In 2010, she joined the media company Delo, d. o. o., where she occupied several key positions. Between 2013 and 2017, she held the position of president of the management board and director general responsible for meeting the company's strategic targets, including the company's financial, personnel and business restructuring. Following the decision of the company's Supervisory Board, she commenced her five-year term of office in Luka Koper, d. d. on 29 December 2017.

- Vojko Rotar
  Worker Director

Vojko Rotar, born 17 June 1976, graduated in economics. He began his career in 1995 in Avico, a freight forwarding company from Ljubljana, and continued to work in logistics, later also international trade until 2003. He gained a wealth of experience with respect to the port as a transit point channelling international trade flows. His insight into the general economic environment and the subjects operating within it paved him the way to various positions in the field of media and communications, where he worked as editor, journalist, correspondent, photojournalist and web reporter for various Slovenian media. In the last four years, he was in charge of public relations and marketing in the Marjetica Koper public corporation, while also coming into contact with a number of areas related to the promotion of good environmental practices and cooperation with the local community. He commenced his five-year term of office in Luka Koper, d. d. as Member of the Management Board -

Worker Director on 16 February 2018, following the decision of the company's Supervisory Board.

A Member of the Management Board has to disclose any conflict of interest to the Supervisory Board and inform other Members of the Management Board accordingly.

Presentation of Members of the Management Board is also available at https://luka-kp.si/eng/management.

Management Board's work

The Management Board autonomously directs the operations of the Company in its best interests, and assumes sole responsibility for its actions. It performs its work in accordance with the regulations, the articles of association and the binding decisions of the Company bodies.

The Company is represented by members of the Management Board, who are in charge of the following areas:

Tasks of the President of the Management Board:

- Management Board Secretariat (Adviser to the Board, Secretary of Bodies, Office of the Management Board),
- Human resources,
- Legal affairs,
- Public relations,
- Port security,
- Investments,
- Purchasing,
- Strategic development.

Tasks of Member of the Management Board:

- PC General Cargo Terminal,
- PC Container Terminal,
- PC Car & RO-RO Terminal,
- PC Bulk and Liquid Cargo Terminal,
- PC Cruise Terminal,
- Operations,

- Sales.

Tasks of Member of the Management Board:

- Finance and Accounting,
- Controlling,
- Management and development of business processes,
- Entities in which Luka Koper, d. d., has an equity participation or corporate rights.

Tasks of Member of the Management Board - Worker Director:

- Representation of the interests of employees relating to HR and social issues,
- Health protection and ecology,
- Monitoring observance and implementation of written agreements and participation in concluding agreements between employees and employers (participating agreement and other agreements).

All Members of the Management Board jointly:

- Internal Audit,
- Corporate integrity and operations compliance,
- Collaboration with the Secretary of the Supervisory Board.

Remuneration of the Management Board

Remuneration paid to Members of the Management Board consists of the fixed and variable components. They are determined in fixed-term management operation employment contracts for Members of the Management Board, in annexes to employment contracts and in decisions of the Supervisory Board. Concluded between individual Members of the Management Board and the Supervisory Board, employment contracts and annexes also specify refunds and benefits. When concluding contracts and annexes for Members of the Management Board, the Supervisory Board is represented by its President. Remuneration of the Management Board is presented in the Accounting Report of Luka Koper, d. d. in Note No. 29 Related party transactions, and the ownership of shares is presented in the section The LKPG Share.

MANAGEMENT AND GOVERNANCE OF COMPANIES IN THE LUKA KOPER GROUP

Luka Koper, d. d. has established a corporate governance system which, after the sale of the share in Aerodrom Portorož, d. o. o. includes the controlling company and 20 companies – from single-person limited companies to the companies with the share of less than 1%.

The Investment Management Strategy was adopted in 2018, under which financial investments are divided into two categories with respect to four key areas (integration in operations, maximization of flexibility and minimization of risk, financial aspect and other externalities):

- Strategic investments are investments in shares and stakes of the companies engaged in activities that are of importance for the future development and operation of the parent company, and contributing to risk control and increased added value. They are managed in accordance with the principle of the group operation.
- Non-strategic investments are investments in shares and stakes of the companies not engaged in activities that are of importance for the future development and operation of the parent company, and not contributing to risk control and increased added value. The aim is to maximise profit payment or bring about other positive impacts for the owner. They are managed in accordance with the principle of investment trust.

The dividend policy follows the classification of an individual investment: when acting as a shareholder in non-strategic investments, we strive to achieve the objective of maximised profit payment, and when acting as a shareholder in strategic investments, we pursue the objective of a balanced profit payment under consideration of the investment-development company cycles.

Objectives in the field of investment management were set in the strategic business plan of the Company and the Group for the period 2016-2020 by upgrading the corporate governance system particularly in cases of strategic investment. As the Investment Management Strategy has been adopted, guidelines for the decision-making and managing aspects of management of strategic investments were also set.

Management and governance of subsidiaries in the Luka Koper Group as at 31 December 2018

Company	Managing Director	Share of the controlling company in ownership (in %)
Luka Koper INPO, d. o. o.	Boris Kranjac	100.00
Adria Terminali, d. o. o.	Aleš Miklavec	100.00
Luka Koper Pristan, d. o. o.	Darko Grgič	100.00
Adria Investicije, d. o. o.	Boris Jerman	100.00
Logis-Nova, d. o. o.	Larisa Kocjančič	100.00
TOC, d. o. o.	Ankica Budan Hadžalič	68.13

INTERNAL AUDIT

The internal audit activity in Luka Koper, d. d. has been performed on the basis of the adopted fundamental internal audit document for the field of internal audit. The purpose of the internal audit is to carry out the function of internal auditing for the public limited company Luka Koper, d. d. and subsidiaries. This is an independent organisational unit subordinated in function to the Supervisory Board, and in organisation to the Management Board of the company. It operates independently and in accordance with the Rules on the operation of the internal audit that have been based on International Standards for the Professional Practice of Internal Auditing, the Code of Internal Audit Principles of the Slovenian Institute of Auditors, and Code of Ethics for Internal Auditors of the Slovenian Institute of Auditors. In accordance with the applicable definition, the internal audit activity helps implement the objectives of the Company and the Group by systematically and methodically assessing and improving the efficiency of risk management, control of procedures and their management. It operates with the aim of adding value through more reliable achievement of the objectives set.

In 2018, the internal audit carried out internal audit engagements and other activities in accordance with the adopted annual plan of work and its future updates. New engagements planned this year and (two) unfinished engagements from the previous year were carried out, and two unplanned engagements were also conducted. What served as a guideline in implementing the planned transactions were the risks identified in the preparation of the annual plan, which were amended in the phase of detailed observation of each audit area and initial risk assessment. The greater part of the assurance provision included verification whether internal controls have been devised appropriately and whether they function in accordance with pre-defined objectives and standards. Based on identified deficiencies, recommendations were made for their improvement. Based on our assessment that the current level of maturity of the risk control system does not fully allow for assurances on risk management processes to be given, internal auditing of this area mostly comprises identification of policies and promoting further development.

In addition to the planned and unplanned auditing, after-audit activities were performed, on a quarterly basis initially, and monthly in the second part of the year; the aim of which was to report promptly on the measures taken for a better management of risks. Having monitored recommendations implementation, the Company reported on delays and a decreased share of implemented recommendations in 2018.

The internal audit reported on each individual engagement to the management of the audited unit, the Management Board and the Supervisory Board Audit Committee; and also reported on the implementation of internal audit recommendations to the latter two. The internal audit reports to the Supervisory Board on an annual basis.

The development of internal audit has been implemented by means of a quality provision and improvement programme. Its purpose is to ensure to all the interested parties that operation of the internal control is in compliance with the applicable rules of the profession and that its operation is successful and efficient. The last external audit of the internal audit operation quality that confirmed these facts was carried out in 2015, and until the next one, the quality of and improvement in its operation shall be provided by internal audits as well as monitoring and measuring the internal audit operation. In 2018, the achieved values of ratios for measuring the performance of internal audit were as planned.

EXTERNAL AUDIT

At the 29th meeting of 28 December 2017, the General Meeting of Shareholders appointed the audit firm BDO Revizija, d. o. o., družba za revidiranje, Cesta v Mestni log 1, Ljubljana for the audit of the financial statements of Luka Koper, d. d. and the Luka Koper Group in the financial year 2017.

The costs of audit services performed for Luka Koper, d. d. and its subsidiaries are presented in the consolidated accounting report, Note 32: Transactions with the audit firm.

Dimitrij Zadel
President of the Management Board of Luka Koper, d. d.

Metod Podkrižnik
Member of the Luka Koper, d. d. Management Board

Irma Gubanec
Member of the Luka Koper, d. d. Management Board

Vojko Rotar
Member of the Luka Koper, d. d. Management Board - Worker Director

7 Relevant events, developments and achievements in 2018

JANUARY

- The Government of the Republic of Slovenia adopted the amended the Decree on the administration of the freight port of Koper and thus facilitated the expansion of the concession area for the construction of a new entrance to the port in Sermin.
- Luka Koper organised a conference within ELEMED, a European project aimed at establishing infrastructure for alternative fuels.

FEBRUARY

- The ship Arethusa opened the passenger transport season 2018.
- The Supervisory Board gave its consent to the business plan of the Company and of the Luka Koper Group.
- The Supervisory Board concluded a consensual termination of the contract on management operations with Stojan Čepar, and appointed Vojko Rotar to fill his position as Member of the Management Board - Worker Director.
- The management of Luka Koper, d. d. and the Crane operators union concluded an agreement which is supposed to ensure the long-term social stability of the Company.

MARCH

- Luka Koper sold to the University of Primorska the Prisoje facility, which used to be a rooming house and then a vacation facility.
- At its ordinary meeting of 26 March 2018, the Supervisory Board discussed the course of business restructuring of the Company and was briefed about the proposal for a port service provision strategy, which was devised by the Management Board. The Strategy will also be verified by adopting external expert opinions, particularly as regards its legality, economy, autonomy and business performance. At the same time, the Management Board will develop an action plan of strategy implementation and launch vital preparation activities.
- Luka Koper, d. d. reached a conditional court settlement with the Pan-Slovenian Shareholders' Association, based on which the Association renounced its claim on rendering null and void the resolutions adopted by the General Meeting relating to the appointment of the Members of the Supervisory Board Milan Jelenc, Andraž Lipolt, and Barbara Nose.
- Adria Kombi introduced a new direct railway route linking the Port of Koper container terminal with the Riem container terminal in Munich three times per week.

- The Port of Koper presented itself at the largest passenger ship tourism market, Seatrade Cruise Global 2018.
- On the 20th anniversary of the Slovenian Business Excellence Prize, Luka Koper was awarded the Jubilee Prize.
- For business partners from Egypt, Luka Koper organised the traditional Port Day and Day of Slovenian logistics in Cairo and Alexandria.
- The Integrail railway operator introduced a new regular container route linking the Port of Koper container terminal with Mahart Container centre in Budapest.
- In March, Luka Koper achieved the highest total monthly port throughput and the highest monthly throughput at the container and car terminals.

APRIL

- Ocean Network Express – ONE, a Japanese shipping company, introduced a new container service from Koper to the major port centres in Egypt and Greece.
- Within the SUPAIR European project, Luka Koper organised an expert meeting on noise generating vessels with representatives of local communities and the locals.
- Luka Koper published a call for sponsorships and donations within the scope of the Living with the Port Fund.
- CMA CGM, a French shipping company, introduced a new regular container line between the ports of Koper, Piraeus, Limassol, Alexandria, Beirut and Mersin.
- Yang Ming, a Taiwanese shipping company, introduced a new regular container line between Koper and the ports of Piraeus and Damietta.
- Luka Koper joined an economic delegation who prepared a presentation for Japanese businessmen in Tokyo entitled Slovenia, a logistics platform for Central and Southeastern Europe.
- Adria Transport, d. o. o., a railway operator half-owned by Luka Koper, purchased a new, state-of-the-art Siemens 193 Vectron series electric locomotive, thus increasing its fleet to six engines.
- According to the specialised Automotive Logistics magazine, in 2017, the Port of Koper was the ninth biggest port in Europe and the third in the Mediterranean in the number of transhipped cars.
- In Luka Koper, d. d., and its subsidiaries Luka Koper INPO, d. o. o., Adria Terminali, d. o. o., and Luka Koper Pristan, d. o. o., the Slovenian Institute of Quality and Metrology (SIQ) carried out an external assessment of the quality system (ISO 9001:2015, ISO 14001:2015, ISO 22000:2005, BS OHSAS 18001:2007).
- The Pan-Slovenian Shareholders' Association withdrew from the conditional court settlement in court proceedings run before the Koper District Court, where it had introduced its claim on rendering null and void, i.e. challenging the resolutions relating to the appointment of the Members of the Supervisory Board Milan Jelenc, Andraž Lipolt, and Barbara Nose.

MAY

- At the traditional Port of Koper Day, i.e. the open door day, visitors were able to see the port and learn about its processes.
- The Port of Koper presented itself at the 'Breakbulk Europe' specialised exhibition for the break bulk and project cargo industry.
- Together with 18 Slovenian logistics providers, Luka Koper presented the transport route through Koper in Wroclaw, Poland.
- Luka Koper received Prizma, an industry award for excellence in communication, for its comprehensive communication programme upon its 60th anniversary.

JUNE

- Luka Koper signed a cooperation agreement with the Chinese Ningbo Zhoushan Port Group.
- MAERSK line introduced a regular railway/container link between Koper and the Melnik terminal in the Czech Republic.
- The Port of Koper presented itself at the 'Day of Austrian logistics' in Linz, the biggest specialised event of its kind in Austria.
- 20 ports from 10 countries of the European and African part of the Mediterranean, including the port of Koper, established the MEDports association to pursue the goal of better visibility and efficiency of Mediterranean ports in the global maritime transport.
- According to the Austrian specialised logistics magazine Verkehr, Austrian companies carried out the majority of their overseas transport in 2017 through the Port of Koper.
- The Government of the Republic of Slovenia amended the Decree on the administration of the freight port of Koper, which includes the expansion of the concession area, both territorial and maritime, by 704,436 m^2.
- The Government of the Republic of Slovenia adopted the Decree on limit values for environmental noise indicators, which entered into force on 7 July 2018 (Official Gazette of RS No 43/18).
- In a repeat procedure, the Slovenian Environment Agency issued the environmental approval for an integral rearrangement of Pier I.
- On 29 June 2018, the shareholders of Company Luka Koper, d. d., gathered at the 30th General Meeting. At the meeting, the shareholders:
    - Took a decision on the proposal for the appropriation of the accumulated profit for the year 2017 in the amount of EUR 17,261,910.95 (a counter-proposal of the Small Shareholders' Association of Slovenia and the Slovenian Sovereign Holding as the proposing parties was adopted):
        - a portion in the amount of EUR 17,220,000.00 is to be used for dividend pay-out in the gross value of EUR 1.23 per ordinary share,

        - the residual amount of accumulated profit in the amount of EUR 41,910.95 is to remain unappropriated.
    - Granted discharge for the year 2017 to the Management Board and Members of the Supervisory Board, except for Mladen Jovičić,
    - Took note of the adopted Annual Report of Luka Koper, d. d. and the Luka Koper Group for 2017, the auditor's opinion and the Report of the Supervisory Board about the verification of the Annual Report of Luka Koper, d. d. and the Luka Koper Group for 2017,
    - Took note of the Report on court proceedings against former Members of the Management Board and the Supervisory Board.

JULY

- Tarros, a shipping and logistics provider, introduced a new regular container service linking Koper to the eastern Mediterranean.
- Luka Koper signed a letter of intent with the Municipality of Koper to reach an agreement on the implementation of mitigation measures to reduce the environmental impact of port activity and ensure further development of the port.
- Having entered into force on 21 July, the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line will be an additional financial burden to the Company, but will also enable sustainable development of the Port of Koper and an increase of port throughput in the long term.
- Luka Koper concluded with the State a rental contract for the area of 47,275 m^2 at the southern part of Pier III, which will be used for storage of cars.

AUGUST

- The new ACAR information system was launched to manage operations at the car terminal.
- The Supervisory Board of Luka Koper approved the revised business plan for 2018.

SEPTEMBER

- By announcing a substantial notification of 307 vacancies, Luka Koper undertook the action plan for implementing the port service provision strategy.
- The biggest international sporting event in the history of Slovenia took place in the Slovenian Coast region - an Ironman Triathlon. The Port of Koper was a major sponsor.
- The Port of Koper began the construction of the Sermin port entrance, which will mainly serve as the entry point for Pier II. This will improve internal logistics and relieve the town approach road from truck traffic.

- The Port of Koper presented itself at one of the major events in cruise tourism - the Seatrade Cruise Med 2018 trade event and conference.

OCTOBER

- Luka Koper acquired a building permit to extend the operational coast of the container terminal, and a building permit to construct a new RO-RO berth in Basin III.
- For the fourth year in a row, Luka Koper organised a business meeting, the Port of Koper Day, in Tel Aviv for its Israeli business partners.
- Luka Koper presented the southern transport route through Koper at the annual meeting of all major Polish logistics players, Duck meeting Poland, which was held in Gdynia.
- Luka Koper organised a business meeting with all existing and potential new customers in Munich, Bavaria being an area of significant potential, particularly in the container sector.
- The Port of Koper was visited by Alenka Bratušek, the new Minister of Infrastructure, with colleagues. The Management Board presented to visitors the Company, its development plans and how the issue of external port services providers was being addressed; and the Minister informed Luka Koper management of the progress of activities with regard to the new Divača – Koper railway link, and of the steps taken at the Ministry regarding the purchase of land within the Port of Koper concession area.
- By introducing automated permit reading upon entrance to the port, the Port of Koper has simplified the entry procedure for truck drivers holding annual permits who thus no longer have to stop at the truck terminal.

NOVEMBER

- For its membership and activity in the Neptunes association (Noise Exploration Program To Understand Noise Emitted by Seagoing Ships), Luka Koper received an environmental prize in the international environmental partnership category as awarded by the Finance newspaper and the Slovenian Eco Fund.
- The Port of Koper received attestation from the Ministry of the Environment and Spatial Planning that the building permit for the extension of the operational coast of the container terminal at Pier I became final on 2 November 2018. The building permit was issued for the construction of the operational coast of 98.5 metres in length and 34.4 metres in width, and for the construction of inland areas to the south of the pier extending over 24,830 m2.
- In its major markets, i.e. Austria, the Czech Republic, Hungary and Slovakia, Luka Koper organised meetings with business partners, i.e. the so-called Port Days.
- Luka Koper published a public tender for the selection of recruitment agencies to provide workers for performing port services.

DECEMBER

- Luka Koper distributed its publication Luški vozli (i.e. the Port Knots) within the local community, presenting its sustainable activities.
- The 50th anniversary of the arrival of the first ship, Gorica, to the Port of Koper was commemorated at a special event attended by representatives of the port community, the national authorities and the media.
- The Supervisory Board gave its consent to the business plan of the Company Luka Koper, d. d., and the Luka Koper Group for 2019.
- Based on Article 49 of the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line, a notice was published in the Official Gazette of 17 December 2018 on the commencement of implementation of preparatory works for the second track of the Divača-Koper railway line, whereby the charge on throughput in the Koper cargo port shall be payable as of 1 March 2019.
- The Higher Court in Koper confirmed the decision of the first instance court rejecting the complaint of the VZMD for the annulment of the resolutions of the Luka Koper, d. d., Assembly dated June 30, 2017, on the recall of old members and the appointment of new members of the Supervisory Board Milan Jelenc, Andraž Lipolt and Barbara Nose.

8 Relevant events after the end of the financial year

JANUARY 2019

- The Government of the Republic of Slovenia unanimously adopted the investment programme of the Divača-Koper second railway track project, thus giving the green light to the commencement of preparatory works.
- Luka Koper published the first public tender for the selection of external contractors for industrial cleaning services.
- In 2018, Luka Koper, d. d., began the procedure of refinancing part of its long-term loans payable, and completed it in January 2019. Long-term loan contracts were signed with two banks, i.e. Intesa Sanpaolo, d. d., and SID, d. d., for the period of 10 years and for a total amount of EUR 43.7 million, each bank providing a half. By refinancing part of its loans, the Company has lengthened the maturity of its sources of funds, while also replacing part of its variable-rate sources of funds with fixed interest rate sources and reducing financing costs.
- Upon the completion of the tax inspection performed by the Financial Administration of the Republic of Slovenia with regard to the corporation tax return for 2017, Luka Koper, d. d., received a notice of reassessment and has settled the obligation. The Company appealed against the notice.
- On 15 January 2019, Luka Koper received an application from the Ministry of Infrastructure to issue permissions to register a title fore some land.

FEBRUARY 2019

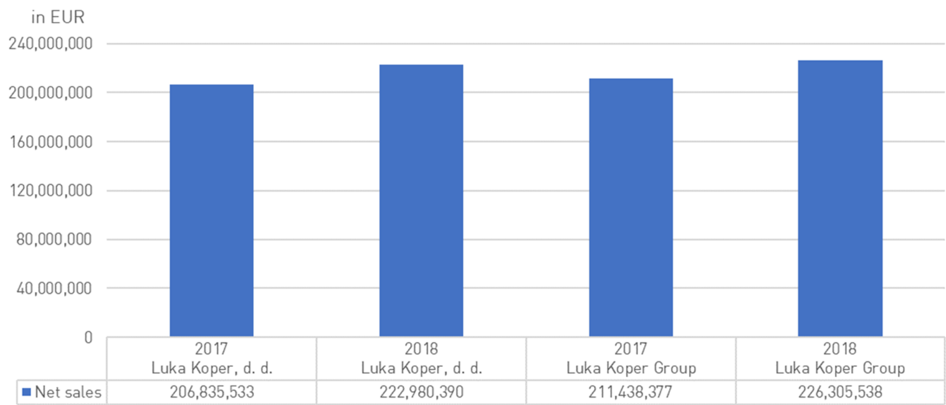
- Based on the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line, the Government of the Republic of Slovenia issued the Decree specifying the types of freight to be included in individual freight categories for the purpose of transhipment fee calculation.

9 Performance analysis – 2018

9.1 Performance of the LUKA KOPER GROUP in 2018

NET SALES

In 2018, net sales of the Luka Koper Group reached EUR 226.3 million, which was an increase of 7% or EUR 14.9 million compared to 2017.



Net sales of Luka Koper, d. d. and the Luka Koper Group

In 2018, net sales of the Group relating to the market activity exceeded the net sales of the preceding year by 7% or EUR 14.1 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport increased by 22% or EUR 793,500 year-on-year; as a result, the total revenue of the Group in 2018 was 7% or EUR 14.9 million higher than the previous year.

CAPITALISED OWN PRODUCTS AND SERVICES

In 2018, capitalised own products and services amounted to EUR 1.3 million, which is an increase of 78% or EUR 577,200 compared with 2017. In the capitalised own products and services category, the Group reported the infrastructure maintenance works which were mainly performed by its subsidiary Luka Koper INPO, d. o. o.

OTHER REVENUE

In 2018, other revenue of the Luka Koper Group amounted to EUR 15.7 million, which was an increase of EUR 12.1 million as compared to 2017. Reported among other revenue in 2018 was the compensation amounting to EUR 9.6 million, received for the damaged coast gantry crane which in June 2017 was hit by a ship due to strong winds and consequently collapsed. In 2018, revaluation operating income of the Luka Koper Group amounted to EUR 1.8 million, which was an increase of EUR 1.4 million as compared to 2017. The highest revaluation operating income in the amount of EUR 522,800 was recorded in the sale of a facility with associated land. Income resulting from reversal of provisions resulting from legal obligations amounted to EUR 1.8 million.

OPERATING EXPENSES

Operating expenses of the Luka Koper Group stood at EUR 173.6 million in 2018, which was a decrease of 3% or EUR 5.6 million from 2017. All types of costs recorded under operating expenses, except for other expenses, increased when compared to 2017.

In 2018, the costs of material of the Luka Koper Group amounted to EUR 17.2 million, and grew by 8% or EUR 1.2 million compared to 2017. The costs of spare parts as well as the costs of electricity and motor fuel also increased.

The costs of services of the Luka Koper Group amounted to EUR 54.9 million in 2018, and went up by 6% or EUR 3.1 million compared to 2017. The costs of services rendered in connection with the core activity, the cost of maintenance and the costs of other services grew year-on-year – Concession costs increased under the latter costs. Already in 2018, the Group began to implement the port service provision strategy, however, it had not yet have a major impact on the cost structure in the sense of reducing the cost of services in pursuit of business in 2018.

Labour costs of the Luka Koper Group amounted to EUR 62.7 million in 2018, and grew by 15% or EUR 8.1 million compared to 2017, mostly due to a higher number of employees. The costs of overtime work and post-employment benefits were also higher. As at 31 December 2018, the companies within the Luka Koper Group employed a total of 1,242 persons, which was an increase of 12% or 134 persons when compared to 31 December 2017.

The depreciation / amortisation expense of the Luka Koper Group amounted to EUR 29.4 million in 2018, and grew by 3% or EUR 919,400 compared to 2017.

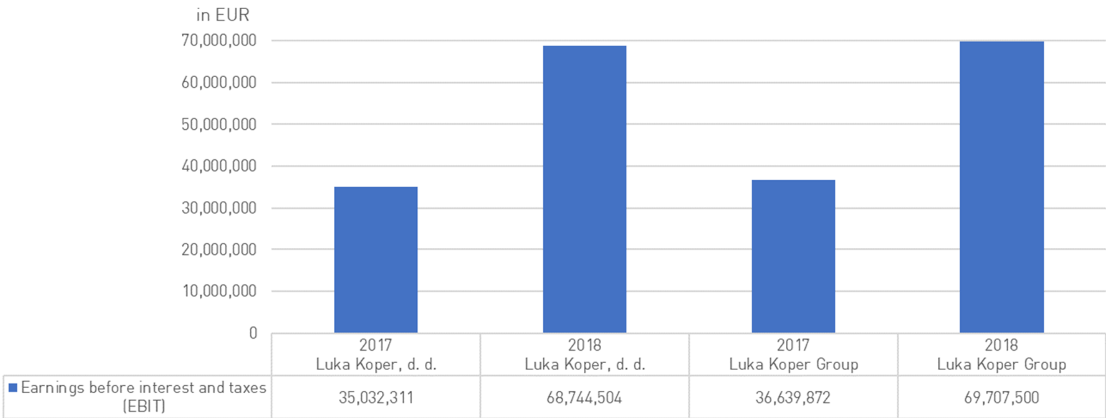
Other operating expenses of the Luka Koper Group amounted to EUR 9.6 million, which was a decrease by 66% or EUR 18.9 million from 2017. This is because in 2017, provisions for liabilities resulting from legal obligations amounting to EUR 15.7 million and the recognised impairments of land in the municipality of Sežana amounting to EUR 3.4 million were formed within other operating expenses.

The share of operating expenses in net sales accounted for 76.7% in 2018, which was a decrease of 8 percentage points from 2017. Comparatively, the share of labour costs in net sales increased from 2017, whereas the shares of the costs of material, services and amortisation and depreciation expenses remained at the same level, and the share of other operating expenses decreased.

EARNINGS BEFORE INTEREST AND TAXES (EBIT)

In 2018, earnings before interest and taxes (EBIT) of the Luka Koper Group amounted to EUR 69.7 million, which was an increase of 90% or EUR 33.1 million from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, earnings before interest and taxes (EBIT) of the Luka Koper Group for 2018 increased by 15% or EUR 7.8 million year-on-year.

Earnings before interest and taxes (EBIT) of Luka Koper, d. d. and the Luka Koper Group



Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Luka Koper Group amounted to EUR 99.1 million in 2018, which was a 52% or EUR 34 million increase from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Group for 2018 increased by 11% or EUR 8.7 million year-on-year.

The EBITDA margin of the Luka Koper Group in 2018 accounted for 43.8%, which was an increase of 42% or 13 percentage points from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Group for 2018 would account for 39.6% and would, therefore, be a real increase of 29% or 8.8 percentage points from 2017.

PROFIT OR LOSS FROM FINANCING ACTIVITY AND PROFIT OR LOSS BEFORE TAX

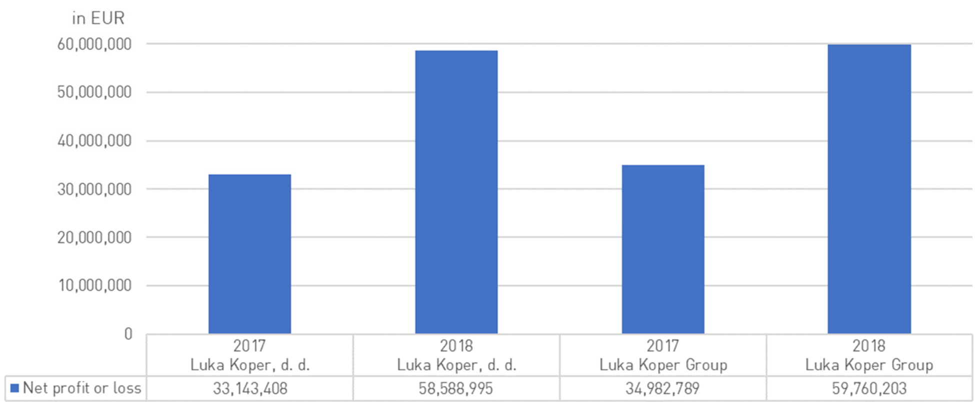
Profit or loss from financing activities in 2018 amounted to EUR 624,300, whereas in 2017 the Luka Koper Group achieved the financial result of EUR -377,300. The results of associated companies in 2018 increased the profit before tax of the Luka Koper Group by EUR 1.7 million, which was an increase of 1% or EUR 11,400 compared to 2017. In 2018, the profits of the following companies were added:

- Adria-Tow, d. o. o. in the amount of EUR 0.5 million,
- Adria Transport, d. o. o. in the amount of EUR 0.4 million,
- Avtoservis, d. o. o. in the amount of EUR 0.7 million,
- Adriafin, d. o. o. in the amount of EUR 0.04 million.

NET PROFIT OR LOSS

Net profit or loss of the Luka Koper Group amounted to EUR 59.8 million in 2018, which was an increase of 71% or EUR 24.8 million from 2017. Not including the one-off event of receiving compensation amounting to EUR 9.6 million, net profit or loss in 2018 would amount to EUR 51.9 million, which would be an increase of 48% or EUR 16.9 million compared to 2017. In 2017, net profit or loss was lower due to the provisions for liabilities arising from legal obligations which were formed in the amount of EUR 15.7 million. Not including these, net profit or loss of the Group in 2018 increased by 9% or EUR 4.4 million year-on-year.

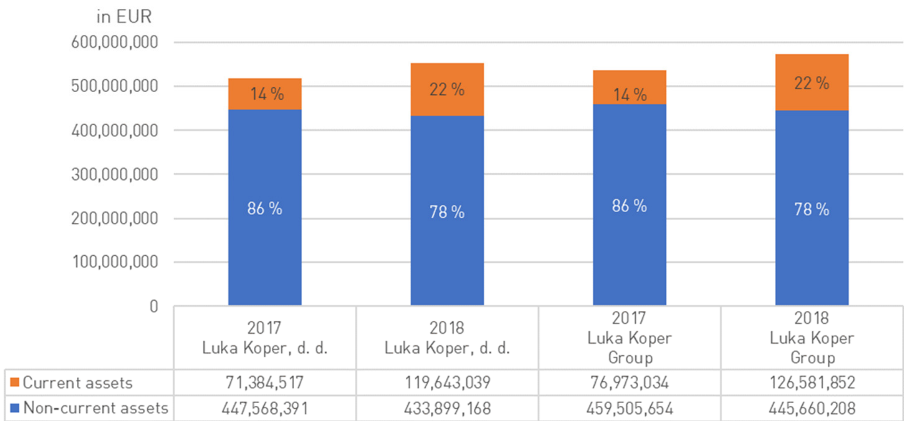
Net profit or loss of Luka Koper, d. d. and the Luka Koper Group



FINANCIAL POSITION AND FINANCIAL MANAGEMENT

As at 31 December 2018, the balance sheet total of the Luka Koper Group amounted to EUR 572.2 million, which was an increase of 7% or EUR 35.7 million when compared to 31 December 2017.

Asset structure of Luka Koper, d. d. and the Luka Koper Group as at 31 December



As at 31 December 2018, non-current assets accounted for 78% of the balance sheet total of the Luka Koper Group. Compared to the year-end of 2017, this was a decrease of 3% or EUR 13.8 million.

Because of the sale of the Prisoje facility and resulting from depreciation, the value of property, plant and equipment decreased by 4% or EUR 14.2 million. Meanwhile, an increase in value was recorded for shares and interests as a result of the increase of the market value of non-current investments into other shares and interests recorded at fair value.

As at 31 December 2018, current assets of the Luka Koper Group were higher by 64% or EUR 49.6 million than the previous year-end.

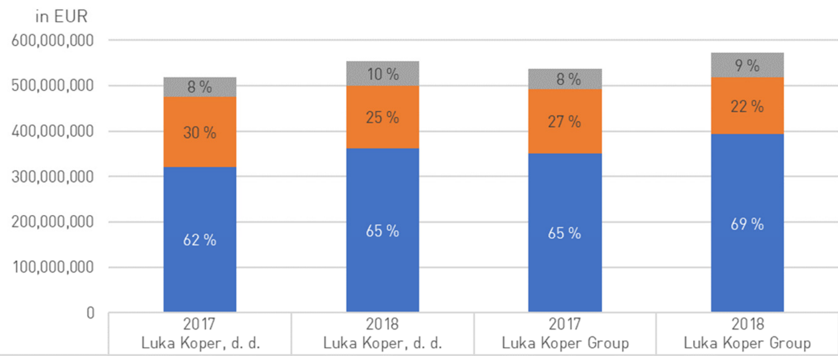
Trade and other receivables stood at EUR 45.6 million, which was an increase of 17% or EUR 6.6 million from 2017. An increase was observed for trade receivables and receivables resulting from advances and securities given. Cash and cash equivalents increased by EUR 47.2 million due to an increase in money in accounts.

The equity of the Luka Koper Group increased by 12% or EUR 43.4 million from 2017 to 2018. It increased due to other revenue reserves, a special revaluation adjustment of equity in respect of non-current financial investments, and net profit or loss brought forward. As at 31 December 2018, the equity accounted for 68.8% of the balance sheet total.

As at 31 December 2018, non-current liabilities including long-term provisions and long-term accrued costs and deferred revenue of the Luka Koper Group were 13% or EUR 18.3 million below the level from the previous year-end. Non-current loans and borrowings resulting from the transfer of part of liabilities to the current portion and from repayments saw a decrease.

As at 31 December 2018, current liabilities of the Luka Koper Group were higher by 25% or EUR 10.7 million than the previous year-end. Liabilities resulting from the income tax increased by EUR 9.2 million.

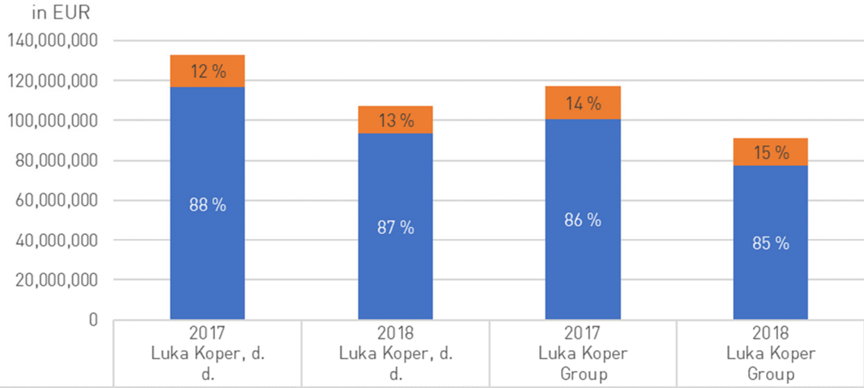
Structure of liabilities of Luka Koper, d. d. and the Luka Koper Group as at 31 December



	2017 Luka Koper, d. d.	2018 Luka Koper, d. d.	2017 Luka Koper Group	2018 Luka Koper Group
Current liabilities	42,267,096	53,048,826	43,340,558	54,047,158
Non-current liabilities with provisions and long-term accruals and deferred revenue	156,033,161	137,848,415	142,700,743	124,316,097
Equity	320,652,651	362,644,966	350,437,387	393,878,805

As at 31 December 2018, the financial liabilities of the Luka Koper Group amounted to EUR 91.3 million, and had decreased by 22% or EUR 25.9 million from the previous year-end. The volume of loans obtained from banks in the country of origin decreased due to repayments.

Structure of financial liabilities of Luka Koper, d. d. and the Luka Koper Group as at 31 December by maturity



	2017 Luka Koper, d. d.	2018 Luka Koper, d. d.	2017 Luka Koper Group	2018 Luka Koper Group
Current liabilities	16,432,568	13,842,242	16,432,568	13,830,921
Non-current liabilities	116,682,274	93,431,499	100,682,274	77,431,499

As at 31 December 2018, non-current financial liabilities to banks of the Luka Koper Group accounted for 84.8% of total financial liabilities. When compared to the balance of the previous year-end, their share decreased by 1.1 percentage points.

As at 31 December 2018, all financial liabilities of the Luka Koper Group were related to the variable interest rate. In the past, the Group had a 5-year interest rate swap established, which matured in April 2018. In 2018, the procedure of refinancing more costly bank financing resources with less costly resources was initiated. To this end, an invitation to tender was sent to commercial banks and the procedure was completed in January 2019 by concluding two loan agreements in the total amount of EUR 43.7 million for the period of 10 years. The loans were granted at a fixed interest rate, which in 2019 reduced the exposure to interest rate risk considerably.

As at 31 December 2018, the share of financial liabilities in equity accounted for 23.2%, which was a decrease of 10.2 percentage points compared to 31 December 2017. Further details on financial liabilities of the Luka Koper Group are provided in the consolidated accounting report.

CASH FLOWS

Cash flows of Luka Koper, d. d. and the Luka Koper Group

	Luka Koper, d. d.		Luka Koper Group	
	2018	2017	2018	2017
Net cash from operating activities	68,817,536	95,510,174	69,248,721	97,706,220
Net cash from investing activities	-28,925,110	-7,481,530	-30,002,300	-7,642,216
Net cash from financing activities	-12,673,142	-42,854,926	-12,698,742	-42,854,926
Net increase in cash and cash equivalents	27,219,284	45,173,718	26,547,679	47,209,078

In 2018, net cash from operating activities of the Luka Koper Group increased by EUR 28.5 million from 2017. Operating profit before changes in net current operating assets and taxes grew by EUR 26.7 million.

Net cash from investing activities of the Luka Koper Group was negative in 2018 and amounted to EUR 7.6 million. In 2018, expenses for the purchase of property, plant and equipment and intangible assets were lower by EUR 20.5 million than in 2017.

Net cash from financing activities increased in 2018 by EUR 30.2 million. In 2018, expenses for the repayment of loans amounted to EUR 16 million and the amount of EUR 17.2 million was intended for the payment of dividends. In 2017, the Luka Koper Group also recognised revenue from non-current loans received in the amount of EUR 18.7 million.

The closing balance of cash and cash equivalents of the Luka Koper Group in 2018 amounted to EUR 79.6 million, which was an increase of EUR 47.2 million from the year-end of 2017.

Implementation of plans of the Luka Koper Group

In 2018, the Luka Koper Group generated net sales in the amount of EUR 226.3 million, which was a decrease of 1% or EUR 2.6 million below the budgeted net sales.

In 2018, net sales of the Group resulting from market activity exceeded the planned net sales by 1% or EUR 1.9 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport remained below its target by 51% or EUR 4.5 million. Deviation from the plan was due to the transfer of the management unit activity from the subsidiary Luka Koper INPO, d. o. o., to the company Luka Koper, d. d., to the delayed due to the subsequent execution of public procurement, and to the delayed execution of certain works because of adjustments to operational processes.

The compensation received for the damaged coast gantry crane, which in June 2017 was hit by a ship due to strong winds and consequently collapsed, was reported among other revenue and thereby included in the revised business plan for 2018, which was adopted at the end of August 2018. At EUR 9.6 million, it was actually realised in 2018 in the same amount.

In 2018, earnings before interest and taxes (EBIT) of the Luka Koper Group amounted to EUR 69.7 million, which was an increase of 5% or EUR 3.5 million when compared to the plan. Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Luka Koper Group amounted to EUR 99.1 million in 2018, which was 4% or EUR 3.6 million more than planned.

The EBITDA margin of the Luka Koper Group accounted for 43.8% in 2018, which was 44% or 13.4 percentage points more than planned.

In 2018, the EBITDA margin of the Luka Koper Group resulting from market activity accounted for 44.6%, which was an increase of 3% or 1.3 percentage points when compared to the plan.

Net profit or loss of the Luka Koper Group in 2018 amounted to EUR 59.8 million, which was an increase of 7% or EUR 4 million when compared to the plan.

The return on equity (ROE) in 2018 amounted to 16.1%, which is 7% or 1 percentage point higher than planned.

9.2 Summary of performance of LUKA KOPER, d. d. in 2018

Comparison of the results achieved by Luka Koper, d. d. in 2018 and 2017

In 2018, net sales of Luka Koper, d. d. amounted to EUR 223 million, which was an increase of 8% or EUR 16.1 million compared to 2017. Net sales of Luka Koper, d. d., relating to the market activity in 2018 exceeded the net sales of the preceding year by 8% or EUR 15.4 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport increased by 22% or

EUR 793,500 year-on-year; as a result the total revenue of Luka Koper, d. d., in 2018 was 8% or EUR 16.1 million higher than the previous year.

In 2018, earnings before interest and taxes (EBIT) of Luka Koper, d. d. amounted to EUR 68.7 million, which was an increase of 96% or EUR 33.7 million from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, earnings before interest and taxes (EBIT) of Luka Koper, d. d. for 2018 would amount to EUR 59.2 million, which would, therefore, be an increase of 17% or EUR 8.5 million from 2017.

In 2018, net profit or loss of Luka Koper, d. d. amounted to EUR 58.6 million, which was an increase of 77% or EUR 25.4 million from 2017. Not including the one-off event of receiving a compensation amounting to EUR 9.6 million, and not including the provisions for liabilities arising from legal obligations formed in 2017 and amounting to EUR 15.7 million, net profit or loss of Luka Koper, d. d. for 2018 would amount to EUR 50.7 million, which would, therefore, be an increase of 11% or EUR 4.9 million from 2017.

Implementation of the plans of Luka Koper, d. d.

In 2018, Luka Koper, d. d. generated net sales in the amount of EUR 223 million, which was a decrease of 1% or EUR 1.5 million below the budgeted net sales. Net sales of Luka Koper, d. d. resulting from market activity in 2018 exceeded the planned net sales by 1% or EUR 3 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport remained below its target by 51% or EUR 4.5 million. Deviation from the plan was due to the transfer of the management unit activity from the subsidiary Luka Koper INPO, d. o. o., to the company Luka Koper, d. d., to the delayed due to the subsequent execution of public procurement, and to the delayed execution of certain works because of adjustments to operational processes.

In 2018, earnings before interest and taxes (EBIT) of Luka Koper, d. d. amounted to EUR 68.7 million, which was a decrease of 5% or EUR 3.4 million when compared to the plan.

Net profit or loss of Luka Koper, d. d. amounted to EUR 58.6 million in 2018, which was an increase of 7% or EUR 3.7 million when compared to the plan.

10 Marketing and sales

In today's business world, the market situation is changing at a faster pace than ever, which makes it fundamental for the long-term viability and growth of the company to identify the changes as well as the needs of customers in a timely manner. Focus on customers, personal contact, respect for commitments to customers and customer satisfaction are the basic guidelines for the conduct of employees and the key components of the company's marketing activities. These activities, however, are subordinated to the Company's marketing strategy and its strategic goals to maintain and keep upgrading a flexible, modern and competitive port system, thus creating the expected value for customers, employees, owners and other stakeholders of Luka Koper, d. d. Only satisfied customers can ensure efficient long-term growth. Our representatives abroad will play an important role in these efforts.

Key cargo groups

Containers and cars remain the key cargo groups. With the growth in container traffic, however, container loading and unloading has also been on the increase, i.e. activities related to storage processing of goods, which also means opportunities for added value services. In general, the port wants to maintain its multipurpose character, especially with a view to maximising the benefits of existing facilities and established operations, and to diversifying its range of services. The ecological aspect is also essential; it is where we see further opportunities in the transhipment of highly perishable products.

Markets

Through active sales, the market share of Luka Koper has been increasing in key markets, including the domestic Slovenian market, but primarily in the hinterland markets of Austria, Hungary, Slovakia, the Czech Republic, Italy, Poland, Germany, western Romania and Serbia. Marketing activities continued in 2018 in the overseas markets of the Mediterranean (Israel, Egypt) as well as the markets of the Middle and Far East, where the visibility of the port was being fostered. Luka Koper has been seeking to improve its competitiveness by identifying opportunities in each market, responding to them and building a strong partner network based on mutual cooperation.

10.1 Maritime throughput

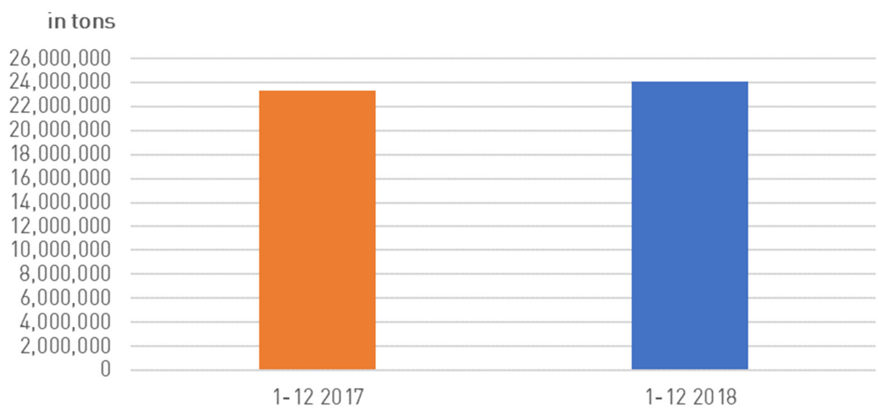
The maritime throughput achieved by the Luka Koper Group in 2018 amounted to a record EUR 24 million tons, which is up 3% compared to 2017. In 2018, the Luka Koper Group achieved exceptional results and the highest ever throughput in the cargo groups of containers and also cars. In comparison to the preceding year, the Luka Koper Group saw growth in the throughput of all product groups except for liquid cargoes. The passenger terminal recorded 101,415 passengers in 2018, which is a 41% increase from 2017.

2018: THE HIGHEST THROUGHPUT IN THE HISTORY OF THE PORT – 24 MILLION TONS OF MARITIME THROUGHPUT

- RECORD QUANTITY OF CONTAINER THROUGHPUT: 988.5 THOUSAND TEU
- RECORD QUANTITY OF CAR THROUGHPUT: 754 THOUSAND VEHICLES
- RECORD QUANTITY OF SOY THROUGHPUT: 912.1 THOUSAND TONS

In 2018, the Port observed a 4% increase in cargoes unloaded from ships year-on-year, and the same amount of cargoes loaded onto ships compared to 2017.

Maritime throughput

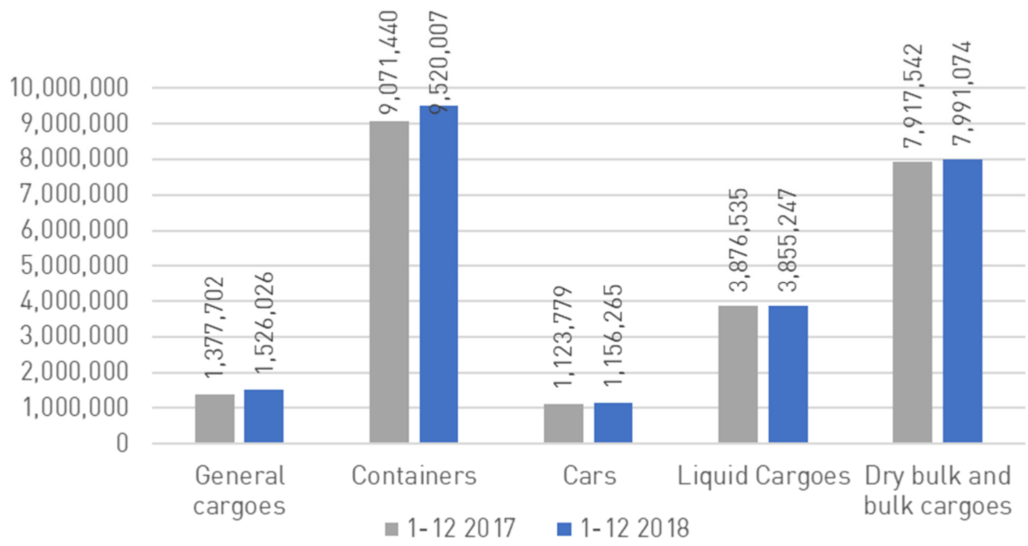


10.2 Throughput structure by cargo group

Containers prevail in the total throughput structure and their share had increased by 1 percentage point from 2017. The share of general cargoes also increased by 1 percentage point. The share of liquid cargoes and dry bulk and bulk cargoes decreased, and the share of the cars cargo group remained unchanged.

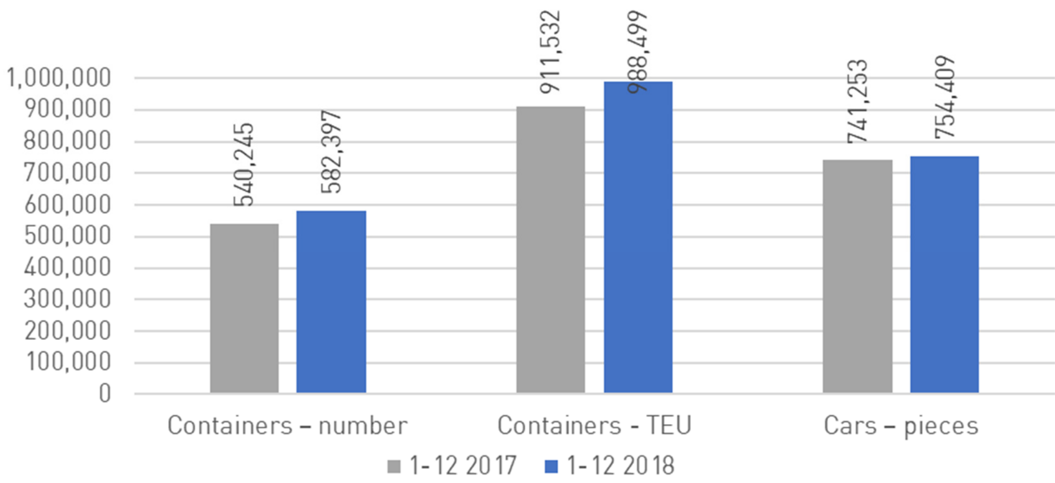
Throughput in tons per cargo group in 2017 and 2018

CARGO GROUPS (in tons)	1 – 12 2017	1 – 12 2018	Index 2018/2017
General cargoes	1,377,702	1,526,026	111
Containers	9,071,440	9,520,007	105
Cars	1,123,779	1,156,265	103
Liquid cargoes	3,876,535	3,855,247	99
Dry bulk and bulk cargoes	7,917,542	7,991,074	101
TOTAL	23,366,998	24,048,618	103



Throughput of containers (number of containers and TEU) and cars (pieces) in 2017 and 2018

CARGO GROUPS	1 – 12 2017	1 – 12 2018	Index 2018/2017
Containers - number	540,245	582,397	108
Containers – TEU	911,532	988,499	108
Cars – pieces	741,253	754,409	102



GENERAL CARGOES

The Luka Koper Group ended the year 2018 with an 11% increase in the throughput of general cargoes compared to 2017. Within the general cargo group, an increase was observed in 2018 in the throughput of iron and steel imports due to the allocated import quotas and expected higher customs duties. Exports of livestock for the Arabian market decreased due to a measure of the veterinary inspectorate following a suspicion of livestock disease.

In 2018, a rise was observed in timber traffic due to the reopening of the North African market.

With respect to the throughput of fruits and vegetables, the Group has particularly increased the throughput of fruits and vegetables imported from Egypt owing to long-standing market activities aimed at improving direct shipping links with Egypt, as well as the efforts of the members of the port community to improve the dispatch of goods arriving. The Group has also recorded an increase in exports of Polish apples and energy drinks, and thus better terminal capacity utilisation.

CONTAINERS

For the container terminal, 2018 was yet another record year: the Group ended the financial year with a record transhipment of 988,000 TEU. A growth in traffic of just above 8% was recorded year-on-year. The share of empty containers in total throughput did not change considerably compared with 2017, which means that customers see the port of Koper as a safe and reliable link in their supply chain and in the supply of goods to final customers.

The year 2018 saw continued implementation of all the work necessary to begin the investment essential to the container terminal, i.e. the extension of Pier I and of storage areas inland of the Pier. Construction is planned to begin in 2019. This will give the container terminal the much needed capacity for further throughput growth. At the same time, investment into terminal and depot equipment continued at the container terminal in 2018.

To markets of Central and South Eastern Europe, the geostrategic position of the port of Koper is of exceptional importance, offering great potential for worldwide distribution (import/export) of goods. Rail operators have continued to establish railway connections to new centres of hinterland markets, which additionally increases the Port's catchment area in Central Europe. This provides the Port of Koper with further added value, enabling it to access new markets which used to be out of reach due to limited land links.

CARS

In 2018, the throughput amounted to 754,409 cars, which was an increase of 2% from 2017. 428,000 cars were loaded onto ships, and 326,000 were unloaded.

Increased throughput of cars is also due to a newly acquired deal for the Far East and the rechannelling of land logistic routes to/from Spain to shipping.

In addition to the container throughput, cars were also defined as a strategic cargo group. In the light of the facts mentioned, several investments in the car and RO-RO terminal are planned in the coming years.

LIQUID CARGOES

In 2018, the liquid cargo throughput decreased by 1% compared to 2017. The throughput in the liquid cargo group increased by 2% over the previous year, which was due to a higher turnover of fuel intended for the hinterland and Slovenian markets.

In the throughput of petroleum products, the Luka Koper Group recorded a 1% decrease compared with 2017.

DRY BULK AND BULK CARGOES

In 2018, the throughput of dry bulk and bulk cargoes grew by 1% in comparison with the year 2017.

Cargo throughput at the bulk cargo terminal decreased by 1% in 2018 compared to 2017, which was mostly due to extensive maintenance works and furnace remounting by a hinterland customer.

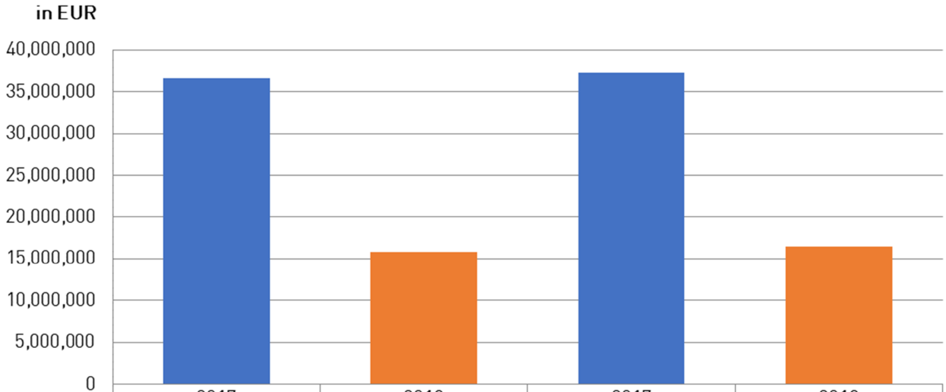
The throughput of dry bulk cargoes grew by 9% in 2018 over the previous year due to higher transhipment of soy and gritting salt. A record throughput of soy was recorded at the terminal in 2018. Almost 898,000 tons were unloaded and 14,000 tons loaded onto ships.

11 Investments in non-financial assets

In 2018, the Luka Koper Group allocated EUR 16.4 million to investments in property, plant and equipment, investment property and intangible assets, which is 56% less than in 2017. Luka Koper, d. d. allocated EUR 15.9 million to investments in 2018, which accounted for 96% of investments of the Luka Koper Group.

The sole reason for falling levels of investment was lengthy procedures for acquiring the required permits and unpredictable public procurement procedures. It was only in the middle of 2018 that the Company managed to break the deadlock on the Pier I extension project, which was due to the local community expressing concerns about increased noise. From the financial perspective, this is currently the largest ongoing infrastructure project. Another issue is public procurement, with complaints extending the time within which certain projects might be completed.

Investments in property, plant and equipment, investment property and intangible assets of Luka Koper, d. d. and the Luka Koper Group

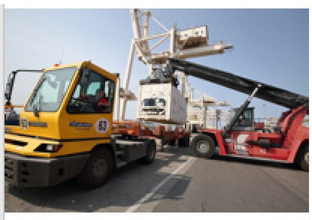


	2017 Luka Koper, d. d.	2018 Luka Koper, d. d.	2017 Luka Koper Group	2018 Luka Koper Group
Investments	36,661,385	15,867,036	37,342,062	16,442,606

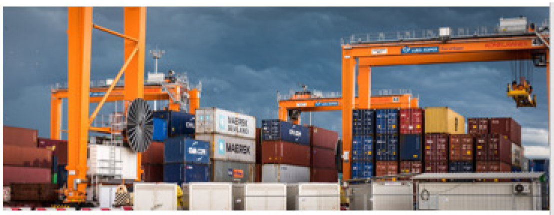
Major investments included:

- Five new electrified rubber tired gantry (RTG) cranes were ordered.
- Two Terberg terminal tugs were purchased for the needs of general cargoes.
- The existing diesel rubber tired gantry (RTG) cranes were reconstructed to achieve a decrease in noise emissions.

- The construction of the railway track No 61 was wound-up to increase the safety of railway transport and relieve congestion on transport routes.
- Premises were developed for the needs of car and RO-RO terminals.
- A 33t forklift was purchased for the needs of general cargoes.
- Two grabs for overhead cranes were purchased.
- Renovation of the administrative building for bulk cargo began.
- Replacement equipment for the fire-fighting system was purchased.
- Handling areas were arranged beside warehouses for the needs of general cargoes.
- A new entrance is being constructed by merging the internal and external truck terminals.
- A new mooring boat was ordered by the company Luka Koper INPO, d. o. o.

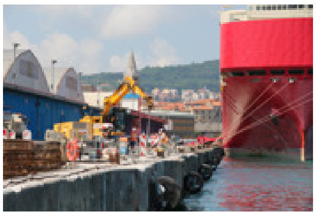

Yard trucks


Forklifts


Five e-RTG cranes ordered and the existing ones refitted to reduce noise emissions


ACAR information system for Car & Ro-RO terminal


Renovation of changing rooms, service premises, etc.


Rehabilitation of operative quays, storage areas, etc.

All investments foreseen for the year 2018 were studied from the economic aspect, the aspect of eligibility, energy savings, urgency and from the aspect of legal obligations or other impacts. The decisions on major investments were taken on the basis of the prepared investment studies and conducted analyses of their impact on return on equity.

In 2018, the Luka Koper Group allocated a portion of funds to current environmental and energy challenges, such as noise reduction, light pollution and reduction of other emissions.

12 Human Capital

With their knowledge, abilities, energy and focus on achieving business goals, employees are the key foundation for the success of the company.

The approach to HR management is based on the HR management strategy in the Luka Koper Group for the period 2016–2020, which supports the Business strategy of the Company and the Luka Koper Group for the period 2016–2020. Increase in productivity, efficiency and competitiveness of services have been highlighted as development priorities of the latter.

Number of employees by company and in the Luka Koper Group

	31 Dec 2016	31 Dec 2017	31 Dec 2018
Luka Koper, d. d.	886	926	1089
Luka Koper INPO, d. o. o.	155	153	122
Luka Koper Pristan, d. o. o.	4	4	4
Adria Terminali, d. o. o.	22	21	23
TOC, d. o. o.	4	4	4
Luka Koper Group*	1,071	1,108	1,242

* Logis-Nova, d. o. o. and Adria Investicije, d. o. o., subsidiaries of the Luka Koper Group, are not included in the table since they have no employees.

Recruitment procedures are run in a transparent and non-discriminatory manner. All employees have the possibility to evolve, and are integrated equally in all approaches to HR management.

Targeted implementation of functional training of employees is a strategic activity of the Company. In 2018, 90% of employees were involved in training programmes in Luka Koper, d. d. The average rate achieved was 20.8 hour of training per employee.

In 2018, Luka Koper, d. d., started a restructuring process to ensure a lawful and sustainable business model. The so-called three-tier model is based on the regular employment tier for areas where the labour demand is constant (tier I), agency workers (tier II as a transitional form) and provision of services, i.e. cooperation with external contractors (tier III).

The HR management system, educating and training of employees, ensuring safety of employment and social security of employees, cooperation with educational institutions and internal communication with employees are presented in more detail in section No 10 of the sustainability report, **Care for employees**.

13 Development activity

In 2018, Luka Koper, d. d. continued the activities relating to the development needs of the port, taking into consideration the trends of the line of business and long-term plans. An important activity that was initiated in end 2016 and implemented systematically for the second year in a row, included four strategic programmes that follow the strategic plan of the company from 2015:

- Increasing the throughput of containers,
- Increasing the throughput of cars,
- Increasing the flow capacity of the port,
- Increasing the rate of filling and emptying of containers, an area with opportunities for added-value logistics.

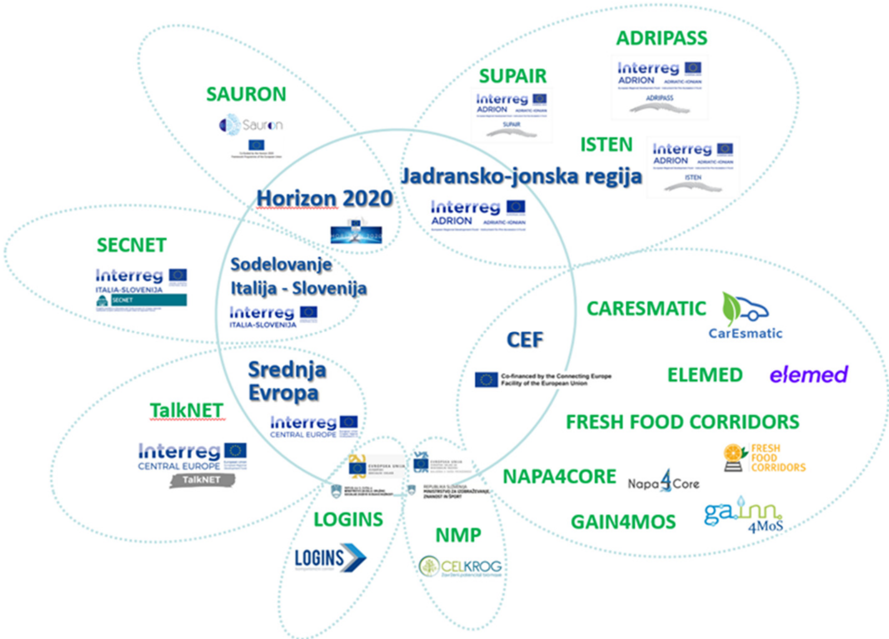
These strategic programmes comprise a comprehensive range of activities involving both market and infrastructure aspects as well as the acquisition, process and staff segments, and also including numerous development activities that help achieve the strategic aims of the Company.

Existing capacities of the port being used quite fully, the key development issue remains a more rapid implementation of priority infrastructure projects and the possibility of obtaining grants to this end. There are also challenges related to new technologies, disposal or processing of sediments to increase and maintain port depths, environmental, energy and security issues, personnel issues and information sections as well as new developments in marketing.

Activities related to emphasising the major importance of the timely construction of the second Koper – Divača railway track continued in 2018, as this project ensures opportunities for further growth of throughput and thereby for the development of the port and logistic activities at the national level and international trade among hinterland countries of Central and Eastern Europe. A repeat referendum on the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line was held in 2018, the Act entering into force on 21 July 2018. The transhipment fee resulting from the Act became payable on 1 March 2019. The second railway track is of strategic importance to the Port of Koper, as it will enable a considerable throughput increase and improve the competitive position of Koper as a logistics hub. According to the construction schedule, the second Koper – Divača railway track is currently predicted to be operational by the end of 2027.

13.1 European projects

With regard to European projects, the most intense activities in 2018 were implemented within projects of the CEF and Horizon 2020 programmes, and in territorial cooperation projects.



Luka Koper seeks to implement the CEF projects to ensure optimal absorption of the funds assigned for projects that address the development challenges and infrastructure needs of the port, also taking into consideration the implementation of the EU's TEN-T corridor policy:

- Activities continued on the following projects: NAPA4CORE, GAINN4MOS, CarEsmatic, Fresh Food Corridors and ELEMED, the latter two having ended in 2018 (Luka Koper being the coordinator of projects NAPA4CORE, Fresh Food Corridors and CarEsmatic).
- Luka Koper submitted an application to the call for tender in February 2018, proposing the project Star2MOS, which was not selected for co-financing although the application achieved very positive quality assessment.

Within the Horizon 2020 programme, Luka Koper seeks to introduce new technologies and development systems. Activities of the SAURON information security project were also implemented throughout 2018. Applications were submitted for the Cyfensed project – this application has already been rejected; for the 5G-ready project, which would make the Port of Koper a test area for the 5G network; and the InfraStress project that envisages a simulation of a physical and cyber-attack on the tanker berth infrastructure at Pier II.

Several projects continued in the field of territorial cooperation featuring issues of predominantly regional focus: the TalkNet project (Central Europe programme) and the SecNET (Slovenia - Italy programme) as well as ADRIPASS, ISTEN, SUPAIR (ADRION programme). Within the mentioned territorial cooperation projects, applications were submitted for 7 new projects: Navis, Clas, AIR-Ports and Eco-Tourist.NET (ADRION programme) as well as Comodalce, InterGreen-Nodes and REIF (Central Europe programme).

The projects of the European territorial cooperation programmes are relevant as they place the Port of Koper in the European institutional environment, especially from the aspect of interregional effects of the Port's operation, planning and development of national and pan-European transport infrastructure, logistic concepts, environmental protection, safety, security of the sea, sustainable energy supply, information upgrades, cultural heritage, etc.

In the context of smart specialisation projects, Luka Koper continued to implement the RDI project (exploiting the potential of biomass for the development of advanced materials and bio-based products), which the Port uses to examine the excavated sediments and the possibility of their further use.

In 2018, Luka Koper was still pursuing efforts to obtain a solution with regard to the possibility of co-financing of the Passenger terminal since the project documentation was at an advanced stage, which made it important to obtain a definitive answer for the Port to make a decision on project implementation. Although the company was looking for solutions in dialogue with the key stakeholders – the Ministry of Economic Development and Technology, the Ministry of Infrastructure, and the Municipality of Koper, it has still received no positive reply that would be consistent with the legal and formal as well as strategic restrictions of the Company and the port.

Within the scope of international institutional activities that are important for the long-term placement of the Port of Koper in the institutional developments of the European Union, the Company's representatives attended meetings of the ESPO European Sea Ports Organisation, the FEPORT Federation of European Private Port Companies and Terminals, and corridor forums (Baltic-Adriatic and Mediterranean) which were held by the European Commission. In mid-2018, Luka Koper became a founding member of the MEDPorts association that brings together Mediterranean ports. Meanwhile, activities in the NAPA association stagnated in 2018.

In 2018, the European Union was working on two documents that will affect the operation of Luka Koper in the coming years: a document on cleaning up the sea, which will require the ports to collect all waste from ships, and a document that in the future will regulate a single window for customs.

It should be emphasised that Luka Koper enjoys great visibility among European institutional stakeholders, however, it is of vital importance for further development of the port to be supported by the state and local communities, which, in turn, necessitates the understanding of the port operations also in the light of the port's strategic national position in international trade and logistics.

13.2 IT solutions

Having been implemented in the Port of Koper in recent years, digital transformation is on the priority list of the current strategy of information technology. Based on information technology and digitisation, Luka Koper has been striving to optimise its business processes and increase their efficiency.

In 2018, Luka Koper made over 200 different changes to its information systems, the overall aim being to optimise and digitise its processes.

The Port of Koper has enabled its customers and partners to order services electronically for more than 20 years, while also putting much effort in full digitisation of the area. To this end, in 2018 the Company performed activities in three major areas:

- EDI CENTER 2, which is to introduce EDIFACT messages for container shipowners, thus making a substantial contribution to methods and processes of communication and work in the port community,
- The truck announcement digitisation project, which will increase the efficiency of truck transport and provide the fundamental conditions to implement supervision and thereby increase safety,
- Renewal of the IT system on the car and RO-RO terminal, which led to the establishment of an integral information solution, optimisation of processes, introduction of a more comprehensive link to other systems in Luka Koper, and simplification of work processes based on new functionalities.

Alongside the above, many other system upgrades and new functionalities were also introduced.

In the infrastructure part, the information system infrastructure supporting operational processes at the container terminal was migrated to a virtual environment and a new database version. This improved system stability and safety. Renewal of the entire server infrastructure was also implemented, which resulted in the transition to the latest version of the virtualisation platform.

In the era of digital transactions, information security has become of major importance for the entire operation of the company rather than being restricted to information technology, which is why Luka Koper has been particularly sensitive in this regard. Regular inspections of the information and communications technology (ICT) are being implemented, users are educated and made aware of the correct and secure use of information resources, and awareness of the importance of information security is being raised. To ensure smooth operation of information systems, a high level of their availability and reliability is crucial, and Luka Koper has maintained it very high. In 2018, the reliability was 99.9%.

The development of information systems in Luka Koper will continue to focus on customers who will be enabled the highest possible rate of transaction digitisation and system integration based on connecting various links in the logistics chain, and on employees who will be offered the tools, applications and devices to be able to perform their tasks quickly and efficiently.

14 The LKPG Share

The share of Luka Koper, d. d. is listed on the Ljubljana Stock Exchange, the first listing. At the end of 2018, the value of the share marked LKPG was almost 14% lower than in 2017. On the last trading day of 2018, the price per LKPG share was EUR 26.00.

The ownership structure of Luka Koper, d. d. experienced no major changes in 2018. As at 31 December 2018, 9,649 shareholders were entered in the shareholder register, which was 344 fewer than in 2017. The Republic of Slovenia remains the major shareholder of the company.

Ten major shareholders as at 31 December

Shareholder	Number of shares as at 31 Dec 2017	Ownership stake 2017 (in %)	Number of shares as at 31 Dec 2018	Ownership stake 2018 (in %)
Republic of Slovenia	7,140,000	51.00%	7,140,000	51.00%
Slovenski državni holding, d. d.	1,557,857	11.13%	1,557,857	11.13%
Kapitalska družba, d. d.	696,579	4.98%	696,579	4.98%
Municipality of Koper	439,159	3.14%	439,159	3.14%
Citibank N.A. - fiduciary account	215,937	1.54%	345,804	2.47%
Hrvatska poštanska banka, d. d.	129,582	0.93%	130,582	0.93%
Zavarovalnica Triglav	113,568	0.81%	113,568	0.81%
Clearstream Banking SA - fiduciary account	2,850	0.02%	104,932	0.75%
Utilico Emerging Markets Limited	98,400	0.70%	98,400	0.70%
Zagrebačka banka, d. d. - fiduciary account	65,900	0.47%	80,332	0.57%
Total	10,459,832	74.71%	10,707,213	76.48%

Ownership structure of Luka Koper, d. d. as at 31 December

Shareholder	Number of shares as at 31 Dec 2017	Ownership stake 2017 (in %)	Number of shares as at 31 Dec 2018	Ownership stake 2018 (in %)
Republic of Slovenia	7,140,000	51.00%	7,140,000	51.00%
Natural persons	2,213,981	15.81%	2,199,284	15.71%
Slovenski državni holding, d. d.	1,557,857	11.13%	1,557,857	11.13%
Foreign legal entities	1,283,133	9.17%	1,254,169	8.96%
Kapitalska družba, d. d.	696,579	4.98%	696,579	4.98%
Other legal entities	480,468	3.43%	493,186	3.52%
Municipality of Koper	439,159	3.14%	439,159	3.14%
Mutual and pension funds	118,246	0.84%	147,470	1.05%
Brokerage houses	32,454	0.23%	33,173	0.24%
Banks	28,572	0.20%	31,032	0.22%
Foreign banks	9,551	0.07%	8,091	0.06%
Total	14,000,000	100.00%	14,000,000	100.00%

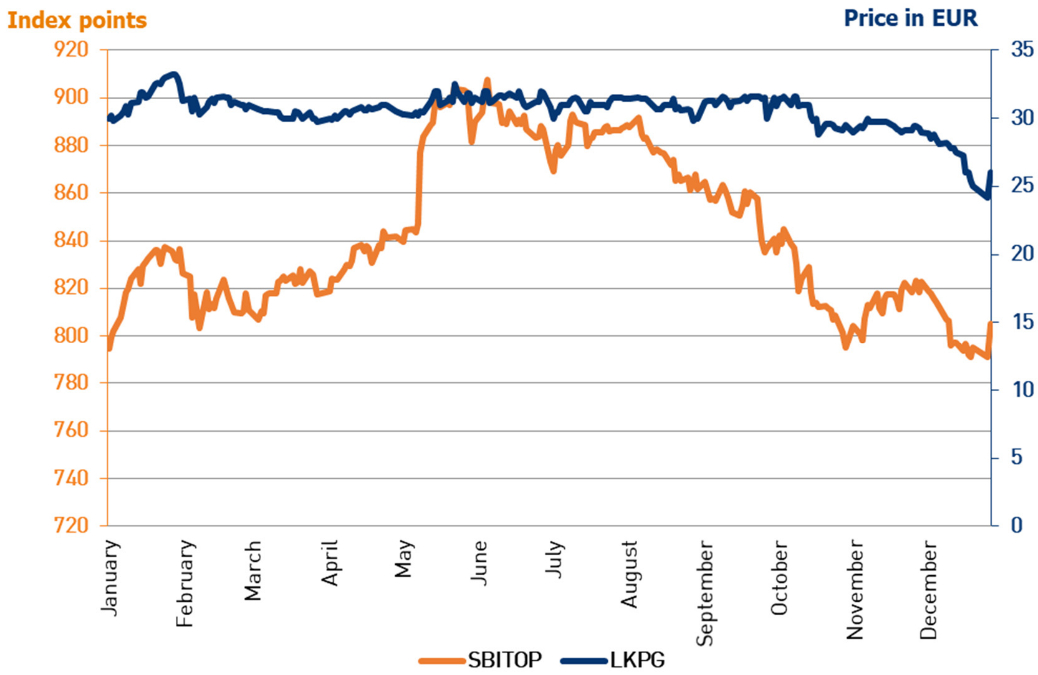
14.1 Share trading

The average daily price of the Luka Koper, d. d. share amounted to EUR 30.59 in 2018. During the year, its value fluctuated between EUR 24.20 and EUR 33.20. The highest market price of the share was EUR 35.00 and the lowest EUR 24.20. Market cap of Luka Koper, d. d., shares as at 31 December 2018 was EUR 364,000,000.

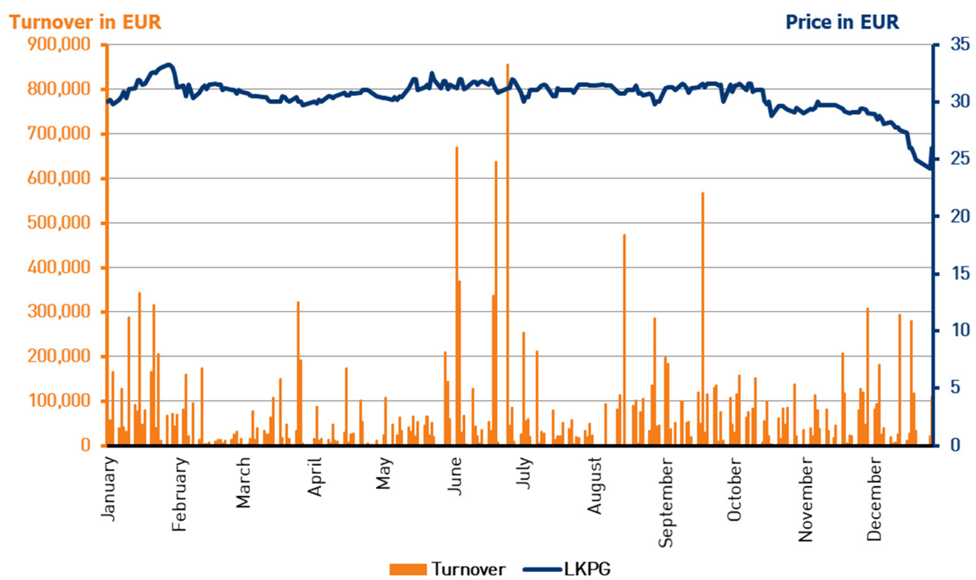
The shareholders witnessed a period of stability for the share of Luka Koper, d. d., which remained within the interval between EUR 30 and 32 for the major part of 2018. In the final two months, negative pressures exerted by global stock markets, particularly following one of the major falls in the history in December, the share ran out of steam only to fall to the value of EUR 26 at the end of the year.

In 2018, the total number of stock-exchange transactions and deals with lots for the LKPG share was 2,770. Total turnover in the period amounted to EUR 18,595,850; whereby 597,746 shares changed owners.

Changes in the SBI TOP index and the daily LKPG price in 2018



Changes in the daily LKPG share and daily turnover in 2018



Key data on the LKPG share

	2017	2018
Number of shares	14,000,000	14,000,000
Number of ordinary no-par value shares	14,000,000	14,000,000
Share price on the last trading day (in EUR)	30.40	26.00
Share's book value as at 31 Dec (in EUR)	22.90	25.90
Average market price / share's book price (P/B)	1.33	1.00
Average market price (in EUR)[23]	29.65	31.11
Average share's book price (in EUR)[24]	22.93	24.57
Average market price / average share's book price	1.29	1.27
Net earnings per share (EPS) (in EUR)	2.37	4.18
Market price / earnings per share (P/E)	12.84	6.21
Market cap as at 31 Dec (in EUR million)	425.6	364.0
Total share turnover (in EUR million)	26.3	18.6
Dividend per share (in EUR)	1.40	1.23

14.2 Dividend policy

The dividend policy of Luka Koper, d. d. is to reconcile the stakeholders' tendency towards dividend earnings and the tendency towards using the net profit for the period in order to finance investment projects. The Company proposes to continue the stability policy of paying dividends, proposing that in 2019 dividend be paid in the amount of EUR 1.33 per share, which is an increase of EUR 0.10 or 8% from the previous year; this at the same time enables the Company to ensure intense development of port infrastructure and equipment, and implement the port service provision strategy.

In light of the above, the Management Board gives a proposal for the appropriation of the accumulated profit that amounted to EUR 29,252,442.43 as at 31 December 2018 as follows:

- a portion in the amount of EUR 18,620,000.00 is to be used for dividend pay-out in the gross value of EUR 1.33 per ordinary share,
- the residual amount of accumulated profit in the amount of EUR 10,632,442.43 is to remain unappropriated.

[23] The average market price is calculated as a ratio of total turnover from ordinary (stock exchange) transactions to quantity of LKPG trading shares in ordinary (stock exchange) transactions.

[24] The average bookkeeping value of a share is calculated on the basis of average monthly balances of the ratio of equity to number of ordinary shares.

14.3 Cross-linkages with other companies

As at 31 December 2018, Luka Koper, d. d. did not hold an interest of at least 5% in any company which owns shares of Luka Koper, d. d. The shareholders holding at least 5% of the LKPG shares are the Republic of Slovenia (51.00%) and Slovenski državni holding, d. d. (11.13%).

14.4 Shares owned by Members of the Supervisory Board and the Management Board

	Shareholder	Ownership as at 31 Dec 2018
Supervisory Board	Uroš Ilić, President of the Supervisory Board	55
	Marko Grabljevec, Member of the Supervisory Board	10
	Rok Parovel, Member of the Supervisory Board	8

As at 31 December 2018, other Members of the Supervisory Board and the Management Board held no shares of the Company.

14.5 Own shares, authorised capital, conditional capital increase

As at 31 December 2018, Luka Koper, d. d., held no own shares. The applicable Company's articles of association do not provide for categories of authorised capital up to which the Management Board could increase the share capital. The Company also had no basis for conditional increase in the share capital.

14.6 Rules on restrictions on trading and presentation of trading in shares of the Company and related parties

According to the recommendations of the Ljubljana Stock Exchange, Luka Koper, d. d. adopted the Rules on Trading in Issuer's Shares, which is an additional guarantee to keep the interested public equally informed on all significant business events, and is an important element in strengthening the confidence of investors and the reputation of Luka Koper. The purpose of the Rules is to enable the persons subject to it trading in shares of the Company and to prevent any possible trading based on insider information. At the same time, the

Rules enable mandatory reporting on the sale and purchase of the Company's shares to the Securities Market Agency in accordance with the law.

14.7 Communications with investors

Luka Koper communicates with its investors regularly and keeps them informed on Company news through various communication tools and channels:

SEOnet

Pursuant to legislation, shareholders and the public are kept informed of operational results and all important business events in a timely manner via SEOnet, whilst information is also provided to shareholders and investors through other communication channels.

Website

A special chapter on our website headed "For Investors" is devoted to shareholders and investors; there, they can find up-to-date information regarding the LKPG share, ownership structure, current interim, annual and past operating reports, information published on SEOnet, material for General Meetings of Shareholders, and answers to most frequently asked questions regarding shares.

Port Bulletin

Each month, brokerage companies and analysts are sent a copy of the Port Bulletin, which also covers other issues related to operations of the company and general developments in the port.

Port Shareholder

Once a year, in the period prior to the General Meeting of Shareholders, Luka Koper issues the Port Shareholder, a publication focusing on business results of the previous year, which is sent to all the shareholders.

Information for investors is available at https://luka-kp.si/eng/lkpg-share.

Contact person:
Rok Štemberger
Investor Relations
Tel: 00 386 (0)5 66 56 140
E-mail: rok.stemberger@luka-kp.si

14.8 Calendar of relevant publications in 2019

Periodic publications and other price sensitive information will be published on the Ljubljana Stock Exchange website via the SEOnet electronic information system (www.ljse.si) and on the website of Luka Koper, d. d., https://luka-kp.si/eng/financial-calendar. Any changes to expected dates of individual releases will be duly communicated through our website.

15 Management system

In Luka Koper, a quality standards-based management system has proven itself in practice, both in terms of ongoing operational work and in framing the Company's long-term development. Systematic development of a comprehensive management system passed several development phases until its eventual renewal upon the introduction of new requirements related to ISO 9001:2015 and 14001:2015. Alongside the requirements for the management system and environmental protection system, which are the two most senior and most developed building blocks of the INTEGRATED MANAGEMENT SYSTEM, Luka Koper, d. d. has implemented and certified various systems.

Luka Koper operates in compliance with the requirements of the following standards and systems:

- Quality management system compliant with ISO 9001.
- Environmental management system compliant with ISO 14001 and EMAS.
- Safety and health at work management system compliant with BS OHSAS 18001.
- Food safety system compliant with ISO 22000, which also includes Haccp requirements.
- Non GMO – separate transhipment and storage of genetically unmodified soy.
- Seveso – Directive on preventing major accidents and mitigating their consequences.
- Transhipment and storage of organic and conventional products of plant origin – Organic (ECO) certificate.
- Biomass transhipment (Directive EC on the promotion of the use of energy from renewable sources) – ISCC EU certificate.
- Feed safety management system – GMP+B3 certificate.
- Safe railway transport management system.

For the purposes of realising the crucial concepts, the following activities have to be implemented systematically throughout the year:

- Implementation of internal audits – in line with the plan, 13 internal audits were implemented in 2018.
- Regular annual training for internal auditors.
- Preparation and implementation of an external review by an external certification body (18 - 19 April 2018).
- Implementation of the annual management review.
- Meeting of requirements of the Non-GMO, Organic (ECO) and ISCC EU certificates within the scope of management systems.
- Renewal of the certification for the safe railway transport management system.

- Implementation of a comprehensive analysis of the management system and its projects, and formation of a proposal for amendments, which will be implemented in the coming years.
- Management of the project Review and revision of the public procurement procedure and implementation of organisational changes.

Due to its requirement for ceaseless improvement, the management system is a constant promoter of change in the Company; in principle, quality standards are the standards of corporate governance.

ACCOUNTING REPORT

16 Separate Financial Statements of Luka Koper, d. d.

16.1 Separate Income Statement

(in EUR)	Note	2018	2017
Revenue	1	222,980,390	206,835,533
Other income	2	14,044,804	1,634,425
Costs of material	3	-16,604,101	-14,656,410
Costs of services	4	-57,894,550	-54,775,310
Employee benefits expense	5	-56,028,407	-48,047,075
Amortisation and depreciation expense	6	-28,545,408	-27,538,509
Other operating expenses	7	-9,208,224	-28,420,343
Operating profit		**68,744,504**	**35,032,311**
Finance income		3,262,017	2,973,923
Finance expenses		-1,206,727	-1,588,287
Profit or loss from financing activity	**8**	**2,055,290**	**1,385,636**
Profit before tax		**70,799,794**	**36,417,947**
Income tax expense	9	-12,143,446	-3,151,706
Deferred taxes	9	-67,353	-122,833
Net profit for the period		**58,588,995**	**33,143,408**
Net earnings per share	**10**	**4.18**	**2.37**

Notes to the financial statements are a constituent part thereof and must be read in conjunction therewith.

16.2 Separate Statement of Other Comprehensive Income

(in EUR)	Note	2018	2017
Profit for the period		**58,588,995**	**33,143,408**
Actuarial gains/losses from post-employment benefits	21	-176,202	-147,550
Deferred tax on actuarial gains or losses	17	13,994	11,035
Items not to be reclassified into profit/loss in future periods		-162,208	-136,515
Change in revaluation surplus of available-for-sale financial assets	16	937,901	3,160,721
Deferred tax on revaluation of available-for-sale financial assets	17	-177,774	-600,537
Change in fair value of cash flow hedging instruments		99,346	320,526
Deferred tax on the change in fair value of cash flow hedging instruments	17	-18,876	-60,900
Items that might be reclassified into profit/loss in future periods		840,597	2,819,810
Total comprehensive income for the period		**59,267,384**	**35,826,703**

16.3 Separate Statement of Financial Position

(in EUR)	Note	31 Dec 2018	*Restated 31 Dec 2017	*Restated 1 Jan 2017
ASSETS				
Property, plant and equipment	11	355,839,069	367,818,139	358,594,707
Investment property	12	24,616,101	26,467,395	29,918,504
Intangible assets	13	2,605,462	3,122,833	3,761,498
Shares and interests in Group companies	14	4,533,063	4,533,063	4,533,063
Shares and interests in associates	15	6,737,709	6,737,709	6,737,709
Other non-current investments	16	31,437,485	30,499,584	27,338,863
Deposits and loans given		13,876	22,592	31,005
Non-current operating receivables		41,108	41,772	41,772
Deferred tax assets	17	8,075,295	8,325,304	9,098,541
Non-current assets		**433,899,168**	**447,568,391**	**440,055,662**
Inventories	18	1,322,412	1,037,066	809,467
Deposits and loans given		8,716	8,413	68,123
Trade and other receivables	19	44,935,604	37,810,196	31,015,578
Assets from contracts with customers		0	210,861	0
Income tax assets		0	4,115,392	0
Cash and cash equivalents	20	73,376,307	28,202,589	983,305
Current assets		**119,643,039**	**71,384,517**	**32,876,473**
TOTAL ASSETS		**553,542,207**	**518,952,908**	**472,932,135**
EQUITY AND LIABILITIES				
Share capital		58,420,965	58,420,965	58,420,965
Capital surplus (share premium)		89,562,703	89,562,703	89,562,703
Revenue reserves		174,901,853	145,607,356	129,035,652
Reserves arising from valuation at fair value		10,507,002	9,799,716	7,085,026
Retained earnings		29,252,443	17,261,911	20,266,535
Equity	**21**	**362,644,966**	**320,652,651**	**304,370,881**
Provisions	22	19,460,792	20,217,568	4,265,164
Deferred income	23	23,651,341	18,166,217	12,389,787
Non-current loans and borrowings	24	93,431,499	116,682,274	113,900,739
Other non-current financial liabilities		0	0	419,873
Non-current operating liabilities	25	1,304,783	967,102	693,924
Non-current liabilities		**137,848,415**	**156,033,161**	**131,669,487**
Current borrowings	26	13,685,558	16,060,399	11,761,732
Other current financial liabilities		156,684	372,169	250,564
Income tax liabilities		9,254,382	0	1,960,528
Trade and other payables	27	29,952,202	25,834,528	22,918,943
Current liabilities		**53,048,826**	**42,267,096**	**36,891,767**
TOTAL EQUITY AND LIABILITIES		**553,542,207**	**518,952,908**	**472,932,135**

**Adjustments are outlined in point 18. 1. 32 under Changes in accounting policies and Correction of an error from previous years.*

16.4 Separate Statement of Cash Flows

(in EUR)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	**58,588,995**	**33,143,408**
Adjustments for:		
Amortisation and depreciation expense	28,545,408	27,538,509
Reversal and impairment losses on property, plant and equipment, and intangible assets	130,349	3,989,166
Gain on sale of property, plant and equipment, and investment property	-787,761	-154,605
Allowances for receivables	248,042	917,135
Collected written-off receivables and liabilities	-1,038,997	-110,159
Reversal of provisions	-1,775,337	-16,954
Finance income	-3,262,017	-2,973,923
Finance expenses	1,206,727	1,588,287
Income tax expense and income (expenses) from deferred taxes	12,210,799	3,274,539
Profit before change in net current operating assets and taxes	**94,066,208**	**67,195,403**
Change in operating receivables	-6,140,629	-7,790,926
Change in inventories	-285,346	-227,599
Change in assets (disposal groups) held for sale	1,502,198	0
Change in operating liabilities	164,856	-1,353,056
Change in provisions	928,378	15,955,870
Change in non-current deferred income	5,485,124	5,831,498
Cash generated in operating activities	**95,720,789**	**79,611,190**
Interest expenses	-1,436,943	-1,566,028
Tax expenses	1,226,328	-9,227,626
Net cash from operating activities	**95,510,174**	**68,817,536**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Interest received	223,534	121,840
Dividends received – subsidiaries	301,634	652,780
Dividends received – associates	1,280,634	993,808
Dividends received – other companies	1,456,215	1,203,250
Proceeds from sale of property, plant and equipment, and intangible assets	824,577	154,655
Proceeds from sale, less investments and loans given	8,413	288,123
Acquisition of property, plant and equipment, and intangible assets	-11,576,537	-32,119,566
Acquisition of investments, increase in loans given	0	-220,000
Net cash used in investing activities	**-7,481,530**	**-28,925,110**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current borrowings	0	18,700,000
Repayment of non-current borrowings	-9,565,217	0
Repayment of current borrowings	-16,060,399	-11,761,733
Dividends paid	-17,229,310	-19,611,409
Net cash used in financing activities	**-42,854,926**	**-12,673,142**
Net increase in cash and cash equivalents	**45,173,718**	**27,219,284**
Opening balance of cash and cash equivalents	28,202,589	983,305
Closing balance of cash and cash equivalents	**73,376,307**	**28,202,589**

16.5 Separate Statement of Changes in Equity

2018

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising from valuation at fair value: Investments	Financial Instruments	Actuarial gains and losses	Total equity
Balance at 31 December 2017 – restated*	**58,420,965**	**89,562,703**	**18,765,115**	**126,842,241**	**17,206,841**	**10,893,275**	**-80,471**	**-1,013,085**	**320,597,586**
Changes in equity – transactions with owners									
Dividends paid	0	0	0	0	-17,220,000	0	0	0	-17,220,000
	0	**0**	**0**	**0**	**-17,220,000**	**0**	**0**	**0**	**-17,220,000**
Total comprehensive income for the period									
Profit for the period	0	0	0	0	58,588,995	0	0	0	58,588,995
Change in revaluation surplus of financial assets, less tax	0	0	0	0	0	760,122	0	0	760,122
Change in fair value of cash flow hedging instruments, less tax	0	0	0	0	0	0	80,471	0	80,471
Actuarial gains/losses, less tax	0	0	0	0	0	0	0	-162,208	-162,208
	0	**0**	**0**	**0**	**58,588,995**	**760,122**	**80,471**	**-162,208**	**59,267,380**
Changes within equity									
Allocation of proportion of net profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	0	0	0	29,294,497	-29,294,497	0	0	0	0
Other changes in equity	0	0	0	0	-28,898	0	0	28,898	0
	0	**0**	**0**	**29,294,497**	**-29,323,395**	**0**	**0**	**28,898**	**0**
Balance at 31 December 2018	**58,420,965**	**89,562,703**	**18,765,115**	**156,136,738**	**29,252,443**	**11,653,397**	**0**	**-1,146,395**	**362,644,966**

**Adjustments are outlined in point 18. 1. 32 under Correction of an error from previous years.*

2017

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising from valuation at fair value: Investments	Reserves arising from valuation at fair value: Financial Instruments	Reserves arising from valuation at fair value: Actuarial gains and losses	Total equity
Balance at 31 Dec 2016 – previously reported	**58,420,965**	**89,562,703**	**18,765,115**	**110,270,537**	**20,321,603**	**8,333,091**	**-340,097**	**-907,968**	**304,425,949**
Retroactive restatements (error elimination)	0	0	0	0	-55.068	0	0	0	-55.068
Balance at 1 January 2018 – restated*	58,420,965	89,562,703	18,765,115	110,270,537	20,266,535	8,333,091	-340,097	-907,968	304,370,881
Changes in equity – transactions with owners									
Dividends paid	0	0	0	0	-19,600,000	0	0	0	-19,600,000
	0	**0**	**0**	**0**	**-19,600,000**	**0**	**0**	**0**	**-19,600,000**
Total comprehensive income for the period									
Profit for the period	0	0	0	0	33,143,408	0	0	0	33,143,408
Change in revaluation surplus of financial assets, less tax	0	0	0	0	0	2,560,183	0	0	2,560,183
Change in fair value of cash flow hedging instruments, less tax	0	0	0	0	0	0	259,626	0	259,626
Actuarial gains/losses, less tax	0	0	0	0	0	0	0	-136,515	-136,515
	0	**0**	**0**	**0**	**33,143,408**	**2,560,183**	**259,626**	**-136,515**	**35,826,702**
Changes within equity									
Allocation of proportion of net profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	0	0	0	16,571,704	-16,571,704	0	0	0	0
Other changes in equity	0	0	0	0	-31,396	0	0	31,396	0
	0	**0**	**0**	**16,571,704**	**-16,603,100**	**0**	**0**	**31,396**	**0**
Balance at 31 December 2017 – restated*	**58,420,965**	**89,562,703**	**18,765,115**	**126,842,241**	**17,206,841**	**10,893,274**	**-80,471**	**-1,013,087**	**320,597,584**

**Adjustments are outlined in point 18. 1. 32 under Correction of an error from previous years.*

17 Notes to Financial Statements

17.1 Bases for the presentation of financial statements

Reporting entity

Luka Koper, d. d., pristaniški in logistični sistem (hereinafter referred to also as: Company), with its registered office at Vojkovo nabrežje 38 in Koper, Slovenia, is the controlling company of the Luka Koper Group.

The port's core business is transhipping and warehousing of all types of goods, which the Company supplements with diverse goods-related and other services, to secure an overall logistics support. Given the Concession Agreement, Luka Koper, d. d. maintains the port infrastructure and provides for the port's development.

Financial statements of the controlling period have been compiled for the financial year ended 31 December 2018.

Statement of compliance

The financial statements of Luka Koper, d. d. have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union, and in accordance with provisions of the Slovenian Companies Act.

The Management Board of Luka Koper, d. d. approved these financial statements on 15 March 2019.

Bases for measurement

Financial statements have been prepared on a going concern basis. The statements have been prepared on the historical cost basis, except for derivatives and investments that were measured at fair value. Methods applied for fair value measurement are clarified within the note 'Fair value'.

Functional and presentation currency

The financial statements are presented in EUR (exclusive of cents), which is the Company's functional currency.

Use of estimates and judgements

Preparation of financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are formed based on past experience and expectations in the accounting period. Formation of estimates and the related assumptions and uncertainties are disclosed in the notes to individual items.

Estimates, judgements and assumptions are reviewed on a regular basis. Actual results may differ from these estimates, hence estimates and underlying assumptions are reviewed and relevant adjustments formed on an ongoing basis. Changes in accounting estimates are recognised in the period for which the estimates are modified, or in the coming periods that are impacted by respective changes.

Estimates and judgements are used primarily with the following accounting items:

Assessing the impairment of property, plant and equipment (Note 11 and 12 and policy 17.1.2)

Existence of possible indication of impairment for property, plant and equipment is assessed based on IAS 36. As at each reporting date, the Company assesses whether there is any indication (significant technological changes, market changes, obsolescence or physical wear and tear of individual property, plant and equipment) of possible impairment. If such indication exists, the Company is required to evaluate the recoverable value of the asset. Any asset is subject to impairment if its carrying amount exceeds its recoverable value. The recoverable value is the higher of the following two items: its fair value less selling expenses or its value in use.

Assessing the formation of provisions for legal disputes (Note 22 and 30 and policy 17.1.14)

A provision is recognised if the Company has legal or indirect obligations arising from a past event that can be reliably assessed, and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Potential obligations are not recognised in the financial statements, as their exact amount could not be established or their actual existence will be confirmed only upon the occurrence or non-occurrence of events in the unforeseeable future, which the Company cannot influence.

The Company's Management regularly checks whether the settlement of a potential obligation will likely require an outflow of resources embodying economic benefits. If it becomes probable that an outflow of future economic benefits will be required, provisions for legal disputes are formed for the possible liability in the financial statements.

Assessing the adequacy of useful lives of assets (Note 11 and 13 and policies 17.1.2 and 17.1.4)

While assessing the useful lives of assets, the expected physical wear and economic and technical ageing is taken into account. In this relation, the Company regularly verifies the useful lives with significant assets and, in case of changed circumstances, the Company changes the useful life and consequently revalues the cost of depreciation.

Assessing the adequacy of revenue recognition in contracts with customers (Note 1 and policy 17.1.24)

The Company discloses its revenue in accordance with IFRS 15. The core principle of the framework is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Company's core business is transhipment and warehousing of all types of goods, goods-related services, and other related services. Net income is recognised when it can be reasonably expected that it will result in cash receipts, unless such receipts were already realised when revenue was generated, and their amount can be reliably measured.

The Management assesses the method of recognising revenue applied by the Company as fully appropriate and in line with standards.

Assessing the Impairment of financial instruments and non-financial assets

Information on significant estimates about uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, was applied in the assessment of:

- Value of property, plant and equipment (Note 11),
- Value of investment property (Note 12),
- Valuation of investments in subsidiaries, associates and other companies (Notes 14 , 15 and 16), and
- Recognition of deferred tax assets (Note 17).

Assessing the possibility of using receivables for deferred taxes (Note 17 and policy 17.1.22)

Based on the estimate that sufficient profit will be available in the future, the Company created deferred tax assets provided under following:

- Provisions for jubilee premiums and retirement benefits,
- Impairment of investments,
- Differences arising on revaluation of available for sale investments,
- Impairment of receivables.

Deferred tax assets recognised under the formation of provisions for jubilee premiums and retirement benefits are reduced by relevant amounts of provisions utilised or increased by amounts of newly formed provisions.

Given that the impairment losses on investments and receivables are not recognised as tax expenditure upon formation, the Company formed deferred tax assets in the relevant amounts. Deferred tax assets will be capitalised upon the sale or disposal of the investment or financial instrument and upon the final write-off of receivables.

The tax rate applied for calculating deductible temporary differences is 19 percent, which is also the general tax rate for corporate income tax as of 1 July 2017.

Deferred tax liabilities are recognised for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss) to a higher value, whereas on revaluation of available-for-sale financial assets to a lower value, deferred tax assets are recognised.

At the reporting date, the amount of deferred tax assets or liabilities is reassessed. If there is no sufficient amount of available taxable profits, the amount of deferred tax assets is reduced accordingly.

Assessment of provisions formed for retirement benefits and jubilee premiums (Note 22 and policy 17.1.14)

Obligations for defined post-employment and other benefits record the present value of retirement benefits and jubilee premiums. They are recognised on the basis of an actuarial calculation. The actuarial calculation is based on assumptions and assessments valid during the calculation, which may differ in the future from the actual assumptions in force at the time as a result of changes. This pertains particularly to the determination of the discount rate, the assessment of the fluctuation of employees, the assessment of the death rate and the assessment of salary growth. Due to the complexity of the actuarial calculation and the long-term nature of the item, obligations for defined benefits are sensitive to changes in the mentioned assessments.

18 Summary of significant accounting policies and disclosures

18.1 Accounting policies used

The accounting policies detailed below were consistently applied in all the periods presented in the financial statements.

18.1.1 Foreign currency transactions

Transactions in foreign currency are translated into euro at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities expressed in foreign currency as at the date of the statement of financial position are translated at the reference exchange rate of the ECB at the final day of the accounting year. All differences resulting from foreign currency translation are recognised in the income statement.

18.1.2 Property, plant and equipment

Items of property, plant and equipment are carried at cost. Under the cost model, an item of property, plant and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses. The manner and methods used in the valuation of assets due to impairment are described in the section 'Impairment of property, plant and equipment'. The cost of an item of property, plant and equipment is equal to the monetary price on the date of the asset's recognition.

In addition to property, plant and equipment being acquired, the item of assets being acquired also includes advances for acquiring property, plant and equipment.

Parts of property, plant and equipment with different useful lives are treated as individual assets that are depreciated during the estimated useful life.

Land is accounted for separately and is not subject to depreciation.

Borrowing costs

Pursuant to IAS 23, the purchase cost of property, plant and equipment can also include borrowing costs if they can be directly associated to the purchase, construction or production of an asset in the course of construction. If the Company or Group agrees on a general borrowing which cannot be directly associated with the purchase of an asset in the course of construction, it will capitalise a proportionate share of costs calculated using the weighted annual interest rate, but solely for major investments (value and construction period exceeding EUR 1 million and 12 months, respectively). Investments with durations of several years that witnessed no inputs in the reporting period (halted investments) are excluded from the method of capitalising interest.

Borrowing costs are capitalised until the asset is in the course of construction. When the asset is transferred to use, borrowing costs are no longer capitalised. The amount of borrowing costs capitalised in the period must not exceed the borrowing costs which arise in the same period.

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost under the recognition principle. The replaced component is no longer subject to recognition. Other subsequent expenditure is capitalised only when it could potentially increase the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is expensed when incurred.

Depreciation

In each period, depreciation charge is recognised in the income statement. An asset is subject to depreciation when it is made available for use. The items of property, plant and equipment are depreciated under the straight-line method of depreciation, considering the assessed economic life of an individual asset. The depreciation method used is reassessed at the end of each financial year. As a rule, the residual value of an asset is considered only for significant items of property, plant and equipment as is their cost of disposal. Land, assets being acquired, non-current assets classified to disposal groups (held for sale) and works of art are not depreciated. Useful lives applied with property, plant and equipment are as follows:

Assets	2018	2017
Buildings	16.67–66.67 years	16.67–66.67 years
Transport and transhipment equipment	5–17.86 years	5–17.86 years
– locomotives	6.67–10 years	6.67–10 years
– forklifts, shippers	8 years	8 years
Computer hardware	4–5 years	4–5 years
Other equipment	4–10 years	4–10 years

Derecognition

The carrying amount of an individual item of property, plant and equipment is derecognised upon its disposal or when no future economic benefits are expected from the asset's use or disposal. Any profit or losses resulting from disposal of individual item of property, plant and equipment is determined as the differences between the revenue from disposal and the carrying amount and are included in profit or loss.

18.1.3 Investment property

Investment properties are held to bring rent and/or increase the value of the non-current investment. Investment property is measured under the cost model. Depreciation is accounted for under the straight line depreciation method based on the estimated useful life of each asset or its components. Land is not depreciated. Facilities under lease are divided into individual parts according to their estimated useful lives. The following depreciation rates are used for investment property:

Investment property	2018	2017
Buildings	16.67–66.67 years	16.67–66.67 years

18.1.4 Intangible assets

Initially, intangible assets are recognised at cost. After initial recognition, they are recognised at their cost reduced by accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation begins when an asset is ready for its use, i.e. when the asset is on the location and in the condition necessary for it to operate as intended.

The carrying amount of an item of intangible assets with final useful life is reduced using the straight-line amortisation method over the period of its useful life. All intangible assets have finite useful lives.

The amortisation period and amortisation method for an intangible asset with finite useful life is reviewed at least at each financial year-end. If the asset's expected useful life differs significantly from previous estimates, the amortisation period is adjusted accordingly.

The useful life of an item of intangible assets that arises from contractual or other legal rights does not exceed the period of these contractual rights or legal rights, however, it may be shorter, depending on the period during which the asset is expected to be used. The assessed useful life of other items of intangible assets is 10 years (the applied useful lives are presented in the table below).

Intangible assets	2018	2017
Non-current property rights	5–10 years	5–10 years

18.1.5 Investments in related entities

Investments in subsidiaries, associates and other companies are measured at cost. On each date of the statement of financial position, the Company assesses whether there is any indication of impairment. Any impairment loss on investment is recognised in the income statement.

18.1.6 Financial instruments

Financial instruments are classified into the following categories:

1. Financial instruments measured at amortised cost,
2. Financial instruments measured at fair value through comprehensive income,
3. Financial instruments measured at fair value through profit or loss.

Classification depends on the chosen asset management model.

Financial assets measured at fair value include investments in equity securities and investments in other shares and securities. On initial recognition, they are measured at fair value increased by the cost of the transaction relating to the acquisition of an individual financial asset.

Investments in equity securities are classified as assets measured at fair value through comprehensive income, which is why the Company recognises any changes in other comprehensive income under equity. Upon derecognition, gains or losses are recognise through retained earnings. Additions and disposals are recognised as at the trading date.

Investments in other shares and securities, with regard to which there is no active market, are classified as assets measured at fair value through profit or loss.

18.1.7 Loans and receivables

Loans and receivables are recognised as at the settlement date and measured at amortised cost using the effective interest rate method.

18.1.8 Trade receivables

Non-current and current receivables are carried separately in books of account. Interest arising on stated receivables is recorded among off-balance sheet items. Upon recognition, non-current and current trade receivables are disclosed at contractually agreed amounts or as recorded in the relevant accounting documents. Receivables where recovery procedures have been initiated or where debtors are in one of the insolvency procedures are transferred by the Company to bad and doubtful receivables. Other operating receivables include short-term deferred costs or expenses and accrued income.

Allowances for trade receivables

The Company forms revaluation allowances for all past due trade receivables and past due interest receivables based on age structure and individual assessment. Allowances for receivables due from companies in bankruptcy or liquidation procedure are formed immediately once such proceeding begins, in the total amount (100 percent). In accordance with the IFRS 9 which introduces new requirements for the measurement of financial assets and recognition of their impairment, the Company has formed an impairment model for trade receivables based not only on realised credit losses as was the case with IAS 39, but also based on expected credit losses. The Company also forms allowances for receivables resulting from non-maturity receivables on the basis of risk assessment. Assessment of risk is composed of the customer's credit rating which is formed by the Company based on own criteria, and also results from the customer's country of origin.

Impairment losses are charged to revaluation operating expenses associated with receivables.

18.1.9 Borrowings

On initial recognition, borrowings are carried at fair value and thereupon at amortised cost using the effective interest rate method. In terms of maturity, borrowings are classified into non-current or current financial liabilities. On the last day of the year, all financial liabilities maturing next year are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants, whereby one borrowing is collateralised with assignment of receivables.

18.1.10 Cash

Cash comprises cash in hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months.

18.1.11 Inventories

Inventories are measured at cost or net market value, whichever is lower. An item of the materials inventory is measured at cost, which comprises the purchase price, import duties and other non-refundable purchase taxes, and direct costs of purchase. Non-refundable purchase taxes also include non-refundable VAT. The purchase price is reduced by trade discounts. The weighted average price method is used for reducing the materials inventory. Small tools put in use are immediately transferred among costs. Inventories are not subject to revaluation due to increases.

18.1.12 Equity

Share capital

The share capital of Luka Koper, d. d. in the amount of EUR 58,420,965 consists of 14,000,000 ordinary no-par value shares that are freely transferable. The nominal value of a share is EUR 4.17.

Capital surplus (share premium) and revenue reserves

The Company records legal reserves in the amount of at least 10% of share capital as required by the Companies Act (ZGD-1). Legal reserves and share premium are not included in the accumulated profit and are not subject to distribution. The Company has no statutory reserves, as they are not envisaged under its articles of association.

Reserves arising from valuation at fair value

Reserves arising on valuation at fair value comprise reserves arising from valuation of investments measured at fair value and with respect to unrealised actuarial gains and losses.

Retained earnings

Retained earnings consist of all accumulated undistributed net profits of previous years and the unappropriated portion of the net profit for the period.

Dividends

Dividends are recognised in the Company’s financial statements once the decision on the distribution of dividends is adopted by the general meeting.

Authorised capital

As at 31 December 2018, the Group had no authorised capital.

18.1.13 Provisions

Provisions for legal disputes and damages

The Company forms provisions for disputes and damages related to alleged business offences. Provisions are formed and their amount determined in consideration of the following criteria:

- Whether a present obligation (legal or constructive) exists as a result of past events,
- Probability that an outflow of resources will be required to settle an obligation (legal dispute) – the provision is recognised if the probability is high,
- A reliable estimate can be made of the amount of the obligation.

Provisions for retirement benefits and jubilee premiums

In accordance with statutory requirements and the collective agreement, the Company is obligated to pay jubilee premiums and termination benefits on retirement. These payments are measured using the method of accounting that requires that an actuarial liability is assessed on the basis of expected salary growth from the valuation date until the employee's anticipated retirement. This means that benefits are accrued in proportion to the work performed. The assessed liability is recognised as the present value of expected future expenditure. Anticipated salary growth and employee turnover are also considered as part of measurement.

Actuarial gains or losses for termination benefits in the current year are recognised in other comprehensive income under equity based on an actuarial calculation, whereas current and previous employee benefits and interest expenditure are recognised in profit or loss. Current employee benefit costs and interest expenditure as well as actuarial gains or losses are recognised in profit or loss for jubilee premiums.

The calculation of provisions for retirement benefits and jubilee premiums is based on the actuarial calculation as at 31 December 2018, using data as at 31 December 2018 which took into account the following assumptions:

- Currently applicable amount of termination benefits and jubilee premiums.
- Mortality rate that is based on mortality tables from 2007 applicable to Slovenia and presented separately for men and women, decreased by 10% (active population). As at 31 December 2018, this means an overall 0.3% death rate for employees in the next financial year (considering the number of employees).
- Staff fluctuation, declining on a straight-line basis from 2.0% at 15 years to 0.5% at 55 years, thereupon remaining constant at 0.0%. In total, this indicates an annual fluctuation of 0.9% for next year as at 31 December 2018.
- Foreseen retirement of individual employees has been taken into account based on data on employee gender, date of birth and length of service as at 31 December 2018

pursuant to Article 27 and 3rd indent of Article 28 (1) of Pension and Disability Insurance Act (ZPIZ-2).

- For the 2019 and 2020 calculations, we used average salary increase rates for the Republic of Slovenia as outlined in the Autumn Forecast of Economic Trends 2018 (Institute of Macroeconomic Analysis and Development). Average salaries in Slovenia are expected to increase as of 2021 by an annual 2% due to inflation and by 1% due to real growth. It is assumed that the amounts as set in the Decree on the Levels of Reimbursed Work-related Expenses and of Certain Income not to be Included in the Tax Base (Official Gazette of RS No 140/06 and 76/08) will not increase by 2020, whereby an increase of these amounts is expected subsequently in line with inflation.
- Increase in basic gross salaries and variable components is taken into account in the amount of the annual inflation, increased by 0.2% from 2021 onwards; basic gross salary growth due to promotions is taken into account at 0.5% p.a., the bonus for total years of service is taken into account at 0.5% of the basic salary for each full year of service. In case of four individual contracts, the bonus for total years in service does not apply. Accordingly, the nominal monthly salary growth rate – in view of inflation and actual growth – would be 2.1% next year, 2.3% in 2020 and 2.2% from 2021 onwards.
- The discount rate for the calculation as at 31 December 2018 is stipulated at 1.5% on the basis of the yield of Slovenian government bonds as at 2 December 2018, and by interpolation with respect to the average weighted duration of the Company's commitments (13.8 years).

18.1.14 Non-current deferred income

Non-current deferred income is formed in the Company for the purpose of maintenance of port infrastructure. Non-current deferred income for maintenance is formed if revenue from port duties exceeds the costs of the public utility service of regularly maintaining the port infrastructure intended for public transport.

18.1.15 Government grants

All kinds of government grants are initially recognised in the statement of financial position as deferred income when there is assurance that the Company will receive such grants and meet the related terms. Government grants to cover costs are consistently recognised in profit or loss in the periods when the relevant costs that these revenues are supposed to cover are incurred.

18.1.16 Concession-related activity

In compliance with the Maritime Code, Luka Koper, d. d. (hereinafter: Company) and the Government of the Republic of Slovenia arranged matters in the Port of Koper in September 2008 by entering into a Concession Agreement in the framework of the Decree on the Administration of the Freight Port of Koper, Port Operations, and on Granting the

Concession for the Administration, Management, Development and Regular Maintenance of its Infrastructure, and defined the concession relationship for the period of 35 years from the date of concluding the Agreement.

Pursuant to provisions of the Concession Agreement, the concession operator is required to keep its books of account in a way that provides for separate financial monitoring of the activity, which is carried out on the basis of exclusive rights granted.

In its books of account, the Company keeps separate records of income from port duties in an individual year and costs of performing concessions activities.

Any income surplus generated through port duties over maintenance costs relating to port infrastructure, is kept by the concession provider as short-term deferred income for costs of maintaining the port infrastructure in the coming years as required by Article 9.3. of the Concession Agreement. Financial monitoring of the public service is based on policies and principles of cost accounting and criteria of separate bookkeeping. In 2018, the Company updated the criteria since a maintenance unit from a subsidiary was merged into it on 1 October 2018. The change of criteria was adopted by the supervisory body of Luka Koper, d. d., in December 2018.

In accordance with the Concession Agreement concluded with the Republic of Slovenia and the criteria approved by the latter, Luka Koper, d. d. forms non-current deferred income for ordinary maintenance of port infrastructure in the amount equal to the surplus of income from port dues over the related costs of the public service. In the event of costs exceeding revenues from port dues, non-current deferred income is derecognised in the amount of the surplus.

The Company, as the concession operator, obtained from the Republic of Slovenia, as the concession provider, the exclusive right for performing port activities of cargo handling and maritime passenger transport in the port area, and the related exclusive right for port administration and management, and for the administration and development of port infrastructure not intended for public transport, and pursuant to Article 44 of the Maritime Code also the exclusive right to perform public utility service of regular maintenance of the port infrastructure that is intended for public transport.

Furthermore, the Company, pursuant to Article 7.9.6. of the Concession Agreement, keeps records on investments made in port infrastructure in each financial year. The Company is required to indicate investments in each individual year in a special appendix to the annual report, which is to be examined and approved by a certified auditor.

In accordance with Article 10.1. of the Concession Agreement, the Company pays a concession tax, which amounts to 3.5% of the annual revenue generated less port taxes collected in the relevant year. The basis for levying the concession tax is the Company's audited income statement. The annual concession tax amount is paid in monthly instalments of advance payments calculated not later than by 30 July on the basis of audited data for the previous calendar year. Port dues account for 4% of the parent company's operating income and are in terms of their content a constituent part thereof. The amount of port dues is defined by Luka Koper, d. d. in agreement with the government. The remaining 96% of operating income is generated through rendering of services in connection with transhipment and warehousing, whose fees and prices are formed on the basis of market regularities. The development and overhaul of the port infrastructure is carried out by the Company in its own capacity and account. Upon the concession's expiry, the concession operator is entitled to the refund of unamortised part of investments. Given the above-mentioned provisions of the Concession Agreement, the Company shall not apply IFRIC 12.

18.1.17 Public utility service of collecting waste from vessels in the Koper port area

The public utility service of collecting waste from vessels in the Koper port area is being performed in line with the Decree on the method, subject and conditions for the provision of national public utility service of collecting waste from vessels (Official Gazette of RS, No. 59/2005), and the Decree on port reception facilities for ship-generated waste and cargo residues (Official Gazette of RS, No. 78/2008). These services comprise regular reception of ship-generated waste and cargo residues, installation of port facilities for reception of ship-generated waste and cargo residues in accordance with regulations governing port reception facilities, receipt of messages about intended delivery of ship-generated waste and cargo residues, separate collection, sorting and storage of accepted waste and cargo residues by using port reception facilities, delivery for processing with a view of re-use, recycling or disposal of processing residues in accordance with environmental protection regulations governing waste management, and informing the public and users about the manner of delivering waste and cargo residues. For purposes of reporting within the public utility service of collecting waste from vessels, the Company, based on provisions of the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act has taken into account the principles of cost accounting and criteria of separate bookkeeping. In 2018, the Company devised the criteria which were adopted by the supervisory body of Luka Koper, d. d. in December 2018.

Until 31 December 2016, the Company was performing the public utility service of collecting waste from vessels through its subsidiary Luka Koper INPO, d. o. o., which acted as its performance assistant. The two companies had an agreement of cooperation between them. Luka Koper INPO, d. o. o., is fully controlled by Luka Koper, d. d., and the companies are considered to form a single economic unit based on the settled case law of the European Court of Justice. As at 1 January 2017, the companies signed an annex to the agreement stipulating, among others, that as at 1 January 2017, Luka Koper INPO, d. o. o., as the performance assistant shall perform the public utility service of collecting waste from vessels in the Koper port area in the name and for the account of Luka Koper, d. d.

18.1.18 Financial liabilities

On initial recognition, borrowings are carried at the amount of the principal withdrawn. All interest is recorded in the profit or loss based on the effective rate method since all the associated costs are recorded in profit or loss, distributed evenly throughout the period of loan repayment.

18.1.19 Operating liabilities

Non-current operating liabilities include collaterals received for rented business premises and for the operation of the tax warehouse. Trade liabilities and payables to the state and employees are shown separately under current operating liabilities. Other operating liabilities include short-term deferred income and short-term accrued costs or expenses.

18.1.20 Income tax

Income tax is accounted for in compliance with provisions of the Corporate Income Tax Act. The basis for the income tax calculation is the gross profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such basis is used for accounting the corporate income tax liability. As for 2018, income tax liability was calculated at the rate of 19 percent.

18.1.21 Deferred taxes

In order to disclose an appropriate profit and loss for the reporting period, the Company also accounted for deferred taxes. These are disclosed as deferred tax assets and deferred tax liabilities. In accounting for deferred taxes, the balance sheet liability method was applied. The carrying amount of assets and liabilities was compared with their tax value, and the difference between both was defined as either permanent or temporary. Temporary differences were subdivided into taxable and deductible differences. Taxable temporary differences increased the Company's taxable amounts and deferred tax liabilities. Deductible temporary differences decreased the Company's taxable amounts and increased deferred tax assets.

Deferred tax assets are offset against deferred tax liabilities if a legally enforceable right exists to offset current tax assets against current corporate income tax liabilities and the deferred taxes involve the same taxable legal entity and the same tax authority.

18.1.22 Earnings per share

The basic and diluted earnings per share were calculated by dividing the net profit for the period with the number of ordinary shares in issue.

18.1.23 Revenue

Operating income

Revenue from contracts with customers

The Company's core business is transhipment and warehousing of all types of goods, goods-related services, and other related services. Apart from raw oil and gas, the Company tranships and renders services for all groups of goods, including passengers. The respective services are all carried out in Slovenia, for both local as well as foreign customers. Foreign customers come from markets of Continental Europe, which are considered the most significant customers of Luka Koper, d. d., as well as from Asia and America. The Company's customers include the world's largest shipping companies, major international corporations, end-users of our services, and other major and smaller domestic and foreign companies that deem the Port of Koper as the provider of the fastest and highest quality logistics service.

The Company discloses its revenue in accordance with IFRS 15. It has recorded all active contracts concluded with foreign entities and judged them using the five steps required by the standard. An analysis of contracts with customers has shown that they all meet the criteria of the new standard for revenue recognition; performance obligations are defined adequately in contracts, allowing their classification and measurement, and determining when they might be satisfied. The majority of revenue results from contracts defined as simple supply of services. Since the contracts include no separately identifiable obligations, the Company deems its valid accounting policy for recognition of revenue to be in line with the new requirements of IFRS 15.

The Company has adopted the position of having only one performance obligation, which is port services.

The prices in the Company are set at fixed or variable rates. Variable rates occur when the Company offers a volume discount. Volume discounts are achieved based on agreed transhipment volumes.

Revenue from contracts with customers is recognised using the stage of completion method as at the date of the statement of financial position. Under the method, income is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in connection with domestic and foreign customers.

Rental income

Rental income primarily comprises income from investment property i.e. income generated from facilities and land that are leased out under operating lease Rental income is recognised within operating income.

Other income

Other operating income comprises revaluation operating income from the sale of property, plant and equipment, subsidies, donations, insurance proceeds and other income. Government grants and other subsidies primarily refer to funds received for development activities within the European development projects that aim to increase the port's competitiveness, energy efficiency, environmental safety, and ensure efficient port processes. Subsidies received to cover the costs incurred are recognised strictly as income in the periods when the relevant costs that this income is supposed to cover are incurred. Other income is recognised when it can be justifiably expected that cash receipts will flow from them.

18.1.24 Finance income and finance expenses

Finance income comprises interest income from loans, default interest on late payment of services and receivables, dividend income, income from disposal of available-for-sale financial assets, and foreign exchange gains. Interest income is recognised when accrued using the effective interest method. Dividend income is recognised in profit or loss when a shareholder's right to payment is established.

Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through profit or loss. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

18.1.25 Costs as expenses

Costs are recognised as expenses in the accounting period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed by types. Expenses are recognised if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities, and those decreases can be measured reliably.

18.1.26 Impairment of assets

Impairment of non-financial assets

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed in accordance with IAS 36. When the asset's recoverable amount cannot be assessed, the Company determines the recoverable amount of cash generating unit to which the asset belongs. Impairment loss is recognised in the income statement. Impairment losses should be reversed if the estimates used to determine the asset's recoverable amount have changed. Impairment loss is reversed up to the amount to which the increased carrying amount of an asset does not exceed the carrying amount that would be established after deducting depreciation if impairment loss on the asset was not recognised in previous years. The reversal of the impairment loss is recognised as revenue in profit or loss.

Impairment of financial assets

On each reporting date, financial assets are tested for impairment using criteria set out in the accounting manual in order to determine whether there is any objective evidence of financial asset's impairment. If such objective evidence exists, the Company calculates the amount of impairment loss.

When the Company determines that investments carried at amortised cost should be impaired, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The amount of impairment loss is recognised in profit or loss. When the reasons for impairment of an investment cease to exist, the reversal of the impairment of the investment carried at amortised cost is recognised in profit or loss.

When the Company determines that investments in subsidiaries, associates and other companies carried at cost should be impaired, the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (or other assessed value) discounted at the current market rate of return for similar financial assets, and recognised in profit of loss as revaluation finance expense.

18.1.27 Statement of other comprehensive income

The statement of comprehensive income outlines the net profit or loss for the period as well as other comprehensive income inclusive of items that will be reclassified to profit and loss at a future date and those that will never be reclassified to profit or loss in accordance with the provisions and requirements of other IFRSs.

18.1.28 Statement of cash flows

The statement of cash flows is presented by applying the indirect method, on the basis of items reported in the statement of financial position as at 31 December 2018 and 31 December 2017, as well as items in the income statement for the financial year then ended, inclusive of any necessary adjustments of the cash flow.

18.1.29 Statement of changes in equity

The statement of changes in equity outlines changes in individual equity components during the financial year (total income and expenses, in addition to transactions with stakeholders that act as owners), inclusive of the net profit or loss distribution. The statement of other comprehensive income is also included which increases net profit of the accounting period by total revenue and expenses directly recognised in the equity.

18.1.30 Risk management

The Company monitors and strives to manage risks at all levels of business. In the assessment of risks, the Company considers various risk factors and measures the cost of management with benefits. Efficient risk management is ensured by timely identification and management of risks and by relevant guidelines and policies, which are laid down in documents of the overall management system.

The Company's operations are exposed to risks, which largely depend on market laws and thereby require active and ongoing monitoring. In addition to strategic and operational risks, the Company also faces financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 30 'Financial instruments and financial risk management'.

18.1.31 Fair value

Fair value is used with financial assets measured at fair value. All other financial statement items are presented at cost or amortised cost.

In measuring the fair value of a non-financial asset, the Company must take into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Company uses valuation techniques that are appropriate under the given circumstances and for which there is enough data available, mainly based on the use of appropriate market inputs and the minimum use of non-market inputs.

All assets and liabilities that are measured or disclosed at fair value in the financial statements are classified into a fair value hierarchy based on the lowest level of inputs required for measuring the total fair value:

Level 1 – quoted prices (unadjusted) in active markets for similar assets and liabilities,

Level 2 – valuation model based directly or indirectly on market data,

Level 3 – valuation model not based on market data.

At the end of each reporting period, the Company determines whether any transitions between levels occurred in the case of assets and liabilities recognised in the financial statements for previous periods by re-examining the distribution of assets, taking into account the lowest level of inputs required for measuring the total fair value.

The fair value measurement hierarchy of the Company's assets and liabilities is presented in Note 30.

18.1.32 Newly adopted standards and interpretations

The standards and interpretations presented below were not yet effective until the date of separate financial statements or have not yet been confirmed by the European Union. Relevant standards and interpretations will be applied in preparing the Company's financial statements upon their entry into force.

Adopted standards, amendments to standards and interpretations not yet effective

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

Based on these amendments, particular financial assets with a prepayment feature, enabling the contractual party to receive or have to pay reasonable additional compensation for early terminations of contracts (which is considered "negative compensation" by the holder of a financial asset), are measured at amortized cost or at fair value through other comprehensive income.

Amendments are effective for annual periods beginning on or after 1 January 2019.

The Company does not expect for this amendment to have a significant impact on its separate financial statements.

IFRS 16 – Leases

The scope of application of IFRS 16 comprises leases of all assets with a few exceptions. Pursuant to the Standard, lessees should recognise all leases through profit and loss under a single lessee accounting model without making a distinction between an operating or a finance lease, in the same manner that finance leases are recognised pursuant to IAS 17. IFRS 16 supersedes IAS 17 – Leases and related interpretations. The Standard allows two exemptions in recognising assets, i.e. when the underlying asset is of low value (such as personal computers) and for short-term leases (leases with a term of less than 12 months).

As at the date of the beginning of lease, the lessee is required to recognise the obligation to make lease payments (i.e. a lease liability) and the asset representing the right to use the underlying leased asset for the duration of the lease (i.e. a right-of-use asset).

Under IFRS 16, the contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lessees shall recognise separately interest expense with respect to the lease liability and depreciation costs from the right-of-use asset. The right-of-use asset is depreciated, and interest is added to the liabilities. This results in a concentrated pattern of expense for most leases, even if the lessee pays a fixed annual rent. If certain events should occur (such as changes in the lease period, changes in the value of future lease payments due to variations in the index or rate, based on which lease payment is determined), lessees shall have to remeasure the lease liability. In general, lessees recognise the remeasurement value of lease liability as an adjustment to the right-of-use asset.

The introduction of the new standard will not substantially change the lease accounting for the lessor and from the lessor's perspective, the distinction between the operating lease and finance lease remains in force.

For the lessor, accounting requirements are not considerably different from those in force under IAS 17.

The IFRS 16 Standard is applicable to annual periods beginning on or after 1 January 2019. The lessee may decide to apply the standard retroactively in full or in part. Transitional provisions of the Standard allow for certain facilitating measures. Earlier application is permitted, but only if the company has already applied IFRS 15.

The Company has examined and analysed all lease contracts. The standard allows for exemptions in the recognition of leases, i.e. for leases with a lease term of 12 months or less, and for leases where the underlying asset is of low value. The Company has elected to apply exemptions and thus accounts for lease payments as an expense also in 2019. There are two possible transitions to the new standard; the Company has opted for transition without affecting its statement of financial position (modified retrospective method).

Based on analysis results, the Company has estimated the values of the right-of-use and lease liability which will affect the statement of financial position, and the effects of the transition to the statement of financial position. Values of the right-of-use and lease liability have been estimated by discounting the future cash flows for the period of lease. Cash flows are discounted based on a pondered interest rate realised by the Company when raising non-current loans. Depreciation resulting from the right-of-use is calculated based on the remaining lease term.

The impact of IFRS 16 application on separate financial statements has been estimated as follows:

Statement of financial position as at 1 January 2019

(in EUR)	1 Jan 2019
ASSETS	**680,417**
Right-of-use	680,417
LIABILITIES	**680,417**
Lease liabilities	680,417

Income Statement 2019

(in EUR)	2019
Depreciation of right-of-use	-312,360
Rentals	315,344
Operating profit	**2,983**
Finance lease expenditure	-4,561
Loss before tax	**-1,577**

(in EUR)	IFRS 16	IAS 17
Depreciation of right-of-use	-312,360	0
Rentals	-79,761	-395,105
Operating loss	**-392,122**	**-395,105**
Finance lease expenditure	-4,561	0
Loss before tax	**-396,682**	**-395,105**

Interpretation IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit when there is uncertainty over income tax treatments under IAS 12 – Income Taxes. The interpretation introduces guidelines for whether uncertain income tax treatments should be considered independently or collectively; taxation authorities' examinations; and the use of an appropriate method reflecting the uncertainty while also taking into account any changes to facts and circumstances.

Interpretations are effective for annual periods beginning on or after 1 January 2019.

The Company does not expect for these interpretations to have a significant impact on its separate financial statements.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments refer to the question whether in the event of long-term interests (particularly in the light of requirements to weaken long-term interests in associates and joint ventures that form part of the "net investment" in such associates or joint ventures) the company should apply IFRS 9, IAS 28, or a combination of both. The amendments clarify that when accounting for long-term interests that are not measured by the equity method, the Company applies IFRS 9 – Financial Instruments before applying IAS 28. When applying IFRS 9, the Company does not take into account any adjustments of the carrying value of long-term interests, which derive from the IAS 28.

The Company does not expect for these amendments to have a significant impact on its separate financial statements.

New standards and interpretations not yet adopted by the European Union

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'Material'

The amendments clarify the definition of 'material' and how it should be used. According to the new definition, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Board has also further clarified the explanation that accompanies the definition. The amendments also ensure that the definition of 'material' complies with any IFRS standards.

The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application of amendments is permitted.

The Company does not expect for these amendments to have a significant impact on its separate financial statements.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

The amendments to the accounting standard require from entities that the current service cost and net interest for the remainder of the annual reporting period after a benefit plan amendment, curtailment or settlement are determined using updated actuarial assumptions. The amendments also clarify the impact of plan amendment, curtailment or settlement on the required asset ceiling.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application of amendments is permitted.

The Company does not expect for these amendments to have a significant impact on its separate financial statements.

Amendments to IFRS 3 – Business Combinations

IASB has published amendments to the definition of a business (Amendments to standard IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.
The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and for asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

The Company does not expect for these amendments to have a significant impact on its separate financial statements.

Amendments to standards IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between IFRS 10 and IAS 28 relating to how to account for transactions in which a parent entity loses control of a subsidiary by selling it or contributing it to an associate or joint venture. The amendments clarify that the company must recognise a full gain or loss when a sale or contribution of assets between an investor and an associate or a joint venture involves a business as defined in IFRS 3. A gain or loss from sale or contribution if the asset transferred does not contain a business must be recognised partially up to the amount of the share of unrelated investors in an associate or joint venture. The International Accounting Standards Board has deferred the effective date indefinitely. An entity opting for early adoption of these amendments must apply them to future periods.

The Company does not expect for these amendments to have a significant impact on its separate financial statements.

Conceptual Framework for Financial Reporting

On 29 March 2018, the International Accounting Standards Board (IASB) issued its revised Conceptual Framework for Financial Reporting. The Conceptual Framework sets out the fundamental concepts for financial reporting, determining standards and guidance for preparers who develop consistent accounting policies, and to assist understanding and interpretation of the standards. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The Board aims to provide support to companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction in their transition to the revised conceptual framework. For preparers who use the Conceptual Framework to develop accounting policies, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020.

The Company has been reviewing the impact of the new conceptual framework and shall apply it upon its entry into force.

Amendments to standards and interpretations adopted in the period 2015-2017

Amendments to IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements

The amendments to IFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.
The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Company does not expect for these amendments to have a significant impact on its separate financial statements.

Amendments to IAS 12 – Income taxes

The amendments clarify that the entity must recognise the income tax consequences of dividends classified as equity where past transactions or events that generated distributable profits are recognised.
The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Company does not expect for these amendments to have a significant impact on its separate financial statements.

Amendments to IAS 23 – Borrowing costs

The amendments clarify Article 14 of the standard stating that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.
The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Company does not expect for these amendments to have a significant impact on its separate financial statements.

Newly adopted standards and interpretations effective for periods beginning on 1 January 2018

Changes in accounting policies

The Company has updated its valid accounting policies in accordance with the requirements of the standards IFRS 9 and IFRS 15 which became effective on 1 January 2018, and has modified its treatment and disclosure of events.

IFRS 9 – Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of the standard IFRS 9 Financial Instruments containing the requirements of all individual phases of the project to replace the standard IAS 39 Financial instruments: Recognition and measurement and all the previous versions of the IFRS 9 standard. The IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. The revised standard introduces new requirements for the classification and measurement of financial assets and liabilities, recognition of their impairment and hedge accounting. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- The assets is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in other comprehensive income. These subsequent changes are not reclassified to profit or loss under any circumstances. Debt instruments measured at fair value through other comprehensive income, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as amortised cost assets. Other gains and losses are recognised in other comprehensive income and are reclassified to profit or loss on derecognition. The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgement will be required. The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items. Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The standard was adopted by the EU on 22 November 2016. The revised standard IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Earlier application is permitted. Amendments to the standard must be applied retrospectively; however, presentation of compared data is not compulsory. Earlier application of previous versions of standard IFRS 9 which were published in the years 2009, 2010 and 2013 shall be permitted provided that the Group carried out the transition to IFRS at any time before 1 February 2015.

Classification and Measurement:

Presentation of classification of financial Instruments according to IFRS 9:

Item	IAS 39	IFRS 9
Other investments measured at cost	Available-for-sale assets	Investments at fair value through profit or loss
Other investments measured at fair value	Available-for-sale assets	Investments at fair value through other comprehensive income
Loans given	Loans and receivables	Assets carried at amortised cost
Trade receivables	Loans and receivables	Assets carried at amortised cost
Cash and cash equivalents	Loans and receivables	Assets carried at amortised cost

Other investments measured at cost have been classified under investments measured at fair value through profit or loss since the new standard requires the Company to establish fair value upon each reporting to external users. The criterion for classifying them is the type of investment, whether it is an investment in shares or securities. The fair value measurement of investments in securities is disclosed through comprehensive income while the valuation of investments in shares is recognized through the income statement. The aim of measuring fair value is to determine the price at which a regular transaction to sell an asset or to transfer a liability between market participants would take place at the measurement date. The fair value of a non-financial asset is measured by taking into account the ability of a market participant to maximise the value of an asset by using it (IFRS 13).

For operating receivables, the company created a new model for calculating impairment, which is not based solely on realized credit losses, as is the case with IAS 39, but on the expected credit losses. At each reporting date, the company measures the value adjustment of the financial loss instrument as an amount equal to the expected credit losses over the entire duration of the term.

To this end, the company defined a new impairment model that is not based solely on the creation of a value adjustment for outstanding receivables, but also on the creation of a value adjustment arising from non-past due receivables. For non-past receivables, the Company defined the risk classes based on the credit rating of the buyer and on the basis of the buyer country:

Non past due receivables	Percentage of value adjustment for receivable
Very low	0.10%
Low	0.20%
Medium low	0.30%
Low	0.40%
Medium high	0.50%
High	0.70%
Very high	1.00%
Insolvent customers	100.00%

Past due receivables	Percentage of value adjustment for receivable
up to 30 days	1%
up to60 days	10%
up to90 days	20%
up to120 days	30%
up to180 days	40%
up to365 days	75%
over 365 days	100%

Resulting from this, the Company recognised an additional impairment of trade receivables based on the new model at EUR 230,305, which includes the effect of increasing receivables for deferred taxes. Due to insignificance, the Company has decided to disclose the impact in the result of the current year and not under retained earnings.

IFRS 15 – Revenue from contracts with customers

In May 2014, the International Accounting Standards Board published IFRS 15, which introduces a new five-stage model for recognition of revenue obtained by an entity from contracts with customers. Pursuant to IFRS 15, an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that shows the entity's performance; or at a point in time when control of the goods or services has been transferred to the customer. The accounting principles under IFRS 15 thus offer a more structured approach to measurement and recognition of revenue. In addition, IFRS 15 establishes principles that commit an entity to ensuring high quality and extensive disclosures to users of financial statements providing useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Having performed an analysis, the Company has established that the standard dictates no material changes in the recognition of revenue resulting from sale of goods and services as compared to the accounting method under IAS 18. The Company has only modified how they are disclosed. An analysis of contracts with customers has shown that they meet the criteria of the new standard for revenue recognition, and that performance obligations are defined adequately in contracts, allowing their classification and measurement, and determining when they might be fulfilled.

Transition and effect:

(in EUR)	Restated 31 Dec 2017	Amendments to IFRS 15	31 Dec 2017
ASSETS			
Property, plant and equipment	367,818,139		367,818,139
Investment property	26,467,395		26,467,395
Intangible assets	3,122,833		3,122,833
Shares and interests in Group companies	4,533,063		4,533,063
Shares and interests in associates	6,737,709		6,737,709
Other non-current investments	30,499,584		30,499,584
Deposits and loans given	22,592		22,592
Non-current operating receivables	41,772		41,772
Deferred tax assets	8,325,304		8,325,304
Non-current assets	**447,568,391**	**0**	**447,568,391**
Inventories	1,037,066		1,037,066
Deposits and loans given	8,413		8,413
Trade and other receivables	37,810,196	-210,861	38,021,057
Assets from contracts with customers	210,861	210,861	0
Income tax liabilities	4,115,392		4,115,392
Cash and cash equivalents	28,202,589		28,202,589
Current assets	**71,384,517**	**210,861**	**71,384,517**
TOTAL ASSETS	**519,163,769**	**210,861**	**518,952,908**
EQUITY AND LIABILITIES			
Share capital	58,420,965		58,420,965
Capital surplus (share premium)	89,562,703		89,562,703
Revenue reserves	145,607,356		145,607,356
Reserves arising from valuation at fair value	9,799,716		9,799,716
Retained earnings	17,261,911		17,261,911
Own funds	**320,652,651**	**0**	**320,652,651**
Provisions	20,217,568		20,217,568
Deferred income	18,166,217		18,166,217
Non-current loans and borrowings	116,682,274		116,682,274
Non-current trade payables	967,102		967,102
Non-current liabilities	**156,033,161**	**0**	**156,033,161**
Current borrowings	16,060,399		16,060,399
Other current financial liabilities	372,169		372,169
Trade and other payables	25,834,528		25,834,528
Current liabilities	**42,267,096**	**0**	**42,267,096**
TOTAL EQUITY AND LIABILITIES	**518,952,908**	**0**	**518,952,908**

New standards and interpretations, which entered into force on 1 January 2018

Amendments to IFRS 4 – Applying IFRS 9 – Financial Instruments with IFRS 4 Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard being devised by the Board to replace IFRS 4. All companies that issue insurance contracts may choose between an optional temporary exemption from applying IFRS 9 and overlay application.

The Company may opt for overlay approach upon first application of IFRS 9 and use it retroactively for the financial assets set out upon transition to IFRS 9. The Company adjusts the comparative information that reflects the overlay application only if it adjusts the comparative information upon using IFRS 9.

The above amendments had no impact on the Company's separate financial statements.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

The amendments refer to three main areas:

- The effect of performance conditions on measuring cash-settled share-based payment transactions.

The amendments clarify that the method of accounting for performance conditions for measuring equity-settled share-based payment transactions is also used for cash-settled share-based payment transactions.

- Classification of share-based payment transactions with a net settlement feature for withholding tax obligations.

This amendment adds an exception to address a specific circumstance when there is an agreement on net settlement for the Company to meet its obligation to withhold a certain amount based on tax laws or regulations, thus to fulfil the employees' tax obligation linked with share-based payment.

- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This amendment clarifies that in the case of a change to the conditions of the cash-settled share-based payments, due to which such a payment becomes equity-settled share-based payment, from the date of the change such a transaction shall be recorded as equity-settled payment.

These amendments are to be used retroactively. Upon adoption, companies must apply the amendments without adjusting information for preceding periods. However, retrospective application is allowed when a company decides to use the three amendments and when all other criteria have been met. Earlier application is permitted.

The above amendments had no impact on the Company's separate financial statements.

Amendments to IAS 40 – Investment property

The amendments clarify requirements for transfers to, or from, investment properties. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the entity first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight. The amendments strengthen the principle set out in IAS 40 – Investment Property concerning transfer to or from investment properties, so that it now provides that such a transfer should only be made when there has been a change in use of the property. In accordance with these changes, a transfer is made when and only when there is an actual change in use – i.e. when an asset starts or ceases to meet the definition of investment property and there is evidence of a change in use. A change in management's intention alone does not support a transfer.

The above amendments had no impact on the Company's separate financial statements.

Interpretation IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The interpretation addresses the exchange rate for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation can be applied prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period an entity first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.

The above amendments had no impact on the Company's separate financial statements.

<u>Amendments to standards and interpretations adopted in the period 2014-2016</u>

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

For measurements of long term interests in associates and joint ventures owned by an entity that is a venture capital organisation, or other eligible entity, amendments clarify that any investment in associates and joint ventures may be measured at fair value through profit or loss upon initial recognition; however, the election is made separately for each associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2018.

The above amendments had no impact on the Company's separate financial statements.

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards
The amendments deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after 1 January 2018.

The above amendments had no impact on the Company's separate financial statements.

Correction of an error from previous years

In, 2018, the Company eliminated an error in the financial statements related to the recognition of revenue and consequently the creation of deferred revenue from disposal of ferrous scrap within the public utility service of regular maintenance of the port infrastructure in 2012 and 2013. In the years in question, the sale was recognized at cost items under market activity rather than public utility service, based on which the amount of deferred income the Company disclosed was too low. Correction was carried out retroactively by recalculating the initial position of retained earnings for the first comparative period (financial year 2017) and recalculating all the remaining comparative amounts disclosed in previous periods as if the error has not existed. The revaluation amounted to EUR 55,068.

The correction of the error was carried out on 1 January 2018, and its effects are shown below.

Effects on the statement of financial position

(in EUR)	Restated 31. 12. 2017	Correction of errors	Previously reported 31. 12. 2017	Restated 1. 1. 2017	Correction of errors	Previously reported 1. 1. 2017
ASSETS						
Property, plant and equipment	367.818.139		367.818.139	358.594.707		358.594.707
Investment property	26.467.395		26.467.395	29.918.504		29.918.504
Intangible assets	3.122.833		3.122.833	3.761.498		3.761.498
Shares and interests in Group companies	4.533.063		4.533.063	4.533.063		4.533.063
Shares and interests in associates	6.737.709		6.737.709	6.737.709		6.737.709
Other non-current investments	30.499.584		30.499.584	27.338.863		27.338.863
Deposits and loans given	22.592		22.592	31.005		31.005
Non-current operating receivables	41.772		41.772	41.772		41.772
Deferred tax assets	8.325.304		8.325.304	9.098.541		9.098.541
Non-current assets	**447.568.391**	**0**	**447.568.391**	**440.055.662**	**0**	**440.055.662**
Inventories	1.037.066		1.037.066	809.467		809.467
Deposits and loans given	8.413		8.413	68.123		68.123
Trade and other receivables	37.810.196		37.810.196	31.015.578		31.015.578
Assets from contracts with customers	210.861		210.861	0		0
Income tax assets	4.115.392		4.115.392	0		0
Cash and cash equivalents	28.202.589		28.202.589	983.305		983.305
Current assets	**71.384.517**	**0**	**71.384.517**	**32.876.473**	**0**	**32.876.473**
TOTAL ASSETS	**518.952.908**	**0**	**518.952.908**	**472.932.135**	**0**	**472.932.135**
EQUITY AND LIABILITIES						
Share capital	58.420.965		58.420.965	58.420.965		58.420.965
Capital surplus (share premium)	89.562.703		89.562.703	89.562.703		89.562.703
Revenue reserves	145.607.356		145.607.356	129.035.652		129.035.652
Reserves arising from valuation at fair value	9.799.716		9.799.716	7.085.026		7.085.026
Retained earnings	17.206.843	-55.068	17.261.911	20.266.535	-55.068	20.321.603
Own funds	**320.597.583**	**-55.068**	**320.652.651**	**304.370.881**	**-55.068**	**304.315.813**
Provisions	20.217.568		20.217.568	4.265.164		4.265.164
Deferred income	18.221.285	55.068	18.166.217	12.389.787	55.068	12.334.719
Non-current loans and borrowings	116.682.274		116.682.274	113.900.739		113.900.739
Other non-current financial liabilities	0		0	419.873		419.873
Non-current trade payables	967.102		967.102	693.924		693.924
Non-current liabilities	**156.088.229**	**55.068**	**156.033.161**	**131.669.487**	**55.068**	**131.614.419**
Current borrowings	16.060.399		16.060.399	11.761.732		11.761.732
Other current financial liabilities	372.169		372.169	250.564		250.564
Income tax liabilities	0		0	1.960.528		1.960.528
Trade and other payables	25.834.528		25.834.528	22.918.943		22.918.943
Current liabilities	**42.267.096**	**0**	**42.267.096**	**36.891.767**	**0**	**36.891.767**
TOTAL EQUITY AND LIABILITIES	**518.952.908**	**0**	**518.952.908**	**472.932.135**	**0**	**472.932.135**

19 Additional Notes to Separate Income Statement

Note 1. Revenue

(in EUR)	2018	2017
Revenue generated on sales with domestic customers from contracts with customers	**66,896,404**	**60,734,978**
- services	66,879,741	60,716,958
- goods and material	16,663	18,020
Revenue generated on sales with foreign customers from contracts with customers	**154,576,859**	**144,682,781**
- services	154,576,859	144,682,781
Revenue generated on sales with domestic customers from rentals	**1,503,783**	**1,414,173**
Revenue generated on sales with foreign customers from rentals	**3,344**	**3,601**
Total	**222,980,390**	**206,835,533**

The item of total revenue comprises one individual customer that exceeds 10 percent of total sales.

Based on analysis, the Company has established that the new standard has no significant impact on the recognition of net sales, and has therefore only adjusted the structure of disclosure.

Note 2. Other income

(in EUR)	2018	2017
Other operating income	**3,602,095**	**281,718**
Reversal of provisions	1,775,337	16,954
Revaluation operating income	**1,826,758**	**264,764**
Income on sale of property, plant and equipment, and investment property	787,761	154,605
Collected written-off receivables and written-off liabilities	1,038,997	110,159
Other income	**10,442,709**	**1,352,707**
Compensations and damages	10,364,447	453,563
Other income	78,262	899,144
Total	**14,044,804**	**1,634,425**

Reversal of provisions amounting to EUR 1,775,337 relates to final legal proceedings and to the changed assessment of legal disputes.

Revaluation operating income is composed of income generated on sales of property, plant and equipment and investment property, and income from reversed allowances for receivables. In the reference year, the Company sold a facility with associated land, thereby generating EUR 736,455 of other income. In 2018, collected written-off receivables and written-off liabilities amounted to EUR 1,038,997, an increase of EUR 937,838 from the preceding year. The increase is mostly due to payments received in the amount of EUR 508,993 and due to issuing a credit note for a receivable for which, in the previous year, the Company had a valuation allowance.

Compensations and damages in 2018 amounted to EUR 10,364,447. Following an out-of-court settlement, the Company received compensation for the accident that took place last year, in which a coast gantry crane was damaged and consequently collapsed, which amounted to EUR 9,551,250 and was recognised under other income.

Note 3. Costs of material

(in EUR)	2018	2017
Costs of auxiliary material	2,577,619	2,083,012
Cost of spare parts	5,778,797	5,132,038
Cost of energy	7,648,345	6,918,770
Cost of office stationery	196,371	154,163
Other cost of material	402,969	368,427
Total	**16,604,101**	**14,656,410**

Note 4. Costs of services

(in EUR)	2018	2017
Port services	31,824,313	30,877,371
Cost of transportation	276,596	252,564
Cost of maintenance	7,402,200	7,026,050
Rentals	365,237	382,981
Reimbursement of labour-related costs	309,618	331,323
Costs of payment processing, bank charges and insurance premiums	872,277	765,572
Costs of intellectual and personal services	1,512,778	876,301
Advertising, trade fairs and hospitality	1,054,590	1,238,507
Costs of services provided by individuals not performing business activities	369,685	341,803
Sewage and disposal services	924,857	926,997
Information support	2,813,899	2,934,523
Concession-related costs	7,814,485	7,156,615
Costs of other services	2,354,015	1,664,703
Total	**57,894,550**	**54,775,310**

As in previous years, port services (EUR 31,824,313) account for the highest amount within cost of services. Providers of port services are subcontracted by Luka Koper to render port activities such as goods-related services (e.g. sorting, sampling, preparing pallets, protection, labelling, weighting, cleaning, reloading and other services), managing of port mechanisation and similar. Already in 2018, the Company began to implement the port service provision strategy; however, it had not yet have a major impact on the cost structure in the sense of reducing the cost of services in pursuit of business in 2018.

Concession-related costs increased as a consequence of higher operating income.

All lease arrangements are revocable and the relevant future liabilities arising thereunder are insignificant.

Note 5. Employee benefits expense

(in EUR)	2018	2017
Wages and salaries	37,134,127	31,889,905
Wage compensations	5,633,291	5,016,303
Costs of additional pension insurance	1,540,590	1,439,021
Employer's contributions on employee benefits	7,035,212	6,008,500
Annual holiday pay, reimbursements and other costs	4,685,187	3,693,346
Total	**56,028,407**	**48,047,075**

In 2018, employee benefits expense was EUR 56,028,407, which is EUR 7,981,332 more than in the same period of the preceding year. Higher employee benefits expense is mainly due to new recruitment: as at 31 December 2018, the Company had 164 more employees than at the year-end 2017, however, it also originates in the concluded agreement on one-off payment to employees for having reached added value growth in 2018.

With the exception of Members of the Management Board and employees under individual contracts, in December 2018, the employees received an additional average monthly salary (13th salary) based on the Company's business performance in 2018.

For the 17th year in a row, the Company pays for its employees 70 to 90 percent of the additional pension insurance premium.

The annual holiday pay amounted to EUR 1,200 per employee in 2018 (2017: EUR 1,150).

In 2018, no loans were granted to employees under individual contracts and to Members of the Management or Supervisory Board. The Company records no receivables due from Members of the Management and Supervisory Board.

Average number of employees by education:

Level of education	Headcount in 2018	Headcount in 2017
VIII/2	1	1
VIII/1	24	23
VII	106	104
VI/2	168	153
VI/1	80	70
V	298	260
IV	266	228
III	14	13
I–II	40	42
Total	**997**	**893**

Note 6. Amortisation and depreciation expense

(in EUR)	2018	2017
Depreciation of buildings	12,972,739	12,778,987
Depreciation of equipment and spare parts	14,248,704	13,454,317
Depreciation of small tools	16,439	21,767
Depreciation of investment property	613,204	638,759
Amortisation of intangible assets	682,655	644,679
Depreciation of investment into foreign-owned assets	11,667	0
Total	**28,545,408**	**27,538,509**

Note 7. Other expenses

(in EUR)	2018	2017
Provisions	425,252	15,652,295
Impairment costs, write-offs and losses on property, plant and equipment and investment property	130,349	3,989,166
Expenses for allowances for receivables	248,042	917,135
Levies that are not contingent upon employee benefits expense and other types of cost	7,074,643	6,670,100
Donations	135,450	161,500
Environmental levies	181,493	140,430
Awards and scholarship to students inclusive of tax	8,590	13,870
Awards and scholarship to students	2,600	4,400
Other costs and expenses	1,001,805	871,447
Total	**9,208,224**	**28,420,343**

In 2018, the Company formed additional provisions for legal disputes amounting to EUR 425,252.

Levies that are not contingent upon employee benefits expense and other types of cost mostly relate to the fee for the use of construction land, which in 2018 amounted to EUR 6,828,997.

Other costs and expenses mainly consist of compensations amounting to EUR 881,274.

Note 8. Finance income and finance expenses

(in EUR)	2018	2017
Finance income from shares and interests	**3,038,483**	**2,849,838**
Finance income from shares and interests in Group companies	301,634	652,780
Finance income from shares and interests in associated companies	1,280,634	993,808
Finance income from shares and interests in other companies	1,456,215	1,203,250
Finance income - interest	**8,074**	**2,219**
Interest income - Group companies	0	847
Interest income - other	8,074	1,372
Finance income from operating receivables	**215,460**	**121,866**
Finance income from operating receivables due from others	215,460	121,866
Total finance income	**3,262,017**	**2,973,923**
Finance expenses – interest	**-1,155,723**	**-1,504,662**
Interest expenses – Group companies	-137,759	-175,980
Interest expenses – banks	-1,017,964	-1,328,682
Finance expenses for financial liabilities	**-51,004**	**-83,625**
Finance expenses for trade payables	-48	-256
Finance expenses for other operating liabilities	-50,956	-83,369
Total finance expenses	**-1,206,727**	**-1,588,287**
Net financial result	**2,055,290**	**1,385,636**

Finance income from shares and interests in Group companies include profits of companies, i.e. Luka Koper INPO, d. o. o. (EUR 168,590), Adria Terminali, d. o. o. (EUR 120,000), and Adria investicije, d. o. o. (EUR 13,044).

Finance income from shares and interests in associates refer to sharing of profits of companies Adria Transport, d. o. o. (EUR 150,000), Adria-Tow, d. o. o. (EUR 400,000), Avtoservis, d. o. o. (EUR 480,634), and Adriafin, d. o. o.(EUR 250,000).

Finance income from shares and interests in other entities refers to dividends paid under investments into securities.

Finance expenses arising on interest in 2018 amounted to EUR 1,155,723 and show a slight decline over the previous year, mainly due to lower effective interest rates.

Note 9. Taxes and effective tax rate

(in EUR)	2018	2017
Profit before tax	**70,799,794**	**36,417,947**
Income tax (19%)	**13,451,961**	**6,919,410**
Non-taxable income and increase in expenditure	-805,000	-11,786
Non-taxable dividends received	-548,812	-549,101
Tax incentives	-710,848	-3,767,613
Expenses not recognised for tax purposes	629,120	670,191
Impairment loss not recognised for tax purposes	182,964	0
Other reduction in the tax base	-16,739	-14,017
Other increase in the tax base	28,153	27,455
Total tax expense	**12,210,799**	**3,274,539**
Effective tax rate	**17.25%**	**8.99 %**

During the income tax calculation, the Company observed provisions of the Corporate Income Tax Act. The tax expense comprises the income tax and deferred taxes recognised in the income statement.

Note 10. Net earnings per share

(in EUR)	31 Dec 2018	31 Dec 2017
Net profit for the period	58,588,995	33,143,408
Total number of shares	14,000,000	14,000,000
Net earnings per share	**4.18**	**2.37**

Net earnings per share were calculated by dividing the net operating profit with the weighted average number of ordinary shares in issue during the year.

20 Additional Notes to the separate Statement of Financial Position

Note 11. Property, plant and equipment

(in EUR)	31 Dec 2018	31 Dec 2017
Land	15,117,508	15,117,508
Buildings	235,321,649	245,729,683
Plant and machinery	82,744,918	91,568,985
Property, plant and equipment being acquired and advances given	22,654,994	15,401,963
Total	**355,839,069**	**367,818,139**

None of Company's items of property, plant and equipment were pledged as collateral or held under a finance lease.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2018 equalled zero, is recorded at EUR 253,378,395 (31 December 2017: EUR 248.193.244).

As at 31 December 2018, the outstanding trade payables to suppliers of items of property, plant and equipment amounted to EUR 4,231,531 (31 December 2017: EUR 4,541,819).

The item of assets being acquired includes advances given for acquiring property, plant and equipment. As at the reporting date, they were recorded at EUR 4,542,623 (2017: EUR 79,988). The highest advance given in the reported year refers to the purchase of five electrified rubber tired gantry (RTG) cranes in the amount of EUR 4,504,500.

In 2018, total investments amounted to EUR 15,842,717. The Company's largest investments comprise:

- Purchase of five new electrified rubber tired gantry (RTG) cranes,
- Purchase of two terminal tugs,
- Reconstruction of the existing diesel RTG cranes to achieve a decrease in noise emissions,
- Completion of the construction of the 61 railway track,
- Development of premises for the needs of car and RO-RO terminals,
- Purchase of a 33t forklift,
- Purchase of two grabs,

- Purchase of replacement equipment for the fire-fighting system,
- Reinforcement of handling areas beside warehouses, and
- Construction of a new entrance by merging the internal and external truck terminal.

In the reference year, the Group found no material indication of required impairment to be carried out with respect to the assets.

The difference between the cost and value adjustment for assets written-off was recognised among costs for impairment, write-offs and losses on sale of property, plant and equipment and investment property (Note 7).

Movements in property, plant and equipment for 2018

(in EUR)	Land	Buildings	Plant and equipment	Assets being acquired	Total
Cost					
Balance at 31 Dec 2017	**15,117,508**	**475,067,096**	**292,601,591**	**15,401,963**	**798,188,158**
Additions	0	0	0	15,842,717	15,842,717
Transfer from investments in course of construction	0	2,860,467	5,663,760	-8,629,138	-104,911
Disposals	0	-946	-810,247	-3,461	-814,654
Transfer to intangible assets	0	0	-65,625	0	-65,625
Transfer from intangible assets	0	0	14,183	0	14,183
Transfer to investment property	0	-301,693	0	0	-301,693
Transfer to assets (disposal groups) held for sale	0	0	-48,369	0	-48,369
Reclassifications within property, plant and equipment	0	-65,716	22,803	42,913	0
Balance at 31 Dec 2018	**15,117,508**	**477,559,208**	**297,378,096**	**22,654,994**	**812,709,806**
Accumulated depreciation					
Balance at 31 Dec 2017	**0**	**229,337,413**	**201,032,606**	**0**	**430,370,019**
Depreciation	0	12,984,406	14,265,143	0	27,249,549
Disposals	0	-946	-646,543	0	-647,489
Transfer to intangible long-term assets	0	0	-6,437	0	-6,437
Transfer to investment property	0	-72,406	0	0	-72,406
Transfer to assets (disposal groups) held for sale	0	0	-22,499	0	-22,499
Reclassifications within property, plant and equipment	0	-10,908	10,908	0	0
Balance at 31 Dec 2018	**0**	**242,237,559**	**214,633,178**	**0**	**456,870,737**
Carrying amount					
Balance at 31 Dec 2017	**15,117,508**	**245,729,683**	**91,568,985**	**15,401,963**	**367,818,139**
Balance at 31 Dec 2018	**15,117,508**	**235,321,649**	**82,744,918**	**22,654,994**	**355,839,069**

Movements in property, plant and equipment for 2017

(in EUR)	Land	Buildings	Plant and equipment	Assets being acquired	Total
Cost					
Balance at 31 Dec 2016	**15,086,203**	**442,253,826**	**255,502,984**	**64,761,135**	**777,604,148**
Additions	31,285	0	0	36,630,100	36,661,385
Transfer from investments in course of construction	20	31,988,806	53,424,745	-85,413,571	0
Disposals	0	-82,475	-16,096,389	0	-16,178,864
Transfer to intangible assets	0	0	-11,408	0	-11,408
Transfer from intangible assets	0	714,261	0	0	714,261
Transfer to investment property	0	0	0	-601,364	-601,364
Reclassifications within property, plant and equipment	0	192,678	-218,341	25,663	0
Balance at 31 Dec 2017	**15,117,508**	**475,067,096**	**292,601,591**	**15,401,963**	**798,188,158**
Accumulated depreciation					
Balance at 31 Dec 2016	**0**	**215,876,819**	**203,132,622**	**0**	**419,009,441**
Depreciation	0	12,778,987	13,476,084	0	26,255,071
Disposals	0	-47,543	-15,557,291	0	-15,604,834
Transfer to intangible assets	0	0	-3,920	0	-3,920
Transfer from intangible assets	0	714,261	0	0	714,261
Reclassifications within property, plant and equipment	0	14,889	-14,889	0	0
Balance at 31 Dec 2017	**0**	**229,337,413**	**201,032,606**	**0**	**430,370,019**
Carrying amount					
Balance at 31 Dec 2016	**15,086,203**	**226,377,007**	**52,370,362**	**64,761,135**	**358,594,707**
Balance at 31 Dec 2017	**15,117,508**	**245,729,683**	**91,568,985**	**15,401,963**	**367,818,139**

Note 12. Investment property

(in EUR)	31 Dec 2018	31 Dec 2017
Investment property - land	14,546,862	14,747,021
Investment property - buildings	10,069,239	11,720,374
Total	**24,616,101**	**26,467,395**

The item of investment property includes land and buildings leased out, and properties that increase the value of the non-current investment. Investment properties are valued by using the cost model.

Leased properties

(in EUR)	2018	2017
Rental income on investment property	1,408,249	1,366,177
Depreciation of investment property	613,204	638,759

As at 31 December 2018, the value of investment property was EUR 24,616,101, which is a decrease of EUR 1,851,294 from the previous year-end. The decrease mostly results from the sale of Prisoje facility and associated land.

Investment properties are not pledged as collateral.

Fair value of investment property as at 31 December 2018 amounted to EUR 25,719,694.

Fair value of investment property was assessed on the basis of valuation and by means of estimated total value of expected future cash flows generated through renting.

Movements in investment property in 2018

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2017	**14,747,021**	**20,489,967**	**35,236,988**
Transfer from investments in course of construction	0	8,951	8,951
Transfer from property, plant and equipment	0	301,693	301,693
Transfer to assets (disposal groups) held for sale	-200,159	-2,775,785	-2,975,944
Balance at 31 Dec 2018	**14,546,862**	**18,024,826**	**32,571,688**
Accumulated depreciation			
Balance at 31 Dec 2017	**0**	**8,769,593**	**8,769,593**
	0		
Depreciation	0	613,204	613,204
Transfer from property, plant and equipment	0	72,406	72,406
Transfer to assets (disposal groups) held for sale	0	-1,499,616	-1,499,616
Balance at 31 Dec 2018	**0**	**7,955,587**	**7,955,587**
Carrying amount			
Balance at 31 Dec 2017	**14,747,021**	**11,720,374**	**26,467,395**
Balance at 31 Dec 2018	**14,546,862**	**10,069,239**	**24,616,101**

Movements in investment property in 2017

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2016	**18,160,734**	**19,888,603**	**38,049,337**
Transfer from investments in course of construction	0	601,364	601,364
Impairment charge	-3,413,713	0	-3,413,713
Balance at 31 Dec 2017	**14,747,021**	**20,489,967**	**35,236,988**
Accumulated depreciation			
Balance at 31 Dec 2016	**0**	**8,130,833**	**8,130,833**
Depreciation	0	638,760	638,760
Balance at 31 Dec 2017	**0**	**8,769,593**	**8,769,593**
Carrying amount			
Balance at 31 Dec 2016	**18,160,734**	**11,757,770**	**29,918,504**
Balance at 31 Dec 2017	**14,747,021**	**11,720,374**	**26,467,395**

Note 13. Intangible assets

(in EUR)	31 Dec 2018	31 December 2017
Long-term property rights	2,605,462	3,122,833
Total	**2,605,462**	**3,122,833**

In Luka Koper, d. d., intangible assets comprise industrial property rights and other rights such as computer software, information systems and development-related projects and programmes.

The cost of intangible assets in use, of which the carrying value as at 31 December 2018 equalled zero, is recorded at EUR 5,725,149 (31 December 2017: EUR 6.078.928).

As at 31 December 2018, the outstanding trade payables to suppliers for intangible assets amounted to EUR 51,744 (31 December 2017: EUR 4,541,819).

Intangible assets were not pledged as collateral as at 31 December 2018.

Movements in intangible assets in 2018

(in EUR)	Industrial property and other rights	Intangible assets being acquired	Total
Cost			
Balance at 31 Dec 2017	**12,601,238**	**51,987**	**12,653,225**
Additions	0	24,319	24,319
Transfer from investments in course of construction	95,960	0	95,960
Disposals	-353,779	0	-353,779
Transfer from property, plant and equipment	65,625	0	65,625
Transfer from property, plant and equipment	0	-14,183	-14,183
Balance at 31 Dec 2018	**12,409,044**	**62,123**	**12,471,167**
Accumulated depreciation			
Balance at 31 Dec 2017	**9,530,392**	**0**	**9,530,392**
Depreciation	682,655	0	682,655
Disposals	-353,779	0	-353,779
Transfer from property, plant and equipment	6,437	0	6,437
Balance at 31 Dec 2018	**9,865,705**	**0**	**9,865,705**
Carrying amount			
Balance at 31 Dec 2017	**3,070,846**	**51,987**	**3,122,833**
Balance at 31 Dec 2018	**2,543,339**	**62,123**	**2,605,462**

Movements in intangible assets in 2017

(in EUR)	Industrial property and other rights	Intangible assets being acquired	Total
Cost			
Balance at 31 Dec 2016	13,247,083	149,237	13,396,320
Transfer from investments in course of construction	97,250	-97,250	0
Disposals, Write-offs	-40,242	0	-40,242
Transfer from property, plant and equipment	11,408	0	11,408
Transfer to property, plant and equipment	-714,261	0	-714,261
Balance at 31 Dec 2017	**12,601,238**	**51,987**	**12,653,225**
Accumulated depreciation			
Balance at 31 Dec 2016	9,634,822	0	9,634,822
Depreciation	644,680	0	644,680
Disposals, Write-offs	-38,769	0	-38,769
Transfer from property, plant and equipment	3,920	0	3,920
Transfer to property, plant and equipment	-714,261	0	-714,261
Balance at 31 Dec 2017	**9,530,392**	**0**	**9,530,392**
Carrying amount			
Balance at 31 Dec 2016	**3,612,261**	**149,237**	**3,761,498**
Balance at 31 Dec 2017	**3,070,846**	**51,987**	**3,122,833**

Note 14. Shares and interests in Group companies

Investments in subsidiaries

As at 31 December 2018, investments in subsidiaries amounted to EUR 4,533,063 (there was no change since the previous year-end).

In the reference period, the Company made a capital injection into the subsidiary Logis-Nova, d. o. o. by converting receivables into equity participation of EUR 1,300,000, and the investment was impaired in the same amount.

Investments in subsidiaries are not pledged as collateral.

Detailed presentation of transactions with subsidiaries is provided in Note 29 of this report.

Investments in subsidiaries

(in EUR)	Equity interest (in %)	Investments at 31 Dec 2018	Net sales revenues in 2018	Net profit or loss for 2018	No. of employees 31 Dec 2018
Subsidiaries:					
Luka Koper Inpo, d. o. o.	100%	1,336,288	8,444,942	884,995	122
Luka Koper Pristan, d. o. o.	100%	485,000	472,099	-37,886	4
Adria Terminali, d. o. o.	100%	226,000	2,615,443	176,350	23
Adria Investicije, d. o. o.	100%	1,775,775	41,586	14,281	0
Logis-Nova, d. o. o.	100%	710,000	19,838	8,867	0
TOC, d. o. o.	68.13%	0	434,879	57,989	4

Movements in investments in subsidiaries

(in EUR)	2018	2017
Balance at 1 Jan	4,533,063	4,533,063
Increase		
Equity increase	1,300,000	0
Decrease		
Impairments of investment	-1,300,000	0
Balance at 31 Dec	4,533,063	4,533,063

Note 15. Shares and interests in associates

(in EUR)	Equity interest (in %)	Investments at 31 Dec 2018	Investments at 31 Dec 2017
Associates:			
Adriafin, d. o. o.	50%	5,986,104	5,986,104
Adria Tow, d. o. o.	50%	159,842	159,842
Adria Transport, d. o. o.	50%	450,000	450,000
Avtoservis, d. o. o.	49%	141,764	141,764
Total		6,737,709	6,737,709

Shares and interests in associates are not pledged as collateral.

Note 16. Other non-current investments

(in EUR)	31 Dec 2018	31 Dec 2017
Other investments measured at fair value through profit or loss	928,827	928,827
Other investments in securities measured at fair value through comprehensive income	30,508,658	29,570,757
Total	**31,437,485**	**30,499,584**

Other non-current investments primarily comprise investments in securities and equity interests. Investments in securities include investments in shares in Krka, d. d. and Intereuropa, d. d., whose value as at 31 December 2018 was EUR 28,579,902, and mutual funds, whose value was EUR 1,928,756.

Other investments measured at fair value through profit or loss refer to investments in other companies, where the Company's equity interest is less than 20%.

Movements in other non-current investments

(in EUR)	2018	2017
Balance at 1 Jan	30,499,584	27,338,863
Increase		
Revaluation to fair value through equity	937,901	3,160,721
Balance at 31 Dec	31,437,485	30,499,584

Other non-current investments are not pledged as collateral.

Note 17. Deferred tax assets and deferred tax liabilities

	Receivables		Liabilities	
(in EUR)	**31 Dec 2018**	**31 Dec 2017**	**31 Dec 2018**	**31 Dec 2017**
Deferred tax assets and liabilities relating to:				
impairment of investments in subsidiaries	538,738	415,238	0	0
impairment of other investments and deductible temporary differences arising on securities	9,270,524	9,329,990	2,732,988	2,555,213
financial instruments	0	18,875	0	0
allowances for trade receivables	205,643	359,877	0	0
provisions for retirement benefits	285,021	251,092	0	0
provisions for jubilee premiums	54,374	51,462	0	0
non-current accrued costs and deferred income for public utility service	453,983	453,983	0	0
Total	**10,808,283**	**10,880,517**	**2,732,988**	**2,555,213**
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,732,988	-2,555,213	-2,732,988	-2,555,213
Total	**8,075,295**	**8,325,304**	**0**	**0**

Deferred tax assets represent deductible temporary differences arising on securities, non-current investments, impairment of receivables, provisions for retirement benefits and jubilee premiums, and deferred income from public utility service. Deferred tax assets from impairment of investment into subsidiaries are formed for the subsidiaries that have been defined as non-strategic for the Company, and are also subject to various types of withdrawal or disinvestment.

In 2018, deferred taxes decreased the operating result by EUR 67,353, as compared to EUR 122,833 in the preceding year.

As at the 31 December 2018, the Company conducted an off-set of its deferred tax liabilities with receivables in the amount of EUR 2,732,988 (2017: EUR 2,555,213).

Movements in deferred tax assets and deferred tax liabilities in 2018

	Receivables				Liabilities		
	Balance at 31 Dec 2017	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2018	Balance at 31 Dec 2017	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2018
Deferred tax assets and liabilities relating to:							
impairment of investments in subsidiaries	415,238	123,500	0	**538,738**	0	0	**0**
impairment of other investments and deductible temporary differences arising on securities	9,329,990	-59,464	0	**9,270,526**	2,555,213	177,775	**2,732,988**
financial instruments	18,875	0	-18,875	**0**	0	0	**0**
allowances for trade receivables	359,877	-154,234	0	**205,643**	0	0	**0**
provisions for retirement benefits	251,092	19,934	13,994	**285,020**	0	0	**0**
provisions for jubilee premiums	51,462	2,911	0	**54,373**	0	0	**0**
non-current accrued costs and deferred income for public utility service	453,983	0	0	**453,983**	0	0	**0**
Total	**10,880,517**	**-67,353**	**-4,881**	**10,808,283**	**2,555,213**	**177,775**	**2,732,988**
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,555,213	0	-177,775	**-2,732,988**	-2,555,213	-177,775	**-2,732,988**
Deferred tax assets in the statement of financial position	**8,325,304**	**-67,353**	**-182,656**	**8,075,295**	**0**	**0**	**0**

Movements in deferred tax assets and deferred tax liabilities in 2017

	Receivables				Liabilities		
	Balance at 31 Dec 2016	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2017	Balance at 31 Dec 2016	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2017
Deferred tax assets and liabilities relating to:							
impairment of investments in subsidiaries	572,368	-157,130	0	**415,238**	0	0	**0**
impairment of investments in associates	17,575	-17,575	0	**0**	0	0	**0**
impairment of other investments and deductible temporary differences arising on securities	9,334,430	-4,441	0	**9,329,987**	1,954,676	600,537	**2,555,213**
financial instruments	79,776	0	-60,900	**18,876**	0	0	**0**
allowances for trade receivables	225,729	134,149	0	**359,878**	0	0	**0**
provisions for retirement benefits	318,854	-78,796	11,035	**251,093**	0	0	**0**
provisions for jubilee premiums	50,502	960	0	**51,462**	0	0	**0**
non-current accrued costs and deferred income for public utility service	453,983	0	0	**453,983**	0	0	**0**
Total	**11,053,217**	**-122,833**	**-49,865**	**10,880,518**	**1,954,676**	**600,537**	**2,555,213**
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-1,954,676	0	-600,537	**-2,555,213**	-1,954,676	-600,537	**-2,555,213**
Deferred tax assets in the statement of financial position	**9,098,541**	**-122,833**	**-650,402**	**8,325,304**	**0**	**0**	**0**

Note 18. Inventories

As at 31 December 2018, inventories are recorded at EUR 1,322,412 (2017: EUR 1,037,066). A larger portion thereof relates to maintenance material and spare parts, as well as to overhead-related material and auxiliary material.

Note 19. Trade and other receivables

(in EUR)	31 Dec 2018	31 Dec 2017
Current trade receivables:		
domestic market	17,894,351	16,581,025
foreign markets	19,996,725	18,273,278
Current operating receivables due from Group companies	394,926	363,927
Current operating receivables due from associates	193,348	55,902
Current trade receivables	**38,479,350**	**35,274,132**
Advances and collaterals given	3,090,406	94,103
Receivables due from the state	2,590,916	1,596,594
Other current receivables	107,015	72,904
Trade receivables	**44,267,687**	**37,037,733**
Current deferred costs and expenses	251,036	540,338
Accrued income	416,881	232,125
Assets from contracts with customers	0	210,861
Other receivables	**667,917**	**772,463**
Total	**44,935,604**	**37,810,196**

As at 31 December 2018, the value of trade and other receivables was EUR 44,935,604, which is an increase of EUR 6,914,547 from the previous year-end. The highest increase results from a short-term security amounting to EUR 3,041,855 provided to the Financial Administration of the Republic of Slovenia to secure the fulfilment of tax obligation.

With most trade receivables, the Company has an option to enforce a legal lien over the stored goods in its possession.

The Company checks its overdue receivables pursuant to the accounting manual, and regularly forms related allowances in the event of delayed payments. In accordance with IFRS 9 – Financial Instruments and based on its accounting policy, the Company formed for the first time in 2018 revaluation adjustment for receivables for not matured claims per key risk criteria. On that basis, the Company had less than one percent of such outstanding and not matured claims that included the risk of default. In 2018, the Company formed allowances for receivables in the amount of EUR 248,042 and eliminated the allowance for collected or written-off receivables amounting to EUR 2,338,644. The largest part of the reversal of the allowance for receivables in the amount of EUR 1,509,129 arises from the partial conversion of receivables into the subsidiary's capital and its partial repayment and from the issue of a profit in the amount of EUR 519,624.

At 31 December 2018, no receivables were due from Members of the Management Board or the Supervisory Board.

For the purpose of collateralising a bank loan that as at 31 December 2018 amounted to EUR 1,700,000, the Company signed a contract on assigning receivables. As of the reporting date, these receivables amounted to EUR 134,551.

Other receivables include short-term accrued income in the amount of EUR 416,881 which refer to income arising on expenses for European development projects, co-financed by European institutions, and short-term deferred costs in the amount of EUR 251,036.

Maturity of trade receivables and receivables relating to finance income:

(in EUR)	31 Dec 2018	Allowances 2018	31 Dec 2017	Allowances 2017
Outstanding and undue trade receivables	32,876,470	-68,560	30,628,915	0
Past due receivables:				
up to 30 days	5,216,604	-52,710	4,775,829	-519,624
31 to 60 days overdue	329,195	-33,688	197,593	0
61 to 90 days overdue	115,422	-24,916	79,277	0
91 to 180 days overdue	157,425	-55,747	33,257	0
more than 180 days overdue	635,473	-615,619	2,501,102	-2,422,217
Total	**39,330,589**	**-851,240**	**38,215,973**	**-2,941,841**

Note: the amount comprises trade receivables due from subsidiaries and associates.

As at 31 December 2018, the Company disclosed allowances for receivables amounting to EUR 851,239, a decrease from the preceding year-end of EUR 2,090,602. The decrease of allowances for receivables was mainly due to the partial conversion of receivables into equity participation in a subsidiary and partial repayment.

Movements in allowances for receivables

(in EUR)	2018	2017
Balance at 1 January	2,941,841	2,234,658
Increase:		
Formation of allowances	248,042	913,345
Decrease:		
Collected receivables written off	-1,028,617	-109,812
Final write-off of receivables	-1,310,027	-96,350
Balance at 31 December	**851,239**	**2,941,841**

Note 20. Cash and cash equivalents

(in EUR)	31 Dec 2018	31 Dec 2017
Cash in hand	253	51
Bank balances	23,376,054	28,202,538
Current deposits	50,000,000	0
Total	**73,376,307**	**28,202,589**

Note 21. Equity

Share capital

The share capital of Luka Koper, d. d. in the amount of EUR 58,420,965 consists of 14,000,000 ordinary no-par value shares that are freely transferable. The nominal value of a share is EUR 4.17.

Capital surplus (share premium) and revenue reserves

The Company records legal reserves in the amount of at least 10% of share capital as required by the Companies Act (ZGD-1). Legal reserves and share premium are not included in the accumulated profit and are not subject to distribution. The Company has no statutory reserves, as they are not envisaged under the articles of association. Pursuant to Article 230 (3) of the Companies Act, the Company formed at the year-end of 2018 additional other revenue reserves in the amount of a half of net profit or loss, which equalled EUR 29,294,497.

(in EUR)	31 Dec 2018	31 Dec 2017
Share premium	89,562,703	89,562,703
Legal reserves	18,765,115	18,765,115
Other revenue reserves	156,136,738	126,842,241
Total	**264,464,556**	**235,170,059**

Reserves arising from valuation at fair value

At the year-end of 2018, reserves arising from valuation at fair value with respect to the valuation of investments measured at fair value and with respect to unrealised actuarial gains and losses, amounted to EUR 13,119,650. After deducting deferred taxes, they are recorded at EUR 10,507,002.

Retained earnings

Retained earnings consist of the unappropriated portion of the net profit for the period amounting to EUR 29,294,497, and net profit brought forward that was recorded at EUR -42,055. The value of the net profit brought forward is negative due to correcting a past error related to disposal of ferrous scrap within the public utility service (PUS) of regular maintenance of the port infrastructure, and due to recognised actuarial losses.

(in EUR)	2018
Net profit from 2017 brought forward	41,911
Correction of a past error (PUS)	-55,068
Actuarial loss	-28,898
Net profit for the period	29,294,497
Retained earnings	**29,252,442**

Use of accumulated profit

The Management and Supervisory Board proposed to the Shareholders' Meeting to appropriate the accumulated profit, which as at 31 December 2017 amounted to EUR 17,261,912, as follows

- A portion in the amount of EUR 11,060,000 is to be used for dividend pay-out in the gross value of EUR 0.79 per ordinary share,
- The residual amount of accumulated profit in the amount of EUR 6,201,912 to remain unappropriated.

During the 30th Shareholders' Meeting of Luka Koper on 29 June 2018, a counter-proposal filed by the shareholders the Republic of Slovenia and SDH, d. d, was voted through, according to which the accumulated profit is to be appropriated as follows:

- A portion in the amount of EUR 17,220,000 is to be used for dividend pay-out in the gross value of EUR 1.23 per ordinary share,
- The residual amount of accumulated profit in the amount of EUR 41,911 to remain unappropriated.

The statement of accumulated profit for the financial year 2018 and the proposal for its distribution are provided in Section 20, 'Statement of accumulated profit'.

Note 22. Provisions

(in EUR)	31 Dec 2018	31 Dec 2017
Provisions for pensions and similar liabilities	4,204,831	3,184,782
Provisions for legal disputes	15,255,961	17,032,786
Total	**19,460,792**	**20,217,568**

Provisions for pensions and similar liabilities are composed of provisions for termination benefits and jubilee premiums as well as post-employment benefits.

The Company first formed liabilities from post-employment benefits (one-off payments upon retirement) in 2017, and such benefits were first paid in 2018. In 2017, such obligations were disclosed under other current liabilities and later transferred to provisions. In this context, provisions amounting to EUR 659,670 were formed in the reference year.

Based on actuarial calculation, the unrealised actuarial loss from the current and preceding year with respect to termination benefits amounting to EUR 162,208 was recorded in other comprehensive income. The Company recognised in the income statement the current service cost with respect to termination benefits and jubilee premiums in the amount of EUR 275,116, and the interest cost amounting to EUR 42,026. In 2018, payments under jubilee premiums and termination benefits amounted to EUR 168,732.

As at 31 December 2018, provisions for lawsuits were down by EUR 1,776,825, mainly due to a reversal of provisions for legal obligations. In accordance with Article 92 of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, the Company does not disclose information on its legal obligations as such disclosure would result in a judgement on the position of the Company in disputes with other parties.

Movements in provisions in 2018

(in EUR)	Termination benefits	Jubilee premiums	Defined contribution retirement benefit plan	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2017	2,643,075	541,707	0	3,184,782	17,032,786	20,217,568
Movement:						
Formation	442,736	69,057	659,670	1,171,463	279,418	1,450,881
Transfer from current borrowings	0	0	216,280	216,280	0	216,280
Transfer	57,755	18,912	-90,183	-13,516	0	-13,516
Use	-126,406	-42,326	-153,505	-322,237	-312,847	-635,084
Reversal	-16,943	-14,998	0	-31,941	-1,743,396	-1,775,337
Balance at 31 Dec 2018	**3,000,217**	**572,352**	**632,262**	**4,204,831**	**15,255,961**	**19,460,792**

Movements in provisions in 2017

(in EUR)	Termination benefits	Jubilee premiums	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2016	2,353,073	531,600	2,884,673	1,380,491	4,265,164
Movement:					
Formation	357,128	70,740	427,868	15,652,295	16,080,163
Use	-80,661	-64,052	-144,713	0	-144,713
Reversal	13,535	3,419	16,954	0	16,954
Balance at 31 Dec 2017	**2,643,075**	**541,707**	**3,184,782**	**17,032,786**	**20,217,568**

Note 23. Deferred income

(in EUR)	31 Dec 2018	31 December 2017
Non-current deferred income for regular maintenance	19,208,191	13,693,827
Non-refundable grants received	4,443,150	4,472,390
Total	**23,651,341**	**18,166,217**

Pursuant to the Concession Agreement, Luka Koper, d. d., records deferred income on regular maintenance as non-current deferred income comprise since it has the right and obligation to collect port dues, which serve as income intended to cover the costs of performing public utility service of regularly maintaining the port infrastructure intended for public transport. With respect to any annual surplus of revenue over costs, the Company forms non-current deferred income for covering the costs of public utility service relating to regular maintenance of the port infrastructure in the coming years. In the event that costs exceeded the revenue, the Company would be utilising non-current deferred income.

The grant funds received refer to received EU funds, which are drawn in accordance with the assets' useful life.

Movements in deferred income in 2018

(in EUR)	Non-current deferred income for regular maintenance	Non-refundable grants received	Total
Balance at 31 Dec 2017	13,693,827	4,472,390	18,166,217
Correction of an error from previous years	55,068	0	55,068
Balance at 1 Jan 2018	13,748,895	8,944,780	18,221,285
Movement:			
Formation	5,459,296	26,163	5,485,459
Transfer from other liabilities	0	157,021	157,021
Transfer to other liabilities	0	-35,706	-35,706
Use	0	-176,718	-176,718
Balance at 31 Dec 2018	**19,208,191**	**4,443,150**	**23,651,341**

Movements in deferred income in 2017

(in EUR)	Non-current deferred income for regular maintenance	Non-refundable grants received	Total
Balance at 31 Dec 2016	7,987,214	4,347,505	12,334,719
Movement:			
Formation	5,706,613	1,290,955	6,997,568
Transfer from other liabilities	0	22,535	22,535
Transfer to other liabilities	0	-1,110,728	-1,110,728
Use	0	-77,877	-77,877
Balance at 31 Dec 2017	**13,693,827**	**4,472,390**	**18,166,217**

Note 24. Non-current loans and borrowings

(in EUR)	31 Dec 2018	31 Dec 2017
Non-current financial liabilities to Group companies	16,000,000	16,000,000
Non-current borrowings from banks in Slovenia	50,464,286	71,419,979
Non-current borrowings from banks abroad	26,967,213	29,262,295
Total	**93,431,499**	**116,682,274**

Non-current financial liabilities to Group companies remained at the same level as the previous year. These liabilities refer to a borrowing from the subsidiary Luka Koper Inpo, d. o. o. All borrowings among Group companies have their tax acknowledged related-party interest rate defined in the loan contracts.

As at the balance sheet date, non-current borrowings from banks amounted to EUR 93,431,499, and have thus decreased by 19.9 percent or EUR 23,250,775 as compared to the year-end of 2017. The decrease resulted from the transfer of part of liabilities to current borrowings and the early repayment of a bank borrowing. All bank borrowings are subject to the variable interest rate.

All non-current borrowings from banks are being repaid following the predefined repayment schedule. All liabilities under non-current borrowings from banks are collateralised with blank bills of exchange and financial covenants, whereby one borrowing is collateralised with assignment of receivables. The Company complies with all financial covenants under the loan agreements.

Movements in non-current borrowings in 2018

	Lender		
(in EUR)	**Group companies**	**Banks**	**Total**
Balance at 31 Dec 2017	16,000,000	100,682,274	116,682,274
Repayments	0	-9,565,217	-9,565,217
Transfer to current borrowings – the portion that matures within 1 year	0	-13,685,558	-13,685,558
Balance at 31 Dec 2018	**16,000,000**	**77,431,499**	**93,431,499**

Movements in non-current borrowings in 2017

	Lender		
(in EUR)	**Group companies**	**Banks**	**Total**
Balance at 31 Dec 2016	16,000,000	97,900,739	113,900,739
New borrowings	0	18,700,000	18,700,000
Reclassifications	0	141,935	141,935
Transfer to current borrowings – the portion that matures within 1 year	0	-16,060,400	-16,060,400
Balance at 31 Dec 2017	**16,000,000**	**100,682,274**	**116,682,274**

Loan principals (non-current and current borrowings) in 2018

(in EUR)	Currency of loan	Interest rate	Date of maturity	Approved principal amount	Principal at 31 Dec 2018
Loans A	EUR	0.839	31 Dec 2021	16,000,000	16,000,000
Loans B	EUR	Euribor3m + from 0.650 to 1.000	from 1 Jul 2019 to 21 Jul 2031	88,000,000	58,545,628
Loans C	EUR	Euribor6m + from 1.050 to 1.200	from 14 Apr 2025 to 31 Dec 2025	50,000,000	32,571,428
Total				**154,000,000**	**107,117,057**
- whereof current portion					**13,685,558**

Loan principals (non-current and current borrowings) in 2017

(in EUR)	Currency of loan	Interest rate	Date of maturity	Approved principal amount	Principal at 31 Dec 2017
Loans A	EUR	1.095 to 1.108	31 Dec 2021	16,000,000	16,000,000
Loans B	EUR	Euribor3m + from 0.650 to 2.500	from 30 Sep 2018 to 21 Jul 2031	123,000,000	79,314,102
Loans C	EUR	Euribor6m + from 1.550 to 2.000	from 14 Apr 2025 to 31 Dec 2025	50,000,000	37,428,571
Total				**189,000,000**	**132,742,673**
- whereof current portion					**16,060,399**

Balance of non-current and current borrowings from banks at par value and by their maturity in 2018

(in EUR)	Principal at 31 Dec 2018	2019	2020	2021	2022	2023	Period 2024–2033
Balance of received loan principals by maturity	107,117,057	13,685,558	10,652,225	26,652,225	10,652,225	10,652,225	34,822,600
Expected interest	3,156,201	775,592	674,557	587,757	367,594	281,629	469,072
Total	**110,273,258**	**14,461,150**	**11,326,782**	**27,239,982**	**11,019,819**	**10,933,854**	**35,291,671**

Balance of non-current and current borrowings from banks at par value and by their maturity in 2017

(in EUR)	Principal at 31 Dec 2017	2018	2019	2020	2021	2022	Period 2023–2032
Balance of bank loan principals by maturity	132,742,673	16,060,399	16,004,399	17,898,602	26,652,225	10,652,225	45,474,824
Expected interest	5,578,019	1,384,618	1,141,323	928,901	773,465	477,899	871,811
Total	**138,320,692**	**17,445,017**	**17,145,722**	**18,827,503**	**27,425,690**	**11,130,124**	**46,346,636**

Note 25. Non-current operating liabilities

Non-current operating liabilities comprise non-current collaterals for the operation of the tax warehouse at the current cargo terminal and non-current collaterals received for leased premises. As at 31 December 2018, they amounted to EUR 1,304,783 (2017: EUR 967,102).

Note 26. Current loans and borrowings

(in EUR)	31 Dec 2018	31 Dec 2017
Current borrowings from banks in Slovenia	11,390,476	13,765,317
Current borrowings from banks abroad	2,295,082	2,295,082
Total	**13,685,558**	**16,060,399**

Current borrowings from banks as at 31 December 2018 refer to the portion of non-current principal amounts which mature in 2019 according to amortisation schedules.

Movements in current loans and borrowings

	Lender	
(in EUR)	Banks 2018	Banks 2017
Balance at 1 Jan	**16,060,399**	**11,761,732**
Repayments	-16,060,399	-11,761,733
Transfer from non-current borrowings – the portion that matures within 1 year	13,685,558	16,060,400
Balance at 31 Dec	**13,685,558**	**16,060,399**

Note 27. Trade and other payables

(in EUR)	31 Dec 2018	31 Dec 2017
Current liabilities to		
domestic suppliers	16,727,441	16,066,533
foreign suppliers	474,164	402,988
Current liabilities to Group companies	513,790	841,474
Current liabilities to associates	84,498	83,775
Current trade payables	**17,799,893**	**17,394,770**
Current liabilities from advances	1,623,279	1,018,067
Current liabilities to employees	6,016,943	3,587,424
Current liabilities to the state and other institutions	3,861	1,560
Current operating liabilities	**25,443,976**	**22,001,821**
Accrued costs and expenses	4,508,226	3,832,707
Other operating liabilities	**4,508,226**	**3,832,707**
Total	**29,952,202**	**25,834,528**

As compared to the preceding year, current trade and other payables increased by EUR 4,117,674. The highest increase was recorded among current liabilities to employees, i.e. resulting from new recruitment and from the concluded agreement on one-off payment to employees for having reached added value growth in 2018.

Current liabilities from advances mostly relate to the funds received from the EU to cover the future costs incurred by co-financed projects, and to the current securities received.

Accrued costs relate to accrued costs of the concession, costs for the collective job performance, accrued interest for loans and borrowings, accrued costs for remunerations and bonuses paid under individual contracts, accrued costs for unused vacation days, and accrued charges for invoices to be received.

Note 28. Contingent liabilities

(in EUR)	31 Dec 2018	31 Dec 2017
Guarantees given	1,610,000	1,610,000
Securities given	3,360,506	4,200,467
Contingent liabilities under legal disputes	5,974,481	1,933,240
Commitments for the purchase of assets	32,160,873	366,728
Total contingent liabilities	**43,105,859**	**8,110,435**

Guarantees given refer to customs operations and as at 31 December 2018 amounted to EUR 1,610,000.

Securities in the amount of EUR 3,360,506 were given to the company Adria Transport, d. o. o. to cover a lease of locomotives.

The company that received a guarantee from Luka Koper, d. d., regularly paid its liabilities in this regard and as at 31 December 2018 disclosed no outstanding instalments.

As at 31 December 2018, contingent liabilities under legal disputes amounted EUR 5,974,481, up EUR 4,041,241 from the preceding year-end. The highest increase relates to the formed contingent liabilities in the amount of EUR 3,041,855 for the fiscal control being conducted with regard to the corporate tax return for 2017, and for which the Company has assessed, also following the opinion of an independent fiscal counsellor, that there were no related risks for which provisions should be formed in this context.

Commitments for the purchase of assets relate to concluded contracts for the purchase/construction of an asset in a future period.

Note 29. Related party transactions

Remuneration of Members of the Management Board in 2018

Name and Surname	Gross wages (fixed part)	Gross wages (variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total remuneration
Dragomir Matić, President of the Management Board from 10 Jun 2014 to 29 Dec 2017	14,799	47,410	0	19	492	62,720
Andraž Novak, Member from 10 Jun 2014 to 29 Dec 2017	13,649	41,403	0	19	514	55,584
Irena Vincek, Member from 21. Aug 2015 to 29 Dec 2017	13,408	29,376	0	19	720	43,522
Stojan Čepar, Worker Director from 30 Nov 2015 to 12 Feb 2018	35,188	0	0	56	2,516	37,760
Dimitrij Zadel, President of the Management Board from 29 Dec 2017	172,880	0	1,200	206	4,474	178,760
Metod Podkrižnik, Member since 29 Dec 2017	155,455	0	1,200	206	9,695	166,556
Irma Gubanec, Member since 29 Dec 2017	155,526	0	1,200	206	7,697	164,629
Vojko Rotar, Worker Director since 1 Mar 2018	112,632	0	1,000	0	8,134	121,767
Total	**673,537**	**118,189**	**4,600**	**731**	**34,242**	**831,298**

Remuneration of Members of the Management Board in 2017

Name and Surname	Gross wages (fixed part)	Gross wages (variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total remuneration
Dragomir Matić, President of the Management Board from 10 Jun 2014 to 29 Dec 2017	179,832	36,166	1,150	221	7,408	224,777
Andraž Novak, Member from 10 Jun 2014 to 29 Dec 2017	163,516	38,547	1,150	221	6,201	209,635
Irena Vincek, Member from 21. Aug 2015 to 29 Dec 2017	162,876	21,863	1,150	221	9,328	195,438
Stojan Čepar, Worker Director since 30 Nov 2015	160,641	22,264	1,150	221	11,858	196,134
Total	**666,865**	**118,840**	**4,600**	**884**	**34,795**	**825,984**

Pursuant to Article 294, Item 5 of the Companies Act, the above table comprises remuneration for exercising respective functions as well as other income, such as cost reimbursement, supplementary retirement schemes and jubilee premiums.

To determine the variable income, i.e. remuneration for the Management Board, several quantitative indicators were applied, which contribute to the non-current interests of the Company.

A Member of the Management Board is remunerated in accordance with the 4th indent of Article 4, (1) of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Accordingly, one half of the remuneration is paid on the basis of the decision of the Supervisory Board upon consideration of the annual report after two years. A Member of the Management Board has a duty to return the variable income provided that all conditions for the return of all or part of the remuneration for performance have been fulfilled pursuant to the Companies Act.

In no case shall end-of-term allowance be paid to President/Member of the Management Board when their mandate ends and they continue to work in the Company. Should, however, the President/Member of the Management Board upon the end of their term issue a written statement that they will no longer be employed in the Company, a severance pay is paid in the amount equalling six times the average monthly earnings they received during the term of office as President/Member of Management Board, unless their term of office ended in a way that according to the contract omits the right to severance pay.

The contracts of the Members of the Management Board do not include the variable income or remuneration determined in form of shares.

Remuneration of groups of persons in 2018

Groups of persons	Gross wages (fixed and variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total remuneration
Members of the Management Board	791,725	4,600	731	34,242	831,298
Members of the Supervisory Board (ten members)	250,152	0	2,024	85,884	338,060
Employees with individual employment contracts	2,650,075	29,200	0	161,720	2,840,995
Total	**3,691,952**	**33,800**	**2,755**	**281,846**	**4,010,353**

Remuneration of groups of persons in 2017

Groups of persons	Gross wages (fixed and variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total remuneration
Members of the Management Board	785,705	4,600	884	34,795	825,984
Members of the Supervisory Board (ten members)	227,307	0	1,989	71,416	300,712
Employees with individual employment contracts	2,520,939	30,818	0	172,128	2,723,885
Total	**3,533,951**	**35,418**	**2,873**	**278,339**	**3,850,581**

Gross remuneration of Members of the Supervisory Board and its Committees in 2018

Name and Surname	Performance of function	Insurance premium benefits (SB)	Attendance fees and reimbursement of costs	Total gross earnings
Rado Antolovič, Member since 7 Oct 2013	19,253	225	86,927	106,404
Sabina Mozetič, Member since 21 Aug 2015	18,569	225	4,033	22,826
Mladen Jovičić, Member since 18 Mar 2013	18,935	225	5,639	24,800
Marko Grabljevec, Member since 18 Jan 2016	18,569	225	5,511	24,304
Rok Parovel, Member since 12 Sep 2016	22,282	225	6,148	28,655
Uroš Ilić, Member since 1 Jul 2017	29,284	225	6,742	36,250
Andraž Lipolt, Member since 1 Jul 2017	21,578	225	6,569	28,372
Milan Jelenc, Member since 1 Jul 2017	22,282	225	6,985	29,492
Barbara Nose, Member since 1 Jul 2017	22,282	225	7,055	29,562
Mateja Kupšek, External Member of the SB's Audit Committee since 31 Aug 2017	3,714	0	3,679	7,393
TOTAL	**196,747**	**2,024**	**139,289**	**338,060**

Gross remuneration of Members of the Supervisory Board and its Committees in 2017

Name and Surname	Performance of function	Insurance premium benefits (SB)	Attendance fees and reimbursement of costs	Total gross earnings
Alenka Žnidaršič Kranjc, Member from 7 Oct 2013 to 30 Jun.2017	11,375	127	3,019	14,522
Elen Twrdy, Member from 7 Oct 2013 to 30 Jun.2017	11,185	127	2,469	13,782
Andrej Šercer, Member from 7 Oct 2013 to 30 Jun.2017	11,375	127	3,515	15,018
Žiga Škerjanec, Member from 07 Oct 2013 to 30 Jun.2017	10,427	127	3,243	13,798
Rado Antolovič, Member since 7 Oct 2013	21,073	221	73,419	94,713
Sabina Mozetič, Member since 21 Aug 2015	16,136	221	3,369	19,726
Mladen Jovičić, Member since 18 Mar 2013	17,255	221	6,915	24,390
Marko Grabljevec, Member since 18 Jan 2016	16,136	221	4,895	21,252
Rok Parovel, Member since 12 Sep 2016	17,255	221	6,271	23,746
Uroš Ilić, Member since 1 Jul 2017	8,394	94	4,916	13,404
Andraž Lipolt, Member since 1 Jul 2017	7,898	94	5,007	12,998
Milan Jelenc, Member since 1 Jul 2017	7,898	94	5,977	13,969
Barbara Nose, Member since 1 Jul 2017	7,898	94	5,049	13,040
Polona Pergar Guzaj, External Member of the SB's Audit Committee from 7 Jul 2016 to 30 Aug 2017	2,429	0	1,673	4,102
Mateja Kupšek, External Member of the SB's Audit Committee since 31 Aug 2017	821	0	1,430	2,251
TOTAL	**167,555**	**1,989**	**131,168**	**300,712**

Remuneration in 2018 was paid pursuant to a decision on determining the payment for performance of functions and attendance fees to the Members of the Supervisory Board and Members of Committees of the Supervisory Board, which was adopted at the 29th General Meeting on 28 December 2017, stipulating as follows:

For attending a session, Members of the Supervisory Board receive attendance fee of EUR 275 gross each, and for attending a session of a Committee, Members of a Committee of the Supervisory Board receive a fee amounting to 80 percent of the fee for the attendance at a session of the Supervisory Board. The fee for a correspondence session is 80 percent of the fee for an ordinary session.

Irrespective of the aforementioned, each Member of the Supervisory Board is entitled to the payment of attendance fees in a year until the total amount of such fees of a Member of the Supervisory Board reaches the value of 50 percent of the basic payment for performing their function.

Irrespective of the aforementioned, each Member of the Supervisory Board who is also a Member of one or several Committees of the Supervisory Board is entitled to the payment of attendance fees in a year until the total amount of such fees of a Member of the

Supervisory Board reaches the value of 75 percent of the basic payment for performing their function.

In addition to attendance fees, Members of the Supervisory Board each receive the basic payment for carrying out their functions in the amount of EUR 15,000 gross annually. The President of the Supervisory Board is entitled to the supplement of 50 percent of the basic payment for carrying out the function of a Member of the Supervisory Board, whereas their deputy is entitled to 10 percent of the basic payment for carrying out the function of a Member of the Supervisory Board.

Members of a Committee of the Supervisory Board each receive a supplement for carrying out their functions, amounting to 25 percent of the basic payment for carrying out the function of a Member of the Supervisory Board. The Chair of a Committee is entitled to an additional fee of 37.5 percent of the payment for carrying out the function of a Member of a Committee of the Supervisory Board.

Irrespective of the aforementioned, each Member of a Committee of the Supervisory Board is entitled to the payment of additional fees in a year until the total amount of such additional fees of a Member of the Supervisory Board reaches the value of 50 percent of the basic payment for performing their function. If their term of office is shorter than the financial year, each Member of a Committee of the Supervisory Board is entitled to the payment of additional fees until the total amount of such additional fees of a Member of the Supervisory Board reaches the value of 50 percent of the basic payment for performing their function with respect to the duration of their term of office.

Members of the Supervisory Board and of Committees of the Supervisory Board receive basic salary and an additional fee for carrying out the function in proportionate monthly payments, which they are entitled to while carrying out their function. A monthly payment is equal to one twelfth of the aforementioned annual sums.

The limitation of total payments of attendance fees or payments of supplements to a Member of the Supervisory Board does not affect their duty to actively participate in all the meetings of the Supervisory Board and the meetings of the committees whose member they are and their legally determined responsibility.

Members of the Supervisory Board are entitled to reimbursement of travel and accommodation expenses, and other administrative expenses incurred with relation to their work in performing their function in the Supervisory Board or in relation to any other expert or work-related event for the Company, whereas the manner and amount of such reimbursement is stipulated in the Company's internal rules and regulations governing the reimbursement of work-related and other expenses.

In addition to payments to the Supervisory Board Members, in 2018 the Supervisory Board paid to their Members EUR 4,383 for training and EUR 30 for memberships of the Slovenian Directors' Association SDA.

Transactions with the Government of the Republic of Slovenia

In 2018, transactions between Luka Koper, d. d. and the Government of the Republic of Slovenia included the following:

(in EUR)	Payments in 2018	Costs/expenses in 2018	Payments in 2017	Costs/expenses in 2017
Concessions and the water fee	7,774,610	7,814,485	7,999,036	7,156,615
Dividends	8,782,200	0	9,996,000	0
Corporate income tax (taxes and advance payments)	3,151,706	12,143,446	7,927,743	3,151,706
Other taxes and contributions	6,652,954	7,035,212	6,023,746	6,810,784
Total	**26,361,470**	**26,993,144**	**31,946,525**	**17,119,105**

No other transactions between the Government of the Republic of Slovenia and the Company were recorded.

Dividends were paid out to two other companies, in which the Government of the Republic of Slovenia holds a controlling interest i.e. to the company SDH, d. d.in the amount of EUR 1,916,164 and the company Kapitalska družba, d. d. in the amount of EUR 856,793.

Transactions with companies, in which the Republic of Slovenia has directly dominant influence

The shareholder-related companies are those in which the Republic of Slovenia and the SDH together directly hold at least a 20% stake. The list of such companies is published on the SDH website (https://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb).

In 2018, transactions conducted between Luka Koper, d. d. and entities in which the state has directly dominant influence included sales to such companies amounting to EUR 11,356,052, and purchasing transactions amounting to EUR in 4,791,688. The majority of sale referred to services related to port activity, whereas major purchasing included costs of railway transport, purchases of energy and insurance costs. As at 31 December 2018, Luka Koper, d. d. recorded receivables and liabilities to such entities of EUR 1,841,898 and EUR 19,238,412 respectively. The major part of liabilities was related to a loan given by SID – Slovenska izvozna in razvojna banka, d. d., which was raised under market conditions.

Transactions with subsidiaries and associates

Related party transactions have been concluded under market conditions.

(in EUR)	2018	2017
Sale to subsidiaries:		
Luka Koper INPO, d. o. o.	821,407	1,724,397
Luka Koper Pristan, d. o. o.	46,384	113,956
Adria Terminali, d. o. o.	461,158	389,528
TOC, d. o. o.	4,258	4,200
Adria Investicije, d. o. o.	828	828
Logis-Nova, d. o. o.	1,200	1,200
Sale to associates:		
Adria Transport, d. o. o.	254,437	236,983
Adria-Tow, d. o. o.	157,088	177,041
Avtoservis, d. o. o.	328,934	233,977
Adriafin, d. o. o.	13,440	13,440
Total	**2,089,134**	**2,895,551**

(in EUR)	2018	2017
Purchase from subsidiaries:		
Luka Koper INPO, d. o. o.	7,275,109	6,420,656
Luka Koper Pristan, d. o. o.	179,490	7,365
Adria Terminali, d. o. o.	14,400	4,800
TOC, d. o. o.	17,387	14,902
Adria Investicije, d. o. o.	41,586	40,186
Purchase from associates:		
Adria Transport, d. o. o.	7,726	7,740
Adria-Tow, d. o. o.	37,535	37,805
Avtoservis, d. o. o.	1,049,993	1,178,045
Total	**8,623,226**	**7,711,500**

A substantial part of purchases from subsidiaries refers to the company Luka Koper INPO, d. o. o., which carried out maintenance work on the port infrastructure and electrical installation work for the Company.

(in EUR)	31 Dec 2018	31 Dec 2017
Trade and other receivables due from subsidiaries:		
Luka Koper INPO, d. o. o.	350,725	326,374
Luka Koper Pristan, d. o. o.	2,888	1,025
Adria Terminali, d. o. o.	40,886	36,101
TOC, d. o. o.	427	427
Adria Investicije, d. o. o.	84	84
Logis-Nova, d. o. o.	122	122
Trade and other receivables due from associates:		
Adria Transport, d. o. o.	40,461	17,922
Adria-Tow, d. o. o.	8,632	7,284
Avtoservis, d. o. o.	142,889	29,330
Adriafin, d. o. o.	1,366	1,366
Total	**588,480**	**420,035**

(in EUR)	31 Dec 2018	31 Dec 2017
Trade and other payables due from subsidiaries:		
Luka Koper INPO, d. o. o.	549,798	836,828
Luka Koper Pristan, d. o. o.	39	209
Adria Terminali, d. o. o.	1,464	1,464
TOC, d. o. o.	3,518	2,973
Adria Investicije, d. o. o.	2,013	2,038
Trade and other payables due from associates:		
Adria Transport, d. o. o.	976	0
Adria-Tow, d. o. o.	8,887	0
Avtoservis, d. o. o.	74,635	83,775
Total	**641,331**	**927,287**

(in EUR)	31 Dec 2018	31 Dec 2017
Finance income from loans to subsidiaries:		
Adria Terminali, d. o. o.	0	847
Total	**0**	**847**

Finance income from shares and interests in subsidiaries refer to sharing of profits of such companies, i.e. Luka Koper INPO, d. o. o. (EUR 168,590), Adria Terminali, d. o. o. (EUR 120,000), and Adria investicije, d. o. o. (EUR 13,044).

Finance income from shares and interests in associates refer to sharing of profits of companies Adria Transport, d. o. o. (EUR 150,000), Adria-Tow, d. o. o. (EUR 400,000), Avtoservis, d. o. o. (EUR 480,634), and Adriafin, d. o. o. (EUR 250,000).

(in EUR)	31 Dec 2018	31 Dec 2017
Borrowings from subsidiaries:		
Luka Koper INPO, d. o. o.	16,000,000	16,000,000
Total	**16,000,000**	**16,000,000**

(in EUR)	31 Dec 2018	31 Dec 2017
Finance expenses for liabilities to subsidiaries:		
Luka Koper INPO, d. o. o.	137,759	175,980
Total	**137,759**	**175,980**

Note 30. Financial instruments and financial risk management

Financial risks to which the Company is exposed to include:

1. Risk of change in fair value,
2. Interest rate risk,
3. Liquidity risk,
4. Currency risk,
5. Credit risk, and
6. Risk of adequate capital structure.

Financial risk management has been organised within the Company's finance and accounting. The specifics of the existing economic environment make forecasting future financial categories quite demanding, introducing into the planned categories a higher degree of unpredictability and, consequently, a higher level of risk. The Company has consequently tightened the control over individual financial categories. Other mainly non-financial risks have also been recorded and are described in detail in the risk management section of the business report.

1. Risk management and change in fair value

In compliance with the new standard IFRS 9 entering into force, the Company classified its other investments measured at cost as investments at fair value through profit or loss in the financial year 2018. In measuring fair value, the Company applied the highest and best use model. As at 31 December 2018, the Company thus records investments into securities at fair value through other comprehensive income, and investments resulting in an ownership stake of less than 20% through profit or loss.

As at 31 December 2018, the Company had invested 5.7 percent of its assets in investments measured at fair value (31 December 2017: 5.9 percent, data having been reviewed for comparative purposes). The fair value risk associated with investments in securities is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal, whereas with investments in shares of other companies there is a risk for the sales value not to equal the value of the market transaction. This type of risk has been recognised with regard to investments in market securities of successful Slovenian companies and to investments in shares and interests.

As at 31 December 2018, the value of non-current investments at fair value amounted to EUR 31,437,485.

Sensitivity analysis of investments at fair value:

Risk of change in fair value as at 31 December 2018

Change of index (in %)	Impact on equity
-10%	-3,143,749
10%	3,143,749

Risk of change in fair value as at 31 December 2017

Change of index (in %)	Impact on equity
-10%	-2,957,076
10%	2,957,076

Amendment for comparative purposes

Change of index (in %)	Impact on equity
-10%	-3,049,958
10%	3,049,958

The sensitivity analysis of investments at fair value was based on the assumption of a 10 percent increase in the value of the index and accordingly, such growth would result in an increase in the fair value of the market securities portfolio by EUR 3,143,749. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by that same amount.

If this was the case, the amount of the difference in fair value would be recognised as either an increase or decrease in other comprehensive income within equity for investments into securities, and within profit or loss for investments into other companies.

Fair value hierarchy in 2018

(in EUR)	Carrying amount at 31 Dec 2018	Direct stock market quotation (Level 1)	Value based on comparable market inputs (Level 2)	No observable market inputs (Level 3)
	Valuation at fair value			
Assets measured at fair value				
Other shares and interests	31,437,485	30,508,658	0	928,827

Fair value hierarchy in 2017

(in EUR)	Carrying amount at 31 Dec 2017	Direct stock market quotation (Level 1)	Value based on comparable market inputs (Level 2)	No observable market inputs (Level 3)
	Valuation at fair value			
Assets measured at fair value				
Other shares and interests	30,499,584*	29,570,757	0	928,827*
Liabilities measured at fair value				
Interest rate hedging for borrowings	99,346	0	99,346	0

*Correction of figures for comparative purposes

Shares and interests measured at fair value were valued at publicly applicable exchange rates of the Ljubljana Stock Exchange and mutual funds quotations.

Fair value of the interest rate swap was calculated by the bank.

2. Management of interest rate risk

With respect to its liabilities structure, the Company also faces interest rate risk as an unexpected growth in variable interest rates can have an adverse effect on the planned results.

In the overall structure of liabilities, the share of financial liabilities decreased from 25.7% in 2017 to 19.4% in 2018. The effect of variable interest rates changes on future profit and loss after taxes is shown in the table below.

With respect to the largest borrowing having a final maturity date in 2031, the Company entered into an instrument as interest rate hedging. Having been entered into in 2013, the instrument was due in 2018. Possible interest rate fluctuations would consequently have an impact on 85.1 percent (2017: 64.2 percent) of Company's total borrowings. The remaining 14.9 percent of borrowings were concluded with a fixed interest rate.

(in EUR)	31 Dec 2018	Exposure in 2018	31 Dec 2017	Exposure in 2017
Borrowings received at variable interest rate (without interest rate hedge)	91,117,057	85.1%	85,185,296	64.2%
Borrowings received at variable interest rate (with interest rate hedge)	0	0.0%	31,557,377	23.8%
Borrowings received at nominal interest rate	16,000,000	14.9%	16,000,000	12.1%
Total	**107,117,057**	**100.0%**	**132,742,673**	**100.0%**

(in EUR)	Non-hedged bank borrowings under the variable interest rate at 31 Dec 2018	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	58,545,629	43,893	73,156	202,243
6M EURIBOR	32,571,428	0	4,234	85,663
Total effect on interest expenses	**91,117,057**	**43,893**	**77,390**	**287,906**

(in EUR)	Non-hedged bank borrowings under the variable interest rate at 31 Dec 2017	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	47,756,725	0	0	81,664
6M EURIBOR	37,428,571	0	0	85,711
Total effect on interest expenses	**85,185,296**	**0**	**0**	**167,375**

The analysis of financial liabilities' sensitivity to changes in variable interest rates was based on the assumption of potential growth in interest rates of 15, 25 and 50 base points. Given the assumption that variable interest rates will grow by 15 or 25 base points, the Company's interest expenses in view of unchanged borrowing would grow by EUR 121,283. If the variable interest rates are to grow by 50 base points, the interest expenses would increase by EUR 287,906. At the year-end of 2018, the Company's borrowings not hedged against interest rate risk were subject to the movement of the 3M or 6M Euribor.

3. Management of liquidity risk

Liquidity risk refers to the risk that the Company would fail to settle its liabilities at maturity. The Company manages liquidity risk by regular planning of cash flows required to settle liabilities with diverse maturity. Additional measures for preventing delays in receivable collection include regular monitoring of payments and immediate response to any delays, and also charging penalty interest in accordance with the Company's uniform policy of receivable management.

(in EUR)	Up to 3 months	3 to 12 months	1 to 2 years	3 to 5 years	Over 5 years	Total
31 Dec 2018						
Loans and borrowings*	2,115,437	11,570,121	10,652,225	47,956,674	34,822,600	107,117,057
Expected interest on all borrowings	151,375	624,217	674,557	1,236,980	469,072	3,156,201
Other financial liabilities	156,684		0	0	0	156,684
Payables to suppliers	17,799,893	0	0	0	0	17,799,893
Other operating liabilities	7,644,083	0	0	0	0	7,644,083
Total	**27,867,472**	**12,194,338**	**11,326,782**	**49,193,654**	**35,291,671**	**135,873,918**
31 December 2017						
Loans and borrowings*	2,974,147	13,086,251	16,004,399	55,203,051	45,474,824	132,742,673
Expected interest on all borrowings	254,320	1,130,298	1,141,323	2,180,266	871,811	5,578,019
Other financial liabilities	372,169		0	0	0	372,169
Payables to suppliers	17,394,770	0	0	0	0	17,394,770
Other operating liabilities	4,607,051	0	0	0	0	4,607,051
Total	**25,602,458**	**14,216,549**	**17,145,722**	**57,383,317**	**46,346,636**	**160,694,682**

*The item also includes borrowings from subsidiaries and associates

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars (USD). In recent years, the Company succeeded in achieving significantly lower accrued income in USD to the extent that USD denominated receivables are negligible, based on which the Company has opted not to hedge this item.

5. Management of credit risk

Management of the risk of default on the side of the counterparty or the credit risk has gained in importance in recent years. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduces the assessed probability of timely inflows and increases additional costs of financing the operation. Accordingly, the Company has accelerated collection-related activities in the past years and more consistently monitored trade receivables past due. In case of customers, regarding which the Company detects late payments and inconsistency in observing adopted business agreements, an advance payment system is set up for all ordered services with the aim of avoiding the late-payment culture. The latter area is positively impacted by the specific structure of Company's customers, which are predominantly major companies, freight forwarders and forwarding agents that have been the Company's business partners for a number of years.

Certain receivables have been secured with collaterals, which are returned to the customers once all obligations have been settled or cooperation has been terminated. Investments include loans, which are secured with blank bills of exchange and other movable and immovable property.

Assets exposed to credit risk:

(in EUR)	Note	31 Dec 2018	31 Dec 2017
Non-current loans granted		13,876	22,592
Non-current operating receivables		41,108	41,772
Current loans given		8,716	8,413
Current trade receivables	19	38,479,350	35,274,132
Other current receivables	19	667,917	983,324
Cash and cash equivalents	20	73,376,307	28,202,589
Guarantees and collaterals granted	28	4,970,506	5,810,467
Total		**117,557,779**	**70,343,288**

6. Management of risk relating to adequate capital structure

Having identified the optimal capital structure, the Company has set a non-current strategic goal of maintaining the debtor's share within the liabilities side below 40 percent. As at 31 December 2018, this share was at 34.5 percent, down 3.7 percent from the preceding year-end.

(in EUR)	31 Dec 2018		31 Dec 2017	
	in EUR	share (%)	in EUR	share (%)
Equity	362,644,966	65.5%	320,652,651	61.8%
Non-current liabilities	137,848,415	24.9%	156,033,161	30.1%
Current liabilities	53,048,826	9.6%	42,267,096	8.1%
Equity and liabilities	**553,542,207**	**100.0%**	**518,952,908**	**100.0%**

Note 31. Transactions with the audit firm

The contractual value of audit services rendered for the Company by BDO revizija d. o. o. for the financial year 2018 is recorded at EUR 34,333, exclusive of VAT, travel costs included.

The contractual value of providing assurance on financial statements for the public utility service of regular maintenance of port infrastructure intended for public transport and public utility service of collecting waste from vessels for the financial year 2018, which for the Company was carried out by BDO Revizija, d. o. o., amounted to EUR 1,640 (exclusive of VAT).

21 Statement of accumulated profit

In 2018, Luka Koper, d. d. generated a net profit of EUR 58,588,955. At the year-end of 2018, the Company's Management Board earmarked half of the profit in the amount of EUR 29,294,498 to other revenue reserves pursuant to Article 230, (3) of the Companies Act. Thus, the Company's accumulated profit in 2018 was recorded at EUR 29,252,442.

(in EUR)	2018	2017
Profit for the period	58,588,995	33,143,408
Retained net profit	-42,055	690,207
Increase in revenue reserves	-29,294,498	-16,571,704
Total accumulated profit	**29,252,442**	**17,261,912**

The Company's dividend policy is to maintain the stakeholders' tendency towards dividend earnings and towards using the net profit for the period in order to finance investment projects. Taking into account the financial results achieved in 2018, the appropriation of accumulated profit, which was EUR 17,261,911 as at 31 December 2018, as proposed by the Management Board is as follows:

- A portion in the amount of EUR 18,620,000 is to be used for dividend pay-out in the gross value of EUR 1.33 per ordinary share,
- The residual amount of accumulated profit in the amount of EUR 10,632,442 to remain unappropriated.

22 Relevant events after the end of the financial year

JANUARY 2019

- Luka Koper, d. d., began in 2018 and completed in January 2019 the procedure of refinancing part of its long-term loans payable: long-term loan contracts were signed with two banks, i.e. Intesa Sanpaolo, d. d., and SID, d. d., for the period of 10 years and for a total amount of EUR 43.7 million, each bank providing a half. By refinancing part of its loans, the Company has lengthened the maturity of its sources of funds, while also replacing part of its variable-rate sources of funds with fixed interest rate sources and reducing financing costs.
- Upon the completion of the tax inspection performed by the Financial Administration of the Republic of Slovenia with regard to the corporation tax return for 2017, Luka Koper, d. d., received a notice of reassessment and paid the liabilities. The Company appealed against the notice.
- On 15 January 2019, Luka Koper received an application from the Ministry of Infrastructure to issue permissions to register a title to the land.

23 Independent Auditor's Report

BDO

Tel: +386 1 53 00 920
Fax: +386 1 53 00 921
info@bdo.si
www.bdo.si

Cesta v Mestni log 1
SI-1000 Ljubljana
Slovenija

INDEPENDENT AUDITOR'S REPORT

(Translation from the original in Slovene language)

To the Shareholders of **Luka Koper d.d.**

Opinion

We have audited the separate financial statements of Luka Koper d.d. (the Company), which comprise the statement of financial position as at 31 December 2018, separate income statement, separate statement of other comprehensive income, separate statement of changes in equity, and separate statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying separate financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2018, and its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council of 16th April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the separate financial statements of the current period. These matters were addressed in the context of our audit of the separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled all our obligations described in the paragraph "Auditor's responsibilities for the audit of the separate financial statements", including those related to these matters. Therefore, the audit comprised the implementation of the procedures determined on the basis of our assessment of the risk of material misstatement in the separate financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the attached separate financial statements.

BDO

Revenue recognition

Key audit matter

Revenue for the year ended 31 December 2018 amounted to EUR 222.980.390 EUR (2016: EUR 206.835.533).

The Company's core activities include transhipment of goods and rendering other accompanying and supporting services.

Revenue from these core services is generally recognized by reference to their stage of completion on the reporting date, calculated based on proportion of the service rendered.

Transhipment and other accompanying and supporting services are frequently contracted by the Company within a single customer arrangement.

The company performs a large volume of individual transactions, which are predominantly smaller, therefore it is very important that their completeness is ensured in the accounting period.

Accounting for such bundled arrangements requires significant management judgement in determining the appropriate measurement and timing of revenue, hence we considered this area to be a key audit matter.

Our response

Our audit procedures included, among others:

- Testing of design, implementation and operating effectiveness of controls over the revenue cycle. This included using our own IT specialists in evaluating the controls in the IT systems that support the recording of revenue.
- Assessing the Company´s policy for recognizing revenue, including considering whether the policy is in accordance with relevant financial reporting standards.
- Based on our inspection of a sample of contracts with key customers:
  - challenging the Company´s identification of identifiable components within the revenue contracts;
  - critically assessing the Company´s selection of revenue recognition patterns for identified revenue components by reference to the Company´s accounting policies;
- Critically evaluating the Company´s identification of the stage of completion of the services by inspecting of contracts and supporting documents, such as ship documentation, for all the ships berthed in the Luka Koper harbour in the end of December 2017.
- Inspecting manual journal entries posted to revenue accounts focusing on unusual and irregular items, or entries modified subsequent to the balance sheet date.

We refer to the separate financial statements Note 17.1 Basis for preparation of financial statements (revenue recognition judgement), Note 18.1.23 Revenue (accounting policy) and Note 19 Additional notes to the separate income statement, Note 1. Net revenue from sales (notes).

BDO

Provisions for Lawsuits

Key audit matter

The carrying amount of provisions for lawsuits as at 31 December 2018: EUR 15.255.961 (2017: EUR 17.032.786); contingent liabilities arising from lawsuits as at 31 December 2017: EUR 5.974.481 (2016: EUR 1.933.240).

The Company is exposed to material potential claims arising from pending lawsuits, regarding its operations. The claims and legal disputes, including recognised provisions, are important for the audit, since their recognition requires management judgement and since the assessment process is complex and based on future development of events, which is why the matter was defined as a key audit matter.

We refer to Note 20.22 Provisions and Note 20.28 Contingent liabilities describing the Company's exposure to lawsuits.

There is great uncertainty in the assessment of whether these are provisions or contingent liabilities. When adopting a decision, the Company uses material assumptions and assessments. The amounts of claims represent a material liability, and the assessment of the need to establish provisions is mostly subjective.

Our response

We assessed the management estimate of the current status of disputes and claims towards the Company and judged if potential provisions and the related disclosures should be recognised in accordance with the accounting standards. The management prepared the legal and financial assessment of the situation and obtained the assessments from several lawyers and independent legal experts.

Our audit procedures included among other:

- Inspecting the minutes of the Management and Supervisory Board of Luka Koper d.d.
- With the assistance of our legal experts, we assessed the reasonableness of our legal bases for recognising the provisions. We reviewed the appropriateness of estimates and assumptions used by the Company regarding the recognition of provisions or disclosing contingent liabilities for lawsuits. We focused on the judgement of the management regarding probability of unfavourable outcome and reliability of the assessed amount of claims.
- We evaluated the range of values and the assumptions included in the management's assessment of potential outflows of benefits and discussed the management assessment with the Company's Management Board and Audit Committee.
- We have assessed whether the company's disclosures regarding provisions for lawsuits were appropriate considering the IFRSs.

We refer to the separate financial statements, Note 20.22 Provisions, Note 20.28 Contingent liabilities, Basis for preparation of financial statements and the policies Note 17.1 - Assessment of established provisions for lawsuits Note 18.1.13.

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Other Information

Management is responsible for the other information. The other information comprises Introduction, Business Report and Sustainability report included in the Company´s annual report but does not include the separate financial statements and our auditor's report thereon.

Our opinion on the separate financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the separate financial statements, our responsibility is to read other information and, in doing so, assess whether the other information is materially inconsistent with the separate financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work done, we conclude that there is a material misstatement of other information, we must report such circumstances. Based on the procedures performed, we report that:

- The other information is in all material respect consistent with audited separate financial statements;
- The other information is prepared in compliance with applicable law or regulation; and
- Based on the knowledge and understanding of the Company obtained in the audit on the other information, we have not identified any material misstatement on fact.

Responsibilities of Management and the Supervisory Board for the Separate Financial Statements

Management is responsible for the preparation and fair presentation of the separate financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for overseeing the Company's financial reporting process.

Auditor´s Responsibilities for the Audit of the Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate financial statements, including the disclosures, and whether the separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

With the Supervisory Board and the Audit Committee we communicate the planned scope and timing of the audit and significant findings from the audit, including significant deficiencies in internal control we have identified during our audit.

We also provide the Supervisory Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting obligations as required by EU Regulation No. No 537/2017 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the statutory auditor of the Company by the shareholders on the General Shareholders´ Meeting held on 28th December 2017 for the financial years 2017, 2018

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and 2019. Chairman of the Supervisory Board signed the engagement letter for financial year 2018 on 12th October 2018 and annex on 19th December 2018. The audit is carried out by Certified Auditor M.Sc. Nadja Kranjc.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the separate financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on 10th April 2019.

Prohibited Services

We confirm that we have not performed any prohibited services referred to the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council. We declare that we ensure our independence from audit Company.

Other Audit Services

In addition to the statutory audit services, we have performed other audit procedures for the Company in relation to the assessment of the objective reasonableness of the criteria that serve the allocation of assets and liabilities, costs, expenses and revenues, and procedures related to the assessment of the correctness of the criteria application in the preparation of separate financial statements when performing a public services of administration, management, development and regular maintenance of port infrastructure in the area of the Koper cargo port and waste collection from vessels.

Ljubljana, 10th April 2019

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

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BDO Revizija d.o.o.
Družba za revidiranje

M.Sc. Nadja Kranjc, Certified auditor
Director

Kranjc

24 Luka Koper Group - Consolidated Financial Statements

24.1 Consolidated Income Statement

(in EUR)	Note	2018	2017
Revenue	1	226,305,538	211,438,377
Capitalised own products and services	2	1,315,298	738,058
Other income	3	15,695,495	3,642,170
Costs of material	4	-17,151,517	-15,939,587
Costs of services	5	-54,874,237	-51,797,610
Employee benefits expense	6	-62,652,761	-54,513,475
Amortisation and depreciation expense	7	-29,367,175	-28,447,776
Other operating expenses	8	-9,563,141	-28,480,285
Operating profit		**69,707,500**	**36,639,872**
Finance income		1,698,588	1,346,731
Finance expenses		-1,074,288	-1,724,038
Profit or loss from financing activity		**624,300**	**-377,307**
Profit of associates		1,658,983	1,689,933
Profit before tax	**9**	**71,990,783**	**37,952,498**
Income tax expense	10	-12,213,417	-3,235,672
Deferred taxes	10	-17,163	265,963
Profit for the period		**59,760,203**	**34,982,789**
Net profit attributable to the parent/controlling company		**59,741,723**	**34,961,520**
Net profit attributable to non-controlling interest		**18,480**	**21,269**
Net earnings per share	**11**	**4.27**	**2.50**

24.2 Consolidated Statement of Other Comprehensive Income

	Note	2018	2017
Profit for the period		**59,760,203**	**34,982,789**
Actuarial gains/losses from post-employment benefits	21	-196,652	-164,695
Deferred tax on unrealised actuarial gains or losses	17	13,588	11,100
Items not to be reclassified into profit/loss in future periods		-183,064	-153,595
Change in revaluation surplus of available-for-sale financial assets	16	1,306,723	3,666,234
Deferred tax on revaluation of available-for-sale financial assets	17	-247,850	-696,585
Change in fair value of cash flow hedging instruments		99,346	320,525
Deferred tax on the change in fair value of cash flow hedging instruments	17	-18,874	-60,900
Items that might be reclassified into profit/loss in future periods		1,139,345	3,229,274
Total comprehensive income for the period		**60,716,484**	**38,058,468**
Total comprehensive income attributable to owners of the parent		**60,698,004**	**38,037,200**
Total comprehensive income of non-controlling interests		**18,480**	**21,268**

24.3 Consolidated Statement of Financial Position

	Note	31 Dec 2018	Restated 31 Dec 2017	Restated 1 Jan 2017
ASSETS				
Property, plant and equipment	12	370,565,314	384,819,160	376,011,980
Investment property	13	14,870,578	15,329,841	18,575,530
Intangible assets	14	2,894,095	3,467,042	4,126,170
Shares and interests in associates	15	13,754,815	13,376,467	12,680,341
Other non-current investments	16	35,524,158	34,217,435	30,551,199
Deposits and loans given		19,378	22,592	31,005
Non-current operating receivables		70,818	41,772	41,772
Deferred tax assets	17	7,961,052	8,231,345	8,711,771
Non-current assets		**445,660,208**	**459,505,654**	**450,729,768**
Assets (disposal groups) held for sale		0	864	1,372
Inventories	18	1,322,412	1,037,066	809,467
Deposits and loans given		79,802	79,541	105,489
Trade and other receivables	19	45,596,345	38,741,762	32,518,465
Assets from contracts with customers		0	210,861	0
Income tax assets		0	4,528,725	0
Cash and cash equivalents	20	79,583,293	32,374,215	5,826,536
Current assets		**126,581,852**	**76,973,034**	**39,261,329**
TOTAL ASSETS		**572,242,060**	**536,478,688**	**489,991,097**
EQUITY AND LIABILITIES				
Share capital		58,420,965	58,420,965	58,420,965
Capital surplus (share premium)		89,562,703	89,562,703	89,562,703
Revenue reserves		174,901,853	145,607,356	129,035,652
Reserves arising from valuation at fair value		11,507,892	10,498,049	7,374,500
Retained earnings		59,274,576	46,100,910	47,358,965
Equity attributable to owners of the parent	**21**	**393,667,989**	**350,189,983**	**331,752,785**
Non-controlling interests		**210,816**	**192,336**	**171,068**
Own funds		**393,878,805**	**350,382,319**	**331,923,853**
Provisions	22	19,936,175	20,701,828	4,781,422
Deferred income	23	25,567,895	20,326,466	14,819,906
Non-current loans and borrowings	24	77,431,499	100,682,274	97,900,739
Other non-current fianncial liabilities	25	0	0	419,873
Non-current trade payables	25	1,380,528	1,045,243	772,086
Non-current liabilities		**124,316,097**	**142,755,811**	**118,694,026**
Current borrowings	26	13,685,558	16,060,399	11,761,732
Other current financial liabilities		145,363	372,169	250,614
Income tax liabilities		9,244,938	0	1,896,207
Trade and other payables	27	30,971,299	26,907,990	25,464,665
Current liabilities		**54,047,158**	**43,340,558**	**39,373,218**
TOTAL EQUITY AND LIABILITIES		**572,242,060**	**536,478,688**	**489,991,097**

**Adjustments are outlined in point 27.2.32 under Changes in accounting policies and Correction of an error from previous years.*

24.4 Consolidated Statement of Cash Flows

(in EUR)	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit for the period	**59,760,203**	**34,982,789**
Adjustments for:		
Amortisation and depreciation expense	29,367,175	28,447,776
Reversal and impairment losses on property, plant and equipment, and intangible assets	180,584	3,990,061
Gain on sale of property, plant and equipment, and investment property	-764,354	-311,010
Allowances for receivables	554,390	925,112
Collected written-off receivables and written-off liabilities	-1,042,922	-119,738
Reversal of provisions	-1,777,691	-16,954
Finance income	-1,698,588	-1,346,731
Finance expenses	1,074,288	1,724,038
Recognised result of subsidiaries under equity method	-1,658,983	-1,689,933
Income tax expense and income (expenses) from deferred taxes	12,230,580	2,969,709
Profit before change in net current operating assets and taxes	**96,224,682**	**69,555,119**
Change in operating receivables	-6,260,172	-7,190,138
Change in inventories	-285,346	-227,599
Change in assets (disposal groups) held for sale	1,503,062	0
Change in operating liabilities	63,575	-4,069,750
Change in provisions	919,502	15,937,360
Change in non-current deferred income	5,296,497	6,594,753
Cash generated in operating activities	**97,461,799**	**80,599,745**
Interest expenses	-1,315,825	-1,690,420
Tax expenses	1,560,246	-9,660,604
Net cash from operating activities	**97,706,220**	**69,248,721**
CASH FLOWS FROM INVESTMENT ACTIVITIES		
Interest received	229,329	130,298
Dividends received – associates	1,280,634	993,808
Dividends received – other companies	1,469,259	1,216,433
Proceeds from sale of property, plant and equipment, and intangible assets	1,487,580	311,893
Proceeds from sale, less investments and loans given	43,300	34,634
Acquisition of property, plant and equipment, and intangible assets	-12,152,107	-32,689,093
Acquisition of investments, increase in loans given	-211	-273
Net cash from investing activities	**-7,642,216**	**-30,002,300**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current borrowings	0	18,700,000
Repayment of non-current borrowings	-9,565,217	0
Repayment of current borrowings	-16,060,399	-11,775,924
Dividends paid	-17,229,310	-19,622,818
Net cash from financing activities	**-42,854,926**	**-12,698,742**
Net increase in cash and cash equivalents	**47,209,078**	**26,547,679**
Opening balance of cash and cash equivalents	32,374,215	5,826,536
Closing balance of cash and cash equivalents	**79,583,293**	**32,374,215**

24.5 Consolidated Statement of Changes in Equity

2018

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising on valuation at fair value: Investments	Reserves arising on valuation at fair value: Financial Instruments	Reserves arising on valuation at fair value: Actuarial gains and losses	Total equity attributable to owners of controlling shares	Equity of non-controlling interests	Total equity
Balance at 31 December 2017 – restated*	**58,420,965**	**89,562,703**	**18,765,115**	**126,842,241**	**46,100,910**	**11,671,809**	**-80,472**	**-1,093,285**	**350,189,986**	**192,336**	**350,382,319**
Changes in equity – transactions with owners											
Dividends paid	0	0	0	0	-17,220,000	0	0	0	-17,220,000	0	-17,220,000
	0	**0**	**0**	**0**	**-17,220,000**	**0**	**0**	**0**	**-17,220,000**	**0**	**-17,220,000**
Total comprehensive income for the period											
Profit for the period	0	0	0	0	59,741,723	0	0	0	59,741,723	18,480	59,760,203
Change in revaluation surplus of financial assets, less tax	0	0	0	0	0	1,058,871	0	0	1,058,871	0	1,058,871
Change in fair value of cash flow hedging instruments, less tax	0	0	0	0	0	0	80,472	0	80,472	0	80,472
Actuarial gains/losses, less tax	0	0	0	0	0	0	0	-183,064	-183,064	0	-183,064
	0	**0**	**0**	**0**	**59,741,723**	**1,058,871**	**80,472**	**-183,064**	**60,698,002**	**18,480**	**60,716,482**
Changes within equity											
Allocation of proportion of net profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	0	0	0	29,294,497	-29,294,497	0	0	0	0	0	0
Other changes in equity	0	0		0	-53,561	0	0	53,561	0	0	0
	0	**0**	**0**	**29,294,497**	**-29,348,058**	**0**	**0**	**53,561**	**0**	**0**	**0**
Balance at 31 December 2018	**58,420,965**	**89,562,703**	**18,765,115**	**156,136,738**	**59,274,576**	**12,730,680**	**0**	**-1,222,788**	**393,667,989**	**210,816**	**393,878,805**

**Adjustments are outlined in point 27.2.32 under Correction of an error from previous years.*

2017

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising on valuation at fair value			Total equity attributable to owners of controlling shares	Equity of non-controlling interests	Total equity
						Investments	Financial Instruments	Actuarial gains and losses			
Balance at 31 Dec 2016 - previously reported	**58,420,965**	**89,562,703**	**18,765,115**	**110,270,537**	**47,414,033**	**8,702,160**	**-340,097**	**-987,563**	**331,807,853**	**171,068**	**331,978,921**
Retroactive restatements (error elimination)	**0**	**0**	**0**	**0**	**-55,068**	**0**	**0**	**0**	**-55,068**	**0**	**-55,068**
Balance at 1 Jan 2017 – restated*	**58,420,965**	**89,562,703**	**18,765,115**	**110,270,537**	**47,358,965**	**8,702,160**	**-340,097**	**-987,563**	**331,752,785**	**171,068**	**331,923,853**
Changes in equity – transactions with owners											
Dividends paid	0	0	0	0	-19,600,000	0	0	0	-19,600,000	0	-19,600,000
	0	**0**	**0**	**0**	**-19,600,000**	**0**	**0**	**0**	**-19,600,000**	**0**	**-19,600,000**
Total comprehensive income for the period											
Profit for the period	0	0	0	0	34,961,520	0	0	0	34,961,520	21,268	34,982,788
Change in revaluation surplus of financial assets, less tax	0	0	0	0	0	2,969,649	0	0	2,969,649	0	2,969,649
Change in fair value of cash flow hedging instruments, less tax	0	0	0	0	0	0	259,625	0	259,625	0	259,625
Actuarial gains/losses, less tax	0	0	0	0	0	0	0	-153,595	-153,595	0	-153,595
	0	**0**	**0**	**0**	**34,961,520**	**2,969,649**	**259,625**	**-153,595**	**38,037,199**	**21,268**	**38,058,467**
Changes within equity											
Allocation of proportion of net profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	0	0	0	16,571,704	-16,571,704	0	0	0	0	0	0
Other changes in equity	0	0		0	-47,873	0	0	47,873	0	0	0
	0	**0**	**0**	**16,571,704**	**-16,619,577**	**0**	**0**	**47,873**	**0**	**0**	**0**
Balance at 31 Dec 2017 – restated*	**58,420,965**	**89,562,703**	**18,765,115**	**126,842,241**	**46,100,910**	**11,671,809**	**-80,472**	**-1,093,285**	**350,189,986**	**192,336**	**350,382,322**

**Adjustments are outlined in point 27.2.32 under Correction of an error from previous years.*

25 Composition of the Luka Koper Group

The consolidated financial statements of the Luka Koper Group (hereinafter: Group) for the year ended 31 December 2018 consist of the financial statements of the controlling company Luka Koper d. d., its subsidiaries, as well as attributable profits or losses of associates and jointly controlled entities.

Subsidiaries included in the consolidated financial statements:

- Luka Koper INPO, d. o. o., 100%
- Adria Terminali, d. o. o., 100%
- Luka Koper Pristan, d. o. o., 100%
- TOC, d. o. o., 68.13%

Associates included in the consolidated financial statements:

- Adria Transport, d. o. o., 50%
- Adria-Tow, d. o. o., 50%
- Adriafin, d. o. o., 50%
- Avtoservis, d. o. o., 49%

Companies excluded from the consolidated financial statements as at 31 December 2018:

- Logis-Nova, d. o. o., 100%
- Adria Investicije, d. o. o., 100%

The companies Adria Investicije, d. o. o. and Logis-Nova, d. o. o. were not included in the consolidated financial statements as they are not considered significant for a fair presentation of the Group's financial position. They operate in a limited scope and without employees. In their books, they only disclose property. As at 31 December 2018, the balance sheet total of both was EUR 834,338. Net income for the year amounted to EUR 61,424 (Adria Investicije, d. o. o.: EUR 41,586 and Logis-Nova, d. o. o.: EUR 19,838). Both companies recorded positive amounts at the end of the year. If operations of the companies should change considerably, they would be included in the Group's consolidated statements.

26 Notes to the Consolidated Financial Statements

26.1 Bases for the presentation of financial statements

Reporting entity

Luka Koper, d. d., pristaniški in logistični sistem, with its registered office at Vojkovo nabrežje 38 in Koper, Slovenia, is the controlling company of the Luka Koper Group. Consolidated financial statements for the year ended 31 December 2018 refer to the Luka Koper Group, which contains the controlling company and its subsidiaries, jointly controlled entities and associates.

The port's core business is cargo handling and warehousing of all types of goods, which the Group supplements with diverse goods-related services and other services to secure an overall logistics support. Given the Concession Agreement, Luka Koper, d. d. maintains the port infrastructure and provides for the port's development.

Statement of compliance

The consolidated financial statements of the Luka Koper Group have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and as adopted by the European Union, and in accordance with provisions of the Slovenian Companies Act.

The Management Board of Luka Koper, d. d. approved the financial statements on 15 March 2019.

Bases for measurement

The consolidated financial statements have been prepared on a going concern basis. The statements have been prepared on the historical cost basis, except for derivatives and investments that were measured at fair value. Methods applied for fair value measurement are clarified within the note 'Fair value'.

Functional and presentation currency

The consolidated financial statements are presented in EUR (exclusive of cents), which is the functional currency of the controlling company.

Use of estimates and judgements

Preparation of financial statements in conformity with IFRSs requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Estimates are formed based on past experience and expectations in the accounting period. Formation of estimates and the related assumptions and uncertainties are disclosed in the notes to individual items.

Estimates, judgements and assumptions are reviewed on a regular basis. Actual results may differ from these estimates, hence estimates and underlying assumptions are reviewed and relevant adjustments formed on an ongoing basis. Changes in accounting estimates are recognised in the period for which the estimates are modified, or in the coming periods that are impacted by respective changes.

Estimates and judgements are used primarily with the following accounting items:

Assessing the impairment of property, plant and equipment (Note 12 and 13 and policy 26.2.5)

Existence of possible indication of impairment for property, plant and equipment is assessed based on IAS 36. As at each reporting date, the Group assesses whether there is any indication (significant technological changes, market changes, obsolescence or physical wear and tear of individual property, plant and equipment) of possible impairment. If such indication exists, the Group is required to evaluate the recoverable value of the asset. Any asset is subject to impairment if its carrying amount exceeds its recoverable value. The recoverable value is the higher of the following two items: its fair value less selling expenses or its value in use.

Assessing the formation of provisions for legal disputes (Note 22 and 28 and policy 26.2.14)

A provision is recognised if the Group has legal or indirect obligations arising from a past event that can be reliably assessed, and if it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Potential obligations are not recognised in the financial statements, as their exact amount could not be established or their actual existence will be confirmed only upon the occurrence or non-occurrence of events in the unforeseeable future, which the Group cannot influence.

The Management of each entity regularly checks whether the settlement of a potential obligation will likely require an outflow of resources embodying economic benefits. If it becomes probable that an outflow of future economic benefits will be required, provisions for legal disputes are formed for the possible liability in the financial statements.

Assessing the adequacy of useful lives of assets (Note 12 and 14 and policies 26.2.5 and 26.2.7)

While assessing the useful lives of assets, the expected physical wear and economic and technical ageing is taken into account. In this relation, the Group regularly verifies the useful lives with significant assets and in case of changed circumstances, the Group changes the useful life and consequently revalues the cost of depreciation.

Assessing the adequacy of revenue recognition in contracts with customers (Note 1 and policy 26.2.24)

The Group discloses its revenue in accordance with IFRS 15. The core principle of the framework is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. For the purpose of revenue recognition, each company applies the stage of completion method as at the date of statement of financial position i.e. for cargo handling by volume and working hours performed, for warehousing and logistics by days and volume, for maintenance upon construction situations and hours performed, for laboratory services by hours performed, and for hospitality and accommodation services by days and services rendered.

Operating income is recognised by each company when it can be reasonably expected that it will result in cash receipts, unless such receipts were already realised when revenue was generated, and their amount can be reliably measured.

Assessing the Impairment of financial instruments and non-financial assets

Information on significant estimates about uncertainty and critical judgement in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, was applied in the assessment of:

- Value of property, plant and equipment (Note 12),
- Value of investment property (Note 13),
- Valuation of investments in subsidiaries, associates and other companies (Notes 15 and 16), and
- Recognition of deferred tax assets (Note 17).

Assessing the possibility of using receivables for deferred taxes (Note 17 and policy 26.2.22)

Based on the estimate that sufficient profit will be available in the future, the Group created deferred tax assets provided under following:

- Provisions for jubilee premiums and retirement benefits,
- Impairment of investments,
- Differences arising on revaluation of available for sale investments,
- Impairment of receivables.

Deferred tax assets recognised under the formation of provisions for jubilee premiums and retirement benefits, are reduced by relevant amounts of provisions utilised or increased by amounts of newly formed provisions.

Given that the impairment losses on investments and receivables are not recognised as tax expenditure upon formation, the Group formed deferred tax assets in the relevant amounts. Deferred tax assets will be capitalised upon the sale or disposal of the investment or financial instrument and upon the final write-off of receivables.

The tax rate applied for calculating deductible temporary differences is 19 percent, which is also the general tax rate for corporate income tax.

Deferred tax liabilities are recognised for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through equity) to a higher value, whereas on revaluation of available-for-sale financial assets to a lower value, deferred tax assets are recognised.

At the reporting date, the amount of deferred tax assets or liabilities is reassessed. If there is no sufficient amount of available taxable profits, the amount of deferred tax assets is reduced accordingly.

Assessment of provisions formed for retirement benefits and jubilee premiums (Note 22 and policy 26.2.14)

Obligations for defined post-employment and other benefits record the present value of retirement benefits and jubilee premiums. They are recognised on the basis of an actuarial calculation approved by the Management. The actuarial calculation is based on assumptions and assessments valid during the calculation, which may differ in the future from the actual assumptions in force at the time as a result of changes. This pertains particularly to the determination of the discount rate, the assessment of the fluctuation of employees, the assessment of the death rate and the assessment of salary growth. Due to the complexity of the actuarial calculation and the long-term nature of the item, obligations for defined benefits are sensitive to changes in the mentioned assessments.

27 Summary of significant accounting policies and disclosures

27.1 Introduction

The accounting policies detailed below were consistently applied in all the periods presented in the consolidated financial statements.

The Luka Koper Group companies apply uniform accounting policies that have been changed and adjusted to Group's policies where necessary.

27.2 Basis for consolidation and accounting policies applied

27.2.1 Subsidiaries

Subsidiaries are entities controlled by the parent or controlling company. Control exists when the controlling company has the ability to make decisions on the company's financial and business policies in order to obtain benefits from its operations. In assessing control, potential voting rights that might currently be exercised or replaced are taken into account as regards their existence and effect. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

27.2.2 Associates

Associates are those entities in which the Group has significant influence but not control over the financial and operating policies. Investments in associates are initially recognised at cost and thereupon accounted for under the equity method. The consolidated financial statements of the Luka Koper Group comprise the company's share and profits and losses of jointly controlled entities, accounted for under the equity method upon the adjustment of accounting policies from the date when significant influence begins until the date when it ends. If the Group's share in the losses of associates exceeds their share, the carrying amount of the Group's share is reduced to zero, whereas the share in further losses is no longer recognised.

27.2.3 Transactions eliminated on consolidation

Balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is evidence of impairment.

27.2.4 Foreign currency transactions

Transactions in foreign currency are translated into euro at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities expressed in foreign currency as at the date of the statement of financial position are translated at the reference exchange rate of the ECB at the final day of the accounting year. All differences resulting from foreign currency translation are recognised in the income statement.

27.2.5 Property, plant and equipment

Items of property, plant and equipment are carried at cost. Under the cost model, an item of property, plant and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses. The manner and methods used in the valuation of assets due to impairment are described in the section 'Impairment of property, plant and equipment'. The cost of an item of property, plant and equipment is equal to the monetary price on the date of the asset's recognition.

In addition to property, plant and equipment being acquired, the item of assets being acquired also includes advances for acquiring property, plant and equipment.

Parts of property, plant and equipment with different useful lives are treated as individual assets that are depreciated during the estimated useful life.

Land is accounted for separately and is not subject to depreciation.

Borrowing costs

Pursuant to IAS 23, the purchase cost of property, plant and equipment can also include borrowing costs if they can be directly associated to the purchase, construction or production of an asset in the course of construction. If the Company or Group agrees on a general borrowing which cannot be directly associated with the purchase of an asset in the course of construction, it will capitalise a proportionate share of costs calculated using the weighted annual interest rate by taking into account interest rate hedging, but solely for major investments (value and construction period exceeding EUR 1 million and 12 months, respectively). Investments with durations of several years that witnessed no inputs in the reporting period (halted investments) are excluded from the method of capitalising interest.

Borrowing costs are capitalised until the asset is in the course of construction. When the asset is transferred to use, borrowing costs are no longer capitalised. The amount of borrowing costs capitalised in the period must not exceed the borrowing costs which arise in the same period.

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost under the recognition principle. The replaced component is no longer subject to recognition. Other subsequent expenditure is capitalised only when it could potentially increase the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is expensed when incurred.

Depreciation

In each period, depreciation charge is recognised in the income statement. An asset is subject to depreciation when it is made available for use. The items of property, plant and equipment are depreciated under the straight-line method of depreciation, considering the assessed economic life of an individual asset. The depreciation method used is reassessed at the end of each financial year. As a rule, the residual value of an asset is considered only for significant items of property, plant and equipment as is their cost of disposal. Land, assets being acquired, non-current assets classified to disposal groups (held for sale) and works of art are not depreciated. Useful lives applied with property, plant and equipment

Assets	2018	2017
Buildings	16.67–66.67 years	16.67–66.67 years
Transport and transhipment equipment	5–17.86 years	5–17.86 years
– locomotives	6.67–10 years	6.67–10 years
– forklifts, shippers	8 years	8 years
Computer hardware	4–5 years	4–5 years
Other equipment	4–10 years	4–10 years

are as follows:

Derecognition

The carrying amount of an individual item of property, plant and equipment is derecognised upon its disposal or when no future economic benefits are expected from the asset's use or disposal. Any profit or losses resulting from disposal of individual item of property, plant and equipment is determined as the differences between the revenue from disposal and the carrying amount and are included in profit or loss.

27.2.6 Investment property

Investment properties are held to bring rent and/or increase the value of the non-current investment. Investment property is measured under the cost model. Depreciation is accounted for under the straight line depreciation method based on the estimated useful life of each asset or its components. Land is not depreciated. Facilities under lease are divided into individual parts according to their estimated useful lives. The following depreciation rates are used for investment property:

Investment property	2018	2017
Buildings	16.67–66.67 years	16.67–66.67 years

27.2.7 Intangible assets

Initially, intangible assets are recognised at cost. After initial recognition, they are recognised at their cost reduced by accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation begins when an asset is ready for its use, i.e. when the asset is on the location and in the condition necessary for it to operate as intended.

The carrying amount of an item of intangible assets with final useful life is reduced using the straight-line amortisation method over the period of its useful life. All intangible assets have finite useful lives.

The amortisation period and amortisation method for an intangible asset with finite useful life is reviewed at least at each financial year-end. If the asset's expected useful life differs significantly from previous estimates, the amortisation period is adjusted accordingly.

The useful life of an item of intangible assets that arises from contractual or other legal rights does not exceed the period of these contractual rights or legal rights, however, it may be shorter, depending on the period during which the asset is expected to be used. The assessed useful life of other items of intangible assets is 10 years (the applied useful lives are presented in the table below).

Intangible assets	2018	2017
Non-current property rights	5–10 years	5–10 years
Development costs	10 years	10 years

27.2.8 Investments in associates

Investments in associates are measured at cost. On each date of the statement of financial position, the Group assesses whether there is any indication of impairment. Any impairment loss on investment is recognised in the income statement.

27.2.9 Financial instruments

Financial instruments are classified into the following categories:

1. Financial instruments measured at amortised cost,

2. Financial instruments measured at fair value through comprehensive income, and
3. Financial instruments measured at fair value through profit or loss.

Financial assets measured at fair value include investments in equity securities and investments in other shares and securities. On initial recognition, they are measured at fair value increased by the cost of the transaction relating to the acquisition of an individual financial asset.

Investments in equity securities are classified as assets measured at fair value through comprehensive income, which is why the Group recognises any changes in other comprehensive income under equity. Upon derecognition, gains or losses are recognise through retained earnings. Additions and disposals are recognised as at the trading date.

Investments in other shares and securities, with regard to which there is no active market, are classified as assets measured at fair value through profit or loss.

27.2.10 Loans and receivables

Loans and receivables are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

Non-current and current receivables are carried separately in books of account. Interest arising on stated receivables is recorded among off balance sheet items. Upon recognition, non-current and current trade receivables are disclosed at contractually agreed amounts or as recorded in the relevant accounting documents. Receivables where recovery procedures have been initiated or where debtors are in one of the insolvency procedures are transferred by the Group to bad and doubtful receivables. Other operating receivables include short-term deferred costs or expenses and accrued income.

Allowances for trade receivables

The Group companies form revaluation allowances for all past due trade receivables and interest receivables based on age structure and individual assessment. Allowances for receivables due from companies in bankruptcy or liquidation procedure are formed immediately once such proceeding begins, in their full amount (100 percent). In accordance with the IFRS 9 which introduces new requirements for the measurement of financial assets and recognition of their impairment, the Group companies have formed an impairment model for trade receivables based not only on realised credit losses as was the case with IAS 39, but also based on expected credit losses. The Group also forms allowances for receivables resulting from non-maturity receivables on the basis of risk assessment. Assessment of risk is composed of the customer's credit rating which is formed by the Company based on own criteria, and also results from the customer's country of origin.

Impairment losses are charged to revaluation operating expenses associated with receivable.

Borrowings

On initial recognition, borrowings are carried at fair value and thereupon at amortised cost using the effective interest rate method. In terms of maturity, borrowings are classified into non-current and current financial liabilities. On the last day of the year, all financial liabilities maturing next year are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants, whereby one borrowing is collateralised with assignment of receivables.

27.2.11 Cash

Cash comprises cash in hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months.

27.2.12 Inventories

Inventories are measured at cost or net market value, whichever is lower. An item of the materials inventory is measured at cost, which comprises the purchase price, import duties and other non-refundable purchase taxes, and direct costs of purchase. Non-refundable purchase taxes also include non-refundable VAT. The purchase price is reduced by trade discounts. The weighted average price method is used for reducing the materials inventory. Small tools put in use are immediately transferred among costs. Inventories are not subject to revaluation due to increases.

27.2.13 Equity

Share capital

The share capital of the Group in the amount of EUR 58,420,965 consists of 14,000,000 ordinary no-par value shares that are freely transferable. The nominal value of a share is EUR 4.17.

Capital surplus (share premium) and revenue reserves

The Group records legal reserves in the amount of at least 10% of share capital as required by the Companies Act (ZGD-1). Legal reserves and share premium are not included in the accumulated profit and are not subject to distribution. The Group has no statutory reserves, as they are not envisaged under the articles of association.

Reserves arising on valuation at fair value

Reserves arising on valuation at fair value comprise reserves arising from valuation of investments measured at fair value and with respect to unrealised actuarial gains and losses.

Retained earnings

Retained earnings consist of all accumulated undistributed net profits of previous years and the unappropriated portion of the net profit for the period.

Dividends

Dividends are recognised in the Group's financial statements once the decision on the distribution of dividends is adopted by the general meeting.

Authorised capital

As at 31 December 2018, the Group had no authorised capital.

27.2.14 Provisions

Provisions for legal disputes and damages

The Group forms provisions for disputes and damages related to alleged business offences. Provisions are formed and their amount determined in consideration of the following criteria:

- Whether a present obligation (legal or constructive) exists as a result of past events,
- Probability that an outflow of resources will be required to settle an obligation (legal dispute) – the provision is recognised if the probability is high,
- A reliable estimate can be made of the amount of the obligation.

Provisions for retirement benefits and jubilee premiums

In accordance with statutory requirements and the collective agreement, the Group is obligated to pay jubilee premiums and termination benefits on retirement. These payments are measured using the method of accounting that requires that an actuarial liability is assessed on the basis of expected salary growth from the valuation date until the employee's anticipated retirement. This means that benefits are accrued in proportion to the work performed. The assessed liability is recognised as the present value of expected future expenditure. Anticipated salary growth and employee turnover are also considered as part of measurement.

Actuarial gains or losses for termination benefits in the current year are recognised in other comprehensive income under equity based on an actuarial calculation, whereas current and previous employee benefits and interest expenditure are recognised in profit or loss. Current employee benefit costs and interest expenditure as well as actuarial gains or losses are recognised in profit or loss for jubilee premiums.

The calculation of provisions for retirement benefits and jubilee premiums is based on the actuarial calculation as at 31 December 2018, using data as at 31 December 2018 which took into account the following assumptions:

- Currently applicable amount of termination benefits and jubilee premiums.
- Mortality rate that is based on mortality tables from 2007 applicable to Slovenia and presented separately for men and women, decreased by 10% (active population). As at 31 December 2018, this means an overall 0.3% death rate for employees in the next financial year (considering the number of employees).

- Staff fluctuation, declining on a straight-line basis from 2.0% at 15 years to 0.5% at 55 years, thereupon remaining constant at 0.0%. In total, this indicates an annual fluctuation of 0.9% for next year as at 31 December 2018.
- Foreseen retirement of individual employees has been taken into account based on data on employee gender, date of birth and length of service as at 31 December 2018 pursuant to Article 27 and 3rd indent of Article 28 Paragraph 1 of Pension and Disability Insurance Act (ZPIZ-2).
- For the 2019 and 2020 calculations, we used average salary increase rates for the Republic of Slovenia as outlined in the Autumn Forecast of Economic Trends 2018 (Institute of Macroeconomic Analysis and Development). Average salaries in Slovenia are expected to increase as of 2021 by an annual 2% due to inflation and by 1% due to real growth. It is assumed that the amounts as set in the Decree on the Levels of Reimbursed Work-related Expenses and of Certain Income not to be Included in the Tax Base (Official Gazette of RS No 140/06 and 76/08) will not increase by 2020, whereby an increase of these amounts is expected subsequently in line with inflation;
- The following is taken into account: increase in basic salaries in the amount of the annual inflation, and further increased by 0.2% from 2021 onwards; basic gross salary growth due to promotions at 0.5% p.a.; bonus for total years of service at 0.5% of the basic salary for each full year of service. In case of four individual contracts, the bonus for total years in service does not apply. Accordingly, the nominal monthly salary growth rate – in view of inflation and actual growth – would be 2.1% next year, 2.3% in 2020 and 2.2% from 2021 onwards.
- The discount rate for the calculation as at 31 Dec 2018 is stipulated at 1.5% on the basis of the yield of Slovenian government bonds as at 02 Dec 2018, and by interpolation with respect to the average weighted duration of the Company's commitments (13.8 years).

27.2.15 Non-current deferred income

Non-current deferred income is recognised if over a period exceeding one year, it covers the anticipated expenses.

The Group forms non-current deferred income for regular maintenance of port infrastructure. Non-current deferred income for maintenance is formed if costs of the public utility service of regularly maintaining the port infrastructure are formed up to the amount that corresponds to the amount of revenues from port dues. In the event of costs exceeding revenues from port dues, non-current deferred income is derecognised in the amount of the surplus.

27.2.16 Government grants

All kinds of government grants are initially recognised in the statement of financial position as deferred income when there is assurance that the Group will receive such grants and meet the related terms. Government grants to cover costs are consistently recognised in profit or loss in the periods when the relevant costs that these revenues are supposed to cover are incurred.

27.2.17 Concession-related activity

In compliance with the Maritime Code, Luka Koper, d. d. and the Government of the Republic of Slovenia regulated their relations in the Port of Koper in September 2008 by entering into a Concession Agreement within the Decree on the Administration of the Freight Port of Koper, Port Operations, and on Granting the Concession for the Administration, Management, Development and Regular Maintenance of its Infrastructure, and defined the concession relationship for the period of 35 years from the date of concluding the Agreement.

Pursuant to provisions of the Concession Agreement, the concession operator is required to keep its books of account in a way that provides for separate financial monitoring of the activity, which is carried out on the basis of exclusive rights granted.

In its books of account, Luka Koper, d. d. keeps separate records of income from port tax in an individual year and of costs of performing concessions activities. Any income surplus generated through port duties over maintenance costs relating to port infrastructure is kept by the concession provider as short-term deferred income for costs of maintaining the port infrastructure in the coming years as required by Article 9.3. of the Concession Agreement. Financial monitoring of the public service is based on policies and principles of cost accounting and criteria of separate bookkeeping. In 2018, the Company updated the criteria since a maintenance unit from a subsidiary was merged into it as of 1 October 2018. The change of criteria was adopted by the supervisory body of Luka Koper, d. d., in December 2018.

In accordance with the Concession Agreement concluded with the Republic of Slovenia and the criteria approved by the latter, Luka Koper, d. d. forms non-current deferred income for ordinary maintenance of port infrastructure in the amount equal to the surplus of income from port dues over the related costs of the public service. In the event of costs exceeding revenues from port dues, non-current deferred income is derecognised in the amount of the surplus.

Luka Koper, d. d., as the concession operator, obtained from the Republic of Slovenia, as the concession provider, the exclusive right for performing port activities of cargo operation and maritime passenger transport in the port area, and the related exclusive right for port administration and management, and for the administration and development of port infrastructure not intended for public transport, and pursuant to Article 44 of the Maritime

Code, also the exclusive right to perform public utility service of regular maintenance of the port infrastructure that is intended for public transport.

Furthermore, pursuant to Article 7.9.6. of the Concession Agreement, Luka Koper, d. d., keeps records on investments made in port infrastructure in each financial year. Luka Koper, d. d., is required to indicate investments in each individual year in a special appendix to the annual report, which is to be examined and approved by a certified auditor.

In accordance with Article 10.1. the Concession Agreement, Luka Koper, d. d., pays a concession tax, which amounts to 3.5% of the annual revenue generated less port dues collected in the relevant year The basis for levying the concession tax is the audited income statement of Luka Koper, d. d. The annual concession tax amount is paid in monthly instalments of advance payments calculated not later than by 30 July of the current year on the basis of audited data for the previous calendar year. Port dues account for 4 percent of the controlling company's operating income and are in terms of their content a constituent part thereof. The amount of port dues is defined by Luka Koper, d. d. in agreement with the government. The remaining 96 percent of the controlling company's operating income is generated through rendering of services of cargo handling and warehousing, whose fees and prices are formed on the basis of market regularities. The development and overhaul of the port infrastructure is carried out by the controlling company in its own capacity and on its own behalf. Upon the concession's expiry, the concession operator is entitled to the refund of unamortised part of investments. Given the above-mentioned provisions of the Concession Agreement, the Group shall not apply IFRIC 12.

27.2.18 Public utility service of collecting waste from vessels in the Koper port area

The public utility service of collecting waste from vessels in the Koper port area is being performed in line with the Decree on the method, subject and conditions for the provision of national public utility service of collecting waste from vessels (Official Gazette of RS, No. 59/2005), and the Decree on port reception facilities for ship-generated waste and cargo residues (Official Gazette of RS, No. 78/2008). These services comprise regular reception of ship-generated waste and cargo residues, installation of port facilities for reception of ship-generated waste and cargo residues in accordance with regulations governing port reception facilities, receipt of messages about intended delivery of ship-generated waste and cargo residues, separate collection, sorting and storage of accepted waste and cargo residues by using port reception facilities, delivery for processing with a view of re-use, recycling or disposal of processing residues in accordance with environmental protection regulations governing waste management, and informing the public and users about the manner of delivering waste and cargo residues. For purposes of reports within the public utility service of collecting waste from vessels, Luka Koper, d. d., based on provisions of the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act has taken into account the principles of cost accounting and criteria of separate bookkeeping. In 2018, the Company devised the criteria which were adopted by the supervisory body of Luka Koper, d. d. in December 2018.

Until 31 December 2016, Luka Koper, d. d., was performing the public utility service of collecting waste from vessels through its subsidiary Luka Koper INPO, d. o. o., which acted as its performance assistant. The two companies had an agreement of cooperation between them. Luka Koper INPO, d. o. o., is fully controlled by Luka Koper, d. d., and the companies are considered to form a single economic unit based on the settled case law of the European Court of Justice. As at 1 January 2017, the companies signed an annex to the agreement stipulating, among others, that as at 1 January 2017, Luka Koper INPO, d. o. o., as the performance assistant shall perform the public utility service of collecting waste from vessels in the Koper port area in the name and for the account of Luka Koper, d. d.

27.2.19 Financial liabilities

On initial recognition, borrowings are carried at the amount of the principal withdrawn. All interest is recorded in the profit or loss based on the effective rate method since all the associated costs are recorded in profit or loss, distributed evenly throughout the period of loan repayment.

27.2.20 Operating liabilities

Non-current operating liabilities include collaterals received for rented business premises and for the operation of the tax warehouse. Current trade liabilities and payables to the state and employees are shown separately. Other operating liabilities include short-term deferred income and short-term accrued costs or expenses.

27.2.21 Income tax

Income tax is accounted for in compliance with provisions of the Corporate Income Tax Act. The basis for the income tax calculation is the gross profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such basis is used for accounting the corporate income tax liability. As for 2018, income tax liability was calculated at the rate of 19 percent.

27.2.22 Deferred taxes

In order to disclose an appropriate profit and loss for the reporting period, the Group also accounted for deferred taxes. These are disclosed as deferred tax assets and deferred tax liabilities. In accounting for deferred taxes, the balance sheet liability method was applied. The carrying amount of assets and liabilities was compared with their tax value, and the difference between both was defined as either permanent or temporary. Temporary differences were subdivided into taxable and deductible differences. Taxable temporary differences increased the Group's taxable amounts and deferred tax liabilities. Deductible temporary differences decreased the Group's taxable amounts and increased deferred tax assets.

Deferred tax assets are offset against deferred tax liabilities if a legally enforceable right exists to offset current tax assets against current corporate income tax liabilities and the deferred taxes involve the same taxable legal entity and the same tax authority.

27.2.23 Earnings per share

The basic and diluted earnings per share were calculated by dividing the net profit for the period with the weighted average number of ordinary shares in issue.

27.2.24 Revenue

Operating income

Revenue from contracts with customers

The Group's core business is cargo handling and warehousing of all types of goods, goods-related services, and other related services. The respective services are all carried out in Slovenia, for both local as well as foreign customers. Foreign customers come from European markets, which are considered most significant for the Group, as well as from Asia and America. The Group's customers include the world's largest shipping companies, major international corporations, end-users of our services, and other major and smaller domestic and foreign companies that deem the Port of Koper as the provider of the fastest and highest quality logistics service.

The Group discloses its operating income in accordance with IFRS 15. The Group has recognised all active contracts concluded with foreign entities and judged them using the five steps required by the standard. An analysis of contracts with customers has shown that they all meet the criteria of the new standard for revenue recognition; performance obligations are defined adequately in contracts, allowing their classification and measurement, and determining when they might be satisfied. The majority of revenue results from contracts defined as simple supply of services. Since the contracts include no separately identifiable obligations, the Group deems its valid accounting policy for recognition of revenue to be in line with the new requirements of IFRS 15.

The prices in the Group are set at fixed or variable rates. Variable rates occur when the Group offers a volume discount. Volume discounts are achieved based on agreed transhipment volumes.

Income from services rendered is recognised using the stage of completion method as at the date of the statement of financial position. Under the method, income is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in connection with domestic and foreign customers.

Rental income

Rental income primarily comprises income from investment property i.e. income generated from facilities and land that are leased out under operating lease Rental income is recognised within operating income.

Other income

Other operating income comprises revaluation operating income from the sale of property, plant and equipment, subsidies, donations, insurance proceeds and other income. Government grants and other subsidies primarily refer to funds received for activities within the European development projects that aim to increase the port's competitiveness, energy efficiency, environmental safety, and ensuring efficient port processes. Subsidies received to cover the costs incurred are recognised strictly as income in the periods when the relevant costs that this income is supposed to cover are incurred.

Income from utilising retained wage contributions is recognised in compliance with the Vocational Rehabilitation and Employment of Disabled Persons Act in the amount of eligibly used funds.

Other income is recognised when it can be justifiably expected that cash receipts will flow from them.

27.2.25 Finance income and finance expenses

Finance income comprises interest income from loans, default interest on late payment of services and receivables, dividend income, income from disposal of available-for-sale financial assets, and foreign exchange gains. Interest income is recognised when accrued using the effective interest method. Dividend income is recognised in profit or loss when a shareholder's right to payment is established.

Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through profit or loss. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

27.2.26 Costs and expenses

Costs are recognised as expenses in the accounting period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed by types. Expenses are recognised if decreases in economic benefits during the accounting period are associated with decreases in assets or increases in liabilities, and those decreases can be measured reliably.

27.2.27 Impairment of assets

Impairment of non-financial assets

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed in accordance with IAS 36. When the asset's recoverable amount cannot be assessed, the Group determines the recoverable amount of cash generating unit to which the asset belongs. Impairment loss is recognised in the income statement. Impairment losses should be reversed if the estimates used to determine the asset's recoverable amount have changed. Impairment loss is reversed up to the amount to which the increased carrying amount of an asset does not exceed the carrying amount that would be established after deducting depreciation if impairment loss on the asset was not recognised in previous years. The reversal of the impairment loss is recognised as revenue in profit or loss.

Impairment of financial assets

On each reporting date, financial assets are tested for impairment using criteria set out in the accounting manual in order to determine whether there is any objective evidence of financial asset's impairment. If such objective evidence exists, the Group calculates the amount of impairment loss.

When the Group determines that investments carried at amortised cost should be impaired, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The amount of impairment loss is recognised in profit or loss. When the reasons for impairment of an investment cease to exist, the reversal of the impairment of the investment carried at amortised cost is recognised in profit or loss.

When the Group determines that investments in subsidiaries and associates carried at cost should be impaired, the impairment loss is recognised in profit or loss as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (or other assessed value) discounted at the current market rate of return for similar financial assets.

27.2.28 Statement of Other Comprehensive Income

The statement of other comprehensive income outlines the net profit or loss for the period as well as other comprehensive income inclusive of items that will be reclassified to profit and loss at a future date and those that will never be reclassified to profit or loss in accordance with the provisions and requirements of other IFRSs.

27.2.29 Statement of Cash Flows

The Group's statement of cash flows is presented by applying the indirect method, on the basis of items reported in the statement of financial position as at 31 December 2018 and 31 December 2017, as well as items in the income statement for the financial year then ended, inclusive of any necessary adjustments of the cash flow.

27.2.30 Statement of Changes in Equity

The statement of changes in equity outlines changes in individual equity components during the financial year (total income and expenses, in addition to transactions with stakeholders that act owners), inclusive of the net profit or loss distribution. The statement of other comprehensive income is also included which increases net profit of the accounting period by total revenue and expenses directly recognised in the equity.

27.2.31 Risk management

The Group monitors and strives to manage risks at all levels of business. In the assessment of risks, various risk factors are considered. Efficient risk management is ensured by timely identification and management of risks and by relevant guidelines and policies, which are laid down in documents of the overall management system.

The Group's operations are exposed to strategic, operational and financial risks, which largely depend on market laws and thereby requires active and ongoing monitoring. Procedures for risk identification are described in the business report's chapter Risk management. In addition to strategic and operational risks, the Group also faces financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed within the Group is disclosed in Note 30 'Financial instruments and financial risk management'.

Fair value

Fair value is used with financial assets value at fair value. All other financial statement items are presented at cost or amortised cost.

In measuring the fair value of a non-financial asset, the Group must take into account the market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate under the given circumstances and for which there is enough data available, mainly based on the use of appropriate market inputs and the minimum use of non-market inputs.

All assets and liabilities that are measured or disclosed at fair value in the financial statements are classified into a fair value hierarchy based on the lowest level of inputs required for measuring the total fair value:

1. Level 1 – quoted prices (unadjusted) in active markets for similar assets and liabilities,
2. Level 2 – valuation model based directly or indirectly on market data,
3. Level 3 – valuation model not based on market data.

At the end of each reporting period, the Group determines whether any transitions between levels occurred in the case of assets and liabilities recognised in the financial statements for previous periods by re-examining the distribution of assets, taking into account the lowest level of inputs required for measuring the total fair value.

The fair value measurement hierarchy of the Group's assets and liabilities is presented in Note 30.

27.2.32 Newly adopted standards and interpretations

The standards and interpretations presented below were not yet effective until the date of separate financial statements or have not yet been confirmed by the European Union. Relevant standards and interpretations will be applied in preparing the Group's financial statements upon their entry into force.

Adopted standards, amendments to standards and interpretations not yet effective

Amendments to IFRS 9 – Prepayment Features with Negative Compensation

Based on these amendments, particular financial assets with a prepayment feature enabling the contractual party to receive or have to pay reasonable additional compensation for early terminations of contracts (which is considered "negative compensation" by the holder of a financial asset), are measured at amortized cost or at fair value through other comprehensive income.

Amendments are effective for annual periods beginning on or after 1 January 2019.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

IFRS 16 – Leases

The scope of application of IFRS 15 comprises leases of all assets with a few exceptions. Pursuant to the Standard, lessees should recognise all leases through profit and loss under a single lessee accounting model without making a distinction between an operating or a finance lease, in the same manner that finance leases are recognised pursuant to IAS 17. IFRS 16 supersedes IAS 17 – Leases and related interpretations. The Standard allows two exemptions in recognising assets, i.e. when the underlying asset is of low value (such as personal computers) and short-term leases (leases with a term of less than 12 months). As at the date of the beginning of lease, the lessee is required to recognise the obligation to make lease payments (i.e. a lease liability) and the asset representing the right to use the underlying leased asset for the duration of the lease (i.e. a right-of-use asset).

Under IFRS 16, the contract contains a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Lessees shall recognise separately interest expense with respect to the lease liability and depreciation costs from the right-of-use asset. The right-of-use asset is depreciated, and interest is added to the liabilities. This results in a concentrated pattern of expense for most leases, even if the lessee pays a fixed annual rent. If certain events should occur (such as changes in the lease period, changes in the value of future lease payments due to variations in the index or rate, based on which lease payment is determined), lessees shall have to remeasure the lease liability). In general, lessees recognise the remeasurement value of lease liability as an adjustment to the right-of-use asset.

The introduction of the new standard will not substantially change the lease accounting for the lessor and from the lessor's perspective, the distinction between the operating lease and finance lease remains in force.

For the lessor, accounting requirements are not considerably different from those in force under IAS 17.

The IFRS 16 Standard is applicable to annual periods beginning on or after 1 January 2019. The lessee may decide to apply the standard retroactively in full or in part. Transitional provisions of the Standard allow for certain facilitating measures. Earlier application is permitted, but only if the company has already applied IFRS 15.

The Group has examined and analysed all lease contracts. The standard allows for exemptions in the recognition of leases, i.e. for leases with a lease term of 12 months or less, and for leases where the underlying asset has a low value. The Group has elected to apply exemptions and thus accounts for lease payments as an expense also in 2019. There are two possible transitions to the new standard; the Group has opted for transition without affecting its statement of financial position (modified retrospective method).

Based on analysis results, the Group has estimated the values of the right-of-use and lease liability which will affect the statement of financial position, and the effects of the transition to the statement of financial position. Values of the right-of-use and lease liability have been estimated by discounting the future cash flows for the period of lease. Cash flows are discounted based on a pondered interest rate realised by the Group when raising non-current loans. Depreciation resulting from the right-of-use is calculated based on the remaining lease term.

The impact of IFRS 16 application on consolidated financial statements has been estimated as follows:

Statement of financial position as at 1 January 2019

(in EUR)	1 Jan 2019
ASSETS	**694,735**
Right-of-use	694,735
LIABILITIES	**694,735**
Lease liabilities	694,735

Income Statement 2019

(in EUR)	2019
Depreciation of right-of-use	-287,361
Rentals	290,344
Operating profit	**2,982**
Finance lease expenditure	-4,691
Profit before tax	**-1,709**

(in EUR)	IFRS 16	IAS 17
Depreciation of right-of-use	-287,361	0
Rentals	-245,828	-536,172
Operating profit	**-533,190**	**-536,172**
Finance lease expenditure	-4,691	0
Profit before tax	**-537,881**	**-536,172**

Interpretation IFRIC 23 – Uncertainty over Income Tax Treatments

The interpretation is to be applied to the determination of taxable profit when there is uncertainty over income tax treatments under IAS 12 – Income Taxes. The interpretation introduces guidelines for whether uncertain income tax treatments should be considered independently or collectively; taxation authorities' examinations; the use of an appropriate method reflecting the uncertainty while also taking into account any changes to facts and circumstances.

Interpretations are effective for annual periods beginning on or after 1 January 2019.

The Group does not expect for these interpretations to have a significant impact on its consolidated financial statements.

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

The amendments refer to the question whether in the event of long-term interests (particularly in the light of requirements to weaken long-term interests in associates and joint ventures that form part of the “net investment” in such associates or joint ventures) the company should apply IFRS 9, IAS 28, or a combination of both. The amendments clarify that when accounting for long-term interests that are not measured by the equity method, a group company applies IFRS 9 – Financial Instruments before applying IAS 28. When applying IFRS 9, a group company does not take into account any adjustments of the carrying value of long-term interests, which derive from the IAS 28.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

New standards and interpretations not yet adopted by the European Union

Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors: Definition of 'Material'

The amendments clarify the definition of 'material' and how it should be used. According to the new definition, "Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The Board has also further clarified the explanation that accompanies the definition. The amendments also ensure that the definition of 'material' complies with any IFRS standards.

The amendments are effective for annual periods beginning on or after 1 January 2020. Earlier application of amendments is permitted.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

Amendments to IAS 19 – Plan Amendment, Curtailment or Settlement

The amendments to the accounting standard require from entities that the current service cost and net interest for the remainder of the annual reporting period after a benefit plan amendment, curtailment or settlement are determined using updated actuarial assumptions. The amendments also clarify the impact of plan amendment, curtailment or settlement on the required asset ceiling.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application of amendments is permitted.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

Amendments to IFRS 3 – Business Combinations

IASB has published amendments to the definition of a business (Amendments to standard IFRS 3) aimed at resolving the difficulties that arise when an entity determines whether it has acquired a business or a group of assets.
The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020, and for asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

Amendments to standards IFRS 10 and IAS 28 – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments address an acknowledged inconsistency between IFRS 10 and IAS 28 relating to how to account for transactions in which a parent entity loses control of a subsidiary by selling it or contributing it to an associate or joint venture. The amendments clarify that a group company must recognise a full gain or loss when a sale or contribution of assets between an investor and an associate or a joint venture involves a business as defined in IFRS 3. A gain or loss from sale or contribution if the asset transferred does not contain a business must be recognised partially up to the amount of the share of unrelated investors in an associate or joint venture. The International Accounting Standards Board has deferred the effective date indefinitely. A group company opting for early adoption of these amendments must apply them to future periods.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

Conceptual Framework for Financial Reporting

On 29 March 2018, the International Accounting Standards Board (IASB) issued its revised Conceptual Framework for Financial Reporting. The Conceptual Framework sets out the fundamental concepts for financial reporting, determining standards and guidance for preparers who develop consistent accounting policies, and to assist understanding and interpretation of the standards. The Board has also issued a separate accompanying document, Amendments to References to the Conceptual Framework in IFRS Standards, which sets out the amendments to affected standards in order to update references to the revised Conceptual Framework. The Board aims to provide support to companies that use the Conceptual Framework to develop accounting policies when no IFRS Standard applies to a particular transaction in their transition to the revised conceptual framework. For preparers who use the Conceptual Framework to develop accounting policies, the revised Conceptual Framework is effective for annual reporting periods beginning on or after 1 January 2020.

The Group has been reviewing the impact of the new conceptual framework and shall apply it upon its entry into force.

Amendments to standards and interpretations adopted in the period 2015-2017

Amendments to IFRS 3 – Business Combinations and IFRS 11 – Joint Arrangements

The amendments to IFRS 3 clarify that when a group company obtains control of a business that is a joint operation, it remeasures previously held interests in that business. The amendments to IFRS 11 clarify that when a group company obtains joint control of a business that is a joint operation, the group company does not remeasure previously held interests in that business.

The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

Amendments to IAS 12 – Income taxes

The amendments clarify that a group company must recognise the income tax consequences of dividends classified as equity where past transactions or events that generated distributable profits are recognised.
The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

Amendments to IAS 23 – Borrowing costs

The amendments clarify Article 14 of the standard stating that if any specific borrowing remains outstanding after the related asset is ready for its intended use or sale, that borrowing becomes part of the funds that an entity borrows generally.
The amendments are effective for annual periods beginning on or after 1 January 2019. Earlier application is permitted.

The Group does not expect for these amendments to have a significant impact on its consolidated financial statements.

Newly adopted standards and interpretations effective for periods beginning on 1 January 2018

Changes in accounting policies

The Group has updated its valid accounting policies in accordance with the requirements of the standards IFRS 9 and IFRS 15 which became effective on 1 January 2018, and has modified its treatment and disclosure of events.

IFRS 9 – Financial Instruments

In July 2014, the International Accounting Standards Board issued the final version of the standard IFRS 9 Financial Instruments containing the requirements of all individual phases of the project to replace the standard IAS 39 Financial instruments: Recognition and measurement and all the previous versions of the IFRS 9 standard. The IAS 39 exception for a fair value hedge of an interest rate exposure of a portfolio of financial assets or financial liabilities continues to apply, and entities have an accounting policy choice between applying the hedge accounting requirements of IFRS 9 or continuing to apply the existing hedge accounting requirements in IAS 39 for all hedge accounting. The revised standard introduces new requirements for the classification and measurement of financial assets and liabilities, recognition of their impairment and hedge accounting. Although the permissible measurement bases for financial assets – amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit and loss (FVTPL) – are similar to IAS 39, the criteria for classification into the appropriate measurement category are significantly different.

A financial asset is measured at amortized cost if the following two conditions are met:

- The assets is held within a business model whose objective is to hold assets , in order to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

In addition, for a non-trading equity instrument, a company may elect to irrevocably present subsequent changes in fair value (including foreign exchange gains and losses) in other comprehensive income. These subsequent changes are not reclassified to profit or loss under any circumstances. Debt instruments measured at fair value through other comprehensive income, interest revenue, expected credit losses and foreign exchange gains and losses are recognised in profit or loss in the same manner as amortised cost assets. Other gains and losses are recognised in other comprehensive income and are reclassified to profit or loss on derecognition. The impairment model in IFRS 9 replaces the 'incurred loss' model in IAS 39 with an expected credit loss' model, which means that a loss event will no longer need to occur before an impairment allowance is recognised. IFRS 9 includes a new general hedge accounting model, which aligns hedge accounting more closely with risk management. The types of hedging relationships – fair value, cash flow and foreign operation net investment – remain unchanged, but additional judgement will be required. The standard contains new requirements to achieve, continue and discontinue hedge accounting and allows additional exposures to be designated as hedged items. Extensive additional disclosures regarding an entity's risk management and hedging activities are required.

The standard was adopted by the EU on 22 November 2016. The revised standard IFRS 9 is effective for accounting periods beginning on or after 1 January 2018. The restatement of prior periods is not required, and is permitted only if information is available without the use of hindsight. Earlier application is permitted. Amendments to the standard must be applied retrospectively, however, presentation of compared data is not compulsory. Earlier application of previous versions of standard IFRS 9 which were published in the years 2009, 2010 and 2013 shall be permitted provided that the Group carried out the transition to IFRS at any time before 1 February 2015.

Classification and Measurement:

Presentation of classification of financial Instruments according to IFRS 9:

Item	IAS 39	IFRS 9
Other investments measured at cost	Available-for-sale assets	Investments at fair value through profit or loss
Other investments measured at fair value	Available-for-sale assets	Investments at fair value through other comprehensive income
Loans given	Loans and receivables	Assets measured at amortised cost
Trade receivables	Loans and receivables	Assets measured at amortised cost
Cash and cash equivalents	Loans and receivables	Assets carried at amortised cost

Other investments measured at cost have been classified under investments measured at fair value through profit or loss since the new standard requires the Group to establish fair value upon each reporting to external users. The criterion for classifying them is the type of investment, whether it is an investment in shares or securities. The fair value measurement of investments in securities is disclosed through comprehensive income while the valuation of investments in shares is recognized through the income statement. The aim of measuring fair value is to determine the price at which a regular transaction to sell an asset or to transfer a liability between market participants would take place at the measurement date. The fair value of a non-financial asset is measured by taking into account the ability of a market participant to maximise the value of an asset by using it (IFRS 13). For trade receivables, the Group has formed a new impairment loss measurement model based not only on realised credit losses, as is the case with IAS 39, but also on expected credit losses. At each reporting date, the Group measures the value adjustment of a financial Instrument for loss as the amount equal to expected credit losses over the entire period. To this end, the Group defined a new impairment model that is not based solely on the creation of a value adjustment for outstanding receivables, but also on the creation of a value adjustment arising from non-past due receivables. For non-past receivables, the Group defined the risk classes based on the credit rating of the buyer and on the basis of the buyer country:

Non past due receivables	Percentage of value adjustment for receivable
Very low	0.10%
Low	0.20%
Medium low	0.30%
Low	0.40%
Medium high	0.50%
High	0.70%
Very high	1.00%
Insolvent customers	100.00%

Past due receivables	Percentage of value adjustment for receivable
up to 30 days	1%
up to60 days	10%
up to90 days	20%
up to120 days	30%
up to180 days	40%
up to365 days	75%
over 365 days	100%

Resulting from this, the Group recognised an additional impairment of trade receivables based on the new model at EUR 243,132, which includes the effect of increasing receivables for deferred taxes. Due to insignificance, the Group has decided to disclose the impact in the result of the current year and not under retained earnings.

IFRS 15 – Revenue from contracts with customers

In May 2014, the International Accounting Standards Board published IFRS 15, which introduces a new five-stage model for recognition of revenue obtained by the Group from contracts with customers. Pursuant to IFRS 15, the Group recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Depending on whether certain criteria are met, revenue is recognised over time, in a manner that shows the performance of a group company; or at a point in time when control of the goods or services has been transferred to the customer. The accounting principles under IFRS 15 thus offer a more structured approach to measurement and recognition of revenue. In addition, IFRS 15 establishes principles that commit an entity to ensuring high quality and extensive disclosures to users of financial statements providing useful information about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

Having performed an analysis, the Group has established that the standard dictates no material changes in the recognition of revenue resulting from sale of goods and services as compared to the accounting method under IAS 18. The Group has only modified how they are disclosed. An analysis of contracts with customers has shown that they meet the criteria of the new standard for revenue recognition, and that performance obligations are defined adequately in contracts, allowing their classification and measurement, and determining when they might be fulfilled.

Transition and effect:

(in EUR)	Restated 31 Dec 2017	Adjustment to IFRS 15	31 Dec 2017
ASSETS			
Property, plant and equipment	384,819,160		384,819,160
Investment property	15,329,841		15,329,841
Intangible assets	3,467,042		3,467,042
Shares and interests in associates	13,376,467		13,376,467
Other non-current investments	34,217,435		34,217,435
Deposits and loans given	22,592		22,592
Non-current operating receivables	41,772		41,772
Deferred tax assets	8,231,345		8,231,345
Non-current assets	**459,505,654**	**0**	**459,505,654**
Assets (disposal groups) held for sale	864		864
Inventories	1,037,066		1,037,066
Deposits and loans given	79,541		79,541
Trade and other receivables	38,741,762	-210,861	38,952,623
Assets from contracts with customers	210,861	210,861	0
Income tax assets	4,528,725		4,528,725
Cash and cash equivalents	32,374,215		32,374,215
Current assets	**76,973,034**	**0**	**76,973,034**
TOTAL ASSETS	**536,478,688**	**0**	**536,478,688**
EQUITY AND LIABILITIES			
Share capital	58,420,965		58,420,965
Capital surplus (share premium)	89,562,703		89,562,703
Revenue reserves	145,607,356		145,607,356
Reserves arising on valuation at fair value	10,498,049		10,498,049
Retained earnings	46,155,978	0	46,155,978
Equity attributable to owners of the parent	**350,245,051**	**0**	**350,245,051**
Non-controlling interests	**192,336**	**0**	**192,336**
Own funds	**350,437,387**	**0**	**350,437,387**
Provisions	20,701,828		20,701,828
Deferred income	20,271,398		20,271,398
Non-current loans and borrowings	100,682,274		100,682,274
Non-current trade payables	1,045,243		1,045,243
Non-current liabilities	**142,700,743**	**0**	**142,700,743**
Current loans and borrowings	16,060,399		16,060,399
Other current financial liabilities	372,169		372,169
Trade and other payables	26,907,990		26,907,990
Current liabilities	**43,340,558**	**0**	**43,340,558**
TOTAL EQUITY AND LIABILITIES	**536,478,688**	**0**	**536,478,688**

New standards and interpretations which entered into force on 1 January 2018

Amendments to IFRS 4 – Applying IFRS 9 Financial Instruments with IFRS 4 – Insurance Contracts

The amendments address concerns arising from implementing the new financial instruments Standard, IFRS 9, before implementing the new insurance contracts standard being devised by the Board to replace IFRS 4. All group companies that issue insurance contracts may choose between an optional temporary exemption from applying IFRS 9 and overlay application.

The Group may opt for overlay approach upon first application of IFRS 9 and use it retroactively for the financial assets set out upon transition to IFRS 9. The Group adjusts the comparative information that reflects the overlay application only if it adjusts the comparative information upon using IFRS 9.

The above amendments had no impact on consolidated financial statements.

Amendments to IFRS 2 – Classification and Measurement of Share-based Payment Transactions

Amendments refer to three main areas:

- The effect of performance conditions on measuring cash-settled share-based payment transactions.

The amendments clarify that the method of accounting for performance conditions for measuring equity-settled share-based payment transactions is also used for cash-settled share-based payment transactions.

- Classification of share-based payment transactions with a net settlement feature for withholding tax obligations.

This amendment adds an exception to address a specific circumstance when there is an agreement on net settlement for the Company to meet its obligation to withhold a certain amount based on tax laws or regulations, thus to fulfil the employees' tax obligation linked with share-based payment.

- A modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

This amendment clarifies that in the case of a change to the conditions of the cash-settled share-based payments, due to which such a payment becomes equity-settled share-based payment, from the date of the change such a transaction shall be recorded as equity-settled payment.

These amendments are to be used retroactively. Upon adoption, group companies must apply the amendments without adjusting information for preceding periods. However, retrospective application is allowed when a company decides to use the three amendments and when all other criteria have been met. Earlier application is permitted.

The above amendments had no impact on consolidated financial statements.

Amendments to IAS 40 – Investment property

Amendments clarify requirements for transfers to, or from, investment properties. An entity applies the amendments to changes in use that occur on or after the beginning of the annual reporting period in which the Group first applies the amendments. Retrospective application is also permitted if that is possible without the use of hindsight. The amendments strengthen the principle set out in IAS 40 Investment Property concerning transfer to or from investment properties, so that it now provides that such a transfer should only be made when there has been a change in use of the property. In accordance with these changes, a transfer is made when and only when there is an actual change in use – i.e. when an asset starts or ceases to meet the definition of investment property and there is evidence of a change in use. A change in management's intention alone does not support a transfer.

The above amendments had no impact on consolidated financial statements.

Interpretation IFRIC 22 – Foreign Currency Transactions and Advance Consideration

The interpretation addresses the exchange rate for transactions that include the receipt or payment of advance consideration in a foreign currency. The Interpretation covers foreign currency transactions when the Group recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before recognising the related asset, expense or income. It does not apply when the Group measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IFRIC 22 is effective for annual reporting periods beginning on or after 1 January 2018. Earlier application is permitted. The interpretation can be applied prospectively to all foreign currency assets, expenses and income in the scope of the interpretation initially recognised on or after the beginning of the reporting period the Group first applies the interpretation in or the beginning of a prior reporting period presented as comparative information.
The above interpretation had no impact on consolidated financial statements.

<u>Amendments to standards and interpretations adopted in the period 2014-2016</u>

Amendments to IAS 28 – Long-term Interests in Associates and Joint Ventures

For measurements of long term interests in associates and joint ventures owned by an entity that is a venture capital organisation, or other eligible entity, amendments clarify that any investment in associates and joint ventures may be measured at fair value through profit or loss upon initial recognition; however, the election is made separately for each associate or joint venture. The amendments are effective for annual periods beginning on or after 1 January 2018.

The above amendments had no impact on consolidated financial statements.

Amendments to IFRS 1 – First-time Adoption of International Financial Reporting Standards
The amendments deleted the short-term exemptions in paragraphs E3–E7 of IFRS 1, because they have now served their intended purpose. The amendments are effective for annual periods beginning on or after 1 January 2018.

The above amendments had no impact on consolidated financial statements.

Correction of an error from previous years

In, 2018, the Group eliminated an error in the financial statements related to the recognition of revenue and consequently the creation of deferred revenue from disposal of ferrous scrap within the public utility service of regular maintenance of the port infrastructure in 2012 and 2013. In the years in question, the sale was recognized at cost items under market activity rather than public utility service, based on which the amount of deferred income the Group disclosed was too low. Correction was carried out retroactively by recalculating the initial position of retained earnings for the first comparative period (financial year 2017) and recalculating all the remaining comparative amounts disclosed in previous periods as if the error has not existed. The revaluation amounted to EUR 55,068.

The correction of the error was carried out on 1 January 2018, and its effects are shown below.

Effects on the statement of financial position

	Restated 31 Dec 2017	Correction of error	Previously reported 31 Dec 2017	Restated 1 Jan 2017	Correction of error	Previously reported 1 Jan 2017
ASSETS						
Property, plant and equipment	384,819,160		384,819,160	376,011,980		376,011,980
Investment property	15,329,841		15,329,841	18,575,530		18,575,530
Intangible assets	3,467,042		3,467,042	4,126,170		4,126,170
Shares and interests in associates	13,376,467		13,376,467	12,680,341		12,680,341
Other non-current investments	34,217,435		34,217,435	30,551,199		30,551,199
Deposits and loans given	22,592		22,592	31,005		31,005
Non-current operating receivables	41,772		41,772	41,772		41,772
Deferred tax assets	8,231,345		8,231,345	8,711,771		8,711,771
Non-current assets	**459,505,654**	**0**	**459,505,654**	**450,729,768**	**0**	**450,729,768**
Assets (disposal groups) held for sale	864		864	1,372		1,372
Inventories	1,037,066		1,037,066	809,467		809,467
Deposits and loans given	79,541		79,541	105,489		105,489
Trade and other receivables	38,741,762		38,952,623	32,518,465		32,518,465
Assets from contracts with customers	210,861		0	0		0
Income tax assets	4,528,725		4,528,725	0		0
Cash and cash equivalents	32,374,215		32,374,215	5,826,536		5,826,536
Current assets	**76,973,034**	**0**	**76,973,034**	**39,261,329**	**0**	**39,261,329**
TOTAL ASSETS	**536,478,688**	**0**	**536,478,688**	**489,991,097**	**0**	**489,991,097**
EQUITY AND LIABILITIES						
Share capital	58,420,965		58,420,965	58,420,965		58,420,965
Capital surplus (share premium)	89,562,703		89,562,703	89,562,703		89,562,703
Revenue reserves	145,607,356		145,607,356	129,035,652		129,035,652
Reserves arising from valuation at fair value	10,498,049		10,498,049	7,374,500		7,374,500
Retained earnings	46,100,910	-55,068	46,155,978	47,358,965	-55,068	47,414,033
Equity attributable to owners of the parent	**350,189,983**	**-55,068**	**350,245,051**	**331,752,785**	**-55,068**	**331,807,853**
Non-controlling interests	**192,336**	**0**	**192,336**	**171,068**	**0**	**171,068**
Own funds	**350,382,319**	**-55,068**	**350,437,387**	**331,923,853**	**-55,068**	**331,978,921**
Provisions	20,701,828		20,701,828	4,781,422		4,781,422
Deferred income	20,326,466	55,068	20,271,398	14,819,906	55,068	14,764,838
Non-current loans and borrowings	100,682,274		100,682,274	97,900,739		97,900,739
Other non-current fianncial liabilities	0		0	419,873		419,873
Non-current trade payables	1,045,243		1,045,243	772,086		772,086
Non-current liabilities	**142,755,811**	**55,068**	**142,700,743**	**118,694,026**	**55,068**	**118,638,958**
Current borrowings	16,060,399		16,060,399	11,761,732		11,761,732
Other current financial liabilities	372,169		372,169	250,614		250,614
Income tax liabilities	0		0	1,896,207		1,896,207
Trade and other payables	26,907,990		26,907,990	25,464,665		25,464,665
Current liabilities	**43,340,558**	**0**	**43,340,558**	**39,373,218**	**0**	**39,373,218**
TOTAL EQUITY AND LIABILITIES	**536,478,688**	**0**	**536,478,688**	**489,991,097**	**0**	**489,991,097**

Segments

Luka Koper d. d. as the controlling company does not provide individual components of the port activity as individual services but solely in package of overall services of cargo handling within the closed area of Luka Koper; consequently, the Management does not monitor operations by individual components in terms of IFRS 8. The Group accounts for business segments i.e. separately for the port activity and other activities. The respective port activity comprises all related activities such as transhipment and warehousing of goods, goods-related services, managing the port area, logistics services, services related to the maritime activity, and maintenance of the port area. Other activities comprise hospitality services, the quality control activity, and the rear logistics activity.

(in EUR)	Port activity 2018	Port activity 2017	Other 2018	Other 2017	Total 2018	Total 2017	Consolidation bookings 2018	Consolidation bookings 2017	Total Group 2018	Total Group 2017
Revenue from sales outside the Group	223,295,657	208,033,453	3,009,881	3,404,924	226,305,538	211,438,377	0	0	226,305,538	211,438,377
Revenue from intersegment sales	511,800	511,011	39,640	29,317	551,440	540,328	-551,440	-540,328	0	0
Amortisation and depreciation expense	-29,127,156	-28,195,817	-240,019	-251,959	-29,367,175	-28,447,776	0	0	-29,367,175	-28,447,776
Operating profit	69,534,100	36,090,792	173,403	549,080	69,707,503	36,639,872	0	0	69,707,503	36,639,872
Finance income	1,698,712	1,346,671	-124	907	1,698,588	1,347,578	0	-847	1,698,588	1,346,731
Finance expenses	-1,073,206	-1,723,008	-1,085	-1,877	-1,074,291	-1,724,885	0	847	-1,074,291	-1,724,038
Profit or loss from financing activity	625,506	-376,337	-1,209	-970	624,297	-377,307	0	0	624,297	-377,307
Profits of associates under equity method	0	0	0	0	0	0	1,658,983	1,689,933	1,658,983	1,689,933
Income tax and deferred taxes	-12,254,839	-3,343,743	24,259	-32,374	-12,230,580	-3,376,117	0	406,408	-12,230,580	-2,969,709
Profit for the period	57,904,767	32,370,712	196,453	515,736	58,101,220	32,886,448	1,658,983	2,096,341	59,760,203	34,982,789

(in EUR)	Port activity 31 Dec 2018	Port activity 31 Dec 2017	Other 31 Dec 2018	Other 31 Dec 2017	Total 31 Dec 2018	Total 31 Dec 2017	Consolidation bookings 31 Dec 2018	Consolidation bookings 31 Dec 2017	Total Group 31 Dec 2018	Total Group 31 Dec 2017
Total assets	568,559,107	522,189,333	3,732,392	14,909,768	572,291,499	537,099,101	-49,439	-753,413	572,242,060	536,345,688
Whereof shares and interests in associates	6,737,709	6,737,709	0	0	6,737,709	6,737,709	7,017,106	6,638,758	13,754,815	13,376,467
Liabilities	177,831,811	184,689,525	580,883	694,191	178,412,694	185,383,716	-49,439	-42,414	178,363,255	185,341,302

28 Additional Notes to the Consolidated Income Statement

Note 1. Revenue

(in EUR)	2018	2017
Revenue generated on sales with domestic customers from contracts with customers	**69,372,676**	**64,648,294**
- services	69,356,013	64,630,274
- goods and material	16,663	18,020
Revenue generated on sales with foreign customers from contracts with customers	**155,590,250**	**145,500,842**
- services	155,590,250	145,500,842
Revenue generated on sales with domestic customers from rentals	**1,339,268**	**1,235,640**
Revenue generated on sales with foreign customers from rentals	**3,344**	**53,601**
Total	**226,305,538**	**211,438,377**

The item of total revenue comprises one individual customer that exceeds 10 percent of total sales.

Based on analysis, the Group has established that the new standard has no significant impact on the recognition of net sales, and has therefore only adjusted the structure of disclosure.

Note 2. Capitalised own products and services

Under the item of capitalised own products and own services, the Group records services that increase the value of property, plant and equipment, which are primarily carried out by the subsidiary Luka Koper INPO, d. o. o. In 2018, capitalised income amounted to EUR 1,315,298 (2017: EUR 738,058).

Note 3. Other income

(in EUR)	2018	2017
Other operating income	**5,221,872**	**2,240,291**
Reversal of provisions	1,777,691	69,301
Subsidies, grants and similar income	1,636,905	1,740,242
Revaluation operating income	**1,807,276**	**430,748**
Income on sale of property, plant and equipment, and investment property	764,354	311,010
Collected written-off receivables and written-off liabilities	1,042,922	119,738
Other income	**10,473,623**	**1,401,879**
Compensations and damages	10,392,369	474,614
Other income	81,254	927,265
Total	**15,695,495**	**3,642,170**

Reversal of provisions amounting to EUR 1,777,691 relates to final legal proceedings and to the changed assessment of legal disputes.

Revaluation operating income is composed of income generated on sales of property, plant and equipment and investment property, and income from reversed allowances for receivables. In the reference year, the Group sold a facility with associated land, thereby generating EUR 736,455 of other income. Collected written-off receivables and written-off liabilities increased by EUR 923,184 year-on-year, mostly resulting from the reversal of allowances for receivables. The increase is mostly due to payments received in the amount of EUR 512,918 and due to issuing a credit note for a receivable for which, in the previous year, the Group had a valuation allowance.

Compensations and damages in 2018 amounted to EUR 10,392,369. Following an out-of-court settlement, the Group received compensation for the accident that took place last year, in which a coast gantry crane was damaged and consequently collapsed, which amounted to EUR 9,551,250 and was recognised under other income.

Note 4. Costs of material

(in EUR)	2018	2017
Costs of material	596	1,357
Costs of auxiliary material	2,971,799	3,231,441
Cost of spare parts	5,619,380	4,957,081
Cost of energy	7,915,814	7,166,315
Cost of office stationery	207,217	172,965
Other cost of material	436,711	410,428
Total	**17,151,517**	**15,939,587**

Note 5. Costs of services

(in EUR)	2018	2017
Cost of services rendered in connection with the core activity	29,508,650	29,174,547
Cost of transportation	201,279	193,901
Cost of maintenance	6,318,099	5,462,111
Rentals	487,045	504,399
Reimbursement of labour-related costs	327,803	350,027
Costs of payment processing, bank charges and insurance premiums	957,867	831,071
Costs of intellectual and personal services	1,548,642	913,407
Advertising, trade fairs and hospitality	1,062,749	1,244,125
Costs of services provided by individuals not performing business activities	385,048	363,395
Sewage and disposal services	492,479	349,778
Information support	2,989,826	3,137,138
Concession-related costs	7,814,485	7,646,472
Costs of other services	2,780,265	1,627,239
Total	**54,874,237**	**51,797,610**

As in previous years, cost of port services amounting to EUR 29,508,650 account for the largest portion among cost of services. Providers of port services are subcontracted by the controlling company and render basic port activities such as goods-related services (e.g. sorting, sampling, preparing pallets, protection, labelling, weighting, cleaning, reloading and other services), managing of port mechanisation and similar. Already in 2018, the Group began to implement the port service provision strategy, however, it had not yet have a major impact on the cost structure in the sense of reducing the cost of services in pursuit of business in 2018.

Concession-related costs increased as a consequence of higher operating income.

All lease arrangements are revocable and the relevant future liabilities arising thereunder are insignificant.

Note 6. Employee benefits expense

(in EUR)	2018	2017
Wages and salaries	41,394,878	35,975,658
Wage compensations	6,350,952	5,738,018
Costs of additional pension insurance	1,745,361	1,648,359
Employer's contributions on employee benefits	7,830,223	6,786,955
Annual holiday pay, reimbursements and other costs	5,331,347	4,364,485
Total	**62,652,761**	**54,513,475**

In 2018, employee benefits expense was EUR 62,652,761, which is EUR 8,139,286 more than in the same period of the preceding year. Higher employee benefits expense is mainly due to new recruitment, as the Group employed additional 134 workers in 2018, and due to the agreement on additional payments to employees resulting from added value growth, which was concluded in December 2018.

In December 2018, all employees of Luka Koper, d. d., Luka Koper INPO, d. o. o., Adria Terminali, d. o. o., and TOC, d. o. o., except for the Members of the Management Board and staff with individual contracts of employment, received an additional average monthly salary (13th salary) based on business performance in 2018, whereas employees in the company Luka Koper Pristan, d. o. o. received a Christmas bonus.

For the 17th year in a row, the Group pays for its employees 70 to 90 percent of the additional pension insurance premium.

The annual holiday pay amounted to EUR 1,200 per employee in 2018 (2017: EUR 1,150).

Average number of employees in the Group by education:

Level of education	Headcount in 2018	Headcount in 2017
VIII/2	1	1
VIII/1	26	25
VII	114	113
VI/2	172	158
VI/1	89	79
V	333	293
IV	328	289
III	26	22
I–II	83	93
Total	**1,172**	**1,073**

Note 7. Amortisation and depreciation expense

(in EUR)	2018	2017
Depreciation of buildings	13,474,593	13,371,253
Depreciation of equipment and spare parts	14,854,242	14,153,499
Depreciation of small tools	17,885	24,621
Depreciation of investment property	265,385	200,995
Amortisation of intangible assets	738,351	697,408
Depreciation of investment into foreign-owned assets	16,719	0
Total	**29,367,175**	**28,447,776**

Note 8. Other expenses

(in EUR)	2018	2017
Provisions	425,252	15,652,295
Impairment costs, write-offs and losses on property, plant and equipment and investment property	180,584	3,990,061
Expenses for allowances for receivables	554,390	925,112
Levies that are not contingent upon employee benefits expense and other types of cost	7,055,601	6,750,057
Donations	164,760	133,011
Environmental levies	163,460	125,601
Awards and scholarship to students inclusive of tax	10,191	17,364
Awards and scholarship to students	2,600	4,400
Other costs and expenses	1,006,303	882,384
Total	**9,563,141**	**28,480,285**

In 2018, the Group formed additional provisions for legal disputes amounting to EUR 425,252. Levies that are not contingent upon employee benefits expense and other types of cost mostly relate to the fee for the use of construction land, which in 2018 amounted to EUR 6,834,152. Other costs and expenses mainly consist of compensations amounting to EUR 883,232.

Note 9. Finance income and finance expenses

(in EUR)	2018	2017
Finance income from shares and interests	**1,469,259**	**1,216,433**
Finance income from shares and interests in other companies	1,469,259	1,216,433
Finance income from loans	**8,320**	**1,792**
Finance income from loans to others	8,320	1,792
Finance income from operating receivables	**221,009**	**128,506**
Finance income from operating receivables due from others	221,009	128,506
Total finance income	**1,698,588**	**1,346,731**
Finance expenses for financial liabilities	**-1,017,964**	**-1,328,682**
Finance expenses for borrowings from banks	-1,017,964	-1,328,682
Finance expenses for operating liabilities	**-56,324**	**-395,356**
Finance expenses for trade payables	-80	-259
Finance expenses for other operating liabilities	-56,244	-395,097
Total finance expenses	**-1,074,288**	**-1,724,038**
Net financial result	**624,300**	**-377,307**

Finance income from shares and interests in other entities refers to dividends paid under investments into securities.

Finance expenses arising on interest in 2018 amounted to EUR 1,017,964 and show a slight decline over the previous year, mainly due to lower effective interest rates.

Note 10. Taxes and effective tax rate

(in EUR)	2018	2017
Profit before tax	**71,990,785**	**37,895,971**
Income tax	**13,661,195**	**7,200,234**
Non-taxable income and increase in expenditure	-811,679	-30,551
Non-taxable dividends received	-548,812	-549,101
Tax incentives	-971,427	-4,458,279
Expenses not recognised for tax purposes	673,441	793,989
Impairment loss not recognised for tax purposes	182,964	0
Other reduction in the tax base	-17,050	-14,510
Other increase in the tax base	58,983	27,927
Change in tax rate	2,965	0
Total tax expense	**12,230,580**	**2,969,709**
Effective tax rate	**16.99%**	**7.84%**

During the income tax calculation, all Group companies observed provisions of the Corporate Income Tax Act.

The tax expense comprises the income tax and deferred taxes recognised in the income statement.

Note 11. Net earnings per share

In 2018, the Group reported net profit in the amount of EUR 59,760,203 (2017: EUR 34,982,789), whereof EUR 59,741,723 is attributable to the owner of the controlling company (2017: EUR 34,961,520) and EUR 18,480 to owners of non-controlling interests (2017: EUR 21,269). The non-controlling interest belongs to the co-owner of subsidiary TOC, d. o. o.

(in EUR)	31 Dec 2018	31 Dec 2017
Net profit for the period of the owner of the controlling company	59,741,723	34,961,520
Total number of shares	14,000,000	14,000,000
Net earnings per share	**4.27**	**2.50**

Net earnings per share were calculated by dividing the net operating profit with the weighted average number of ordinary shares in issue during the year.

29 Additional Notes to the Consolidated Statement of Financial Position

Note 12. Property, plant and equipment

(in EUR)	31 Dec 2018	31 Dec 2017
Land	18,407,884	18,286,759
Buildings	244,601,048	256,665,415
Plant and machinery	84,648,570	94,289,996
Property, plant and equipment being acquired and advances given	22,907,812	15,576,990
Total	**370,565,314**	**384,819,160**

No items of Group's property, plant and equipment were pledged as collateral.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2018 equalled zero, is recorded at EUR 260,691,465 (2017: EUR 249.957.534).
As at 31 December 2018, the outstanding trade payables to suppliers of items of property, plant and equipment amounted to EUR 4,283,275 (2017: EUR 4,652,969).
The item of assets being acquired includes advances given for acquiring property, plant and equipment. As at the reporting date, they were recorded at EUR 4,780,591 (2017: EUR 79,988). The highest advance given in the reported year refers to the purchase of five electrified rubber tired gantry (RTG) cranes in the amount of EUR 4,504,500, and the order of a mooring boat in the amount of EUR 237,968.

In 2018, total investments amounted to EUR 16,462,568. The Group's largest investments comprise:

- Purchase of five new electrified rubber tired gantry (RTG) cranes,
- Purchase of two terminal tugs,
- Reconstruction of the existing diesel RTG cranes to achieve a decrease in noise emissions,
- Completion of the construction of the 61 railway track,
- Development of premises for the needs of car and RO-RO terminals,
- Purchase of a 33t forklift,
- Purchase of two grabs,
- Purchase of replacement equipment for the fire-fighting system,
- Reinforcement of handling areas beside warehouses,

- Construction of a new entrance by merging the internal and external truck terminal,
- Order of a new mooring boat.

In the reference year, the Group found no material indication of required impairment to be carried out with respect to the assets.

In March, the Group sold the Prisoje facility with associated land, following which the value of property, plant and equipment decreased by EUR 1,502,198.

The difference between the cost and value adjustment for assets written off was recognised among costs for impairment, write-offs and losses on sale of property, plant and equipment and investment property (Note 8). Adjustment of cost and value adjustment for property, plant and equipment are a consequence of them being reclassified as fixed assets.

Movements in property, plant and equipment for 2018

(in EUR)	Land	Buildings	Plant and machinery	Assets being acquired	Total
Cost					
Balance at 31 Dec 2017	**18,286,759**	**494,811,265**	**305,280,362**	**15,576,990**	**833,955,376**
Adjustments	321,284	-1,189,959	0	0	-868,675
Balance at 1 Jan 2018	**18,608,043**	**493,621,306**	**305,280,362**	**15,576,990**	**833,086,701**
Additions	0	29,405	273,983	16,159,180	16,462,568
Transfer from investments in course of construction	0	2,932,735	5,830,164	-8,867,810	-104,911
Disposals	0	-101,826	-3,330,840	-3,461	-3,436,127
Adjustment with fair value	0	3,217	0	0	3,217
Transfer to intangible assets	0	0	-65,625	0	-65,625
Transfer from intangible assets	0	0	14,183	0	14,183
Transfer to investment property	0	-301,693	0	0	-301,693
Transfer to assets (disposal groups) held for sale	-200,159	-2,775,785	-48,369	0	-3,024,313
Reclassifications within property, plant and equipment	0	-65,716	22,803	42,913	0
Balance at 31 Dec 2018	**18,407,884**	**493,341,643**	**307,976,661**	**22,907,812**	**842,634,000**
Accumulated depreciation					
Balance at 31 Dec 2017	**0**	**238,145,848**	**210,990,367**	**0**	**449,136,215**
Adjustments	0	-1,298,351	0	0	-1,298,351
Balance at 1 Jan 2018	**0**	**236,847,497**	**210,990,367**	**0**	**447,837,864**
Depreciation	0	13,491,313	14,872,126	0	28,363,439
Disposals	0	-16,062	-2,516,374	0	-2,532,436
Transfer to intangible long-term assets	0	0	-6,437	0	-6,437
Transfer to investment property	0	-72,406	0	0	-72,406
Transfer to assets (disposal groups) held for sale	0	-1,499,616	-22,499	0	-1,522,115
Reclassifications within property, plant and equipment	0	-10,131	10,908	0	777
Balance at 31 Dec 2018	**0**	**248,740,595**	**223,328,091**	**0**	**472,068,686**
Carrying amount					
Balance at 31 Dec 2017	**18,286,759**	**256,665,417**	**94,289,995**	**15,576,990**	**384,819,161**
Balance at 1 Jan 2018	**18,608,043**	**256,773,809**	**94,289,995**	**15,576,990**	**385,248,837**
Balance at 31 Dec 2018	**18,407,884**	**244,601,048**	**84,648,570**	**22,907,812**	**370,565,314**

Movements in property, plant and equipment for 2017

(in EUR)	Land	Buildings	Plant and machinery	Assets being acquired	Total
Cost					
Balance at 31 Dec 2016	**18,255,454**	**461,721,048**	**268,118,147**	**64,779,235**	**812,873,884**
Additions	31,285	24,188	461,933	36,792,391	37,309,797
Transfer from investments in course of construction	20	32,223,265	53,427,995	-85,651,280	0
Disposals	0	-82,475	-16,479,608	0	-16,562,083
Transfer to intangible assets	0	0	-11,408	0	-11,408
Transfer from intangible assets	0	714,261	0	0	714,261
Transfer to investment property	0	0	0	-369,019	-369,019
Reclassifications within property, plant and equipment	0	211,031	-236,694	25,663	0
Balance at 31 Dec 2017	**18,286,759**	**494,811,318**	**305,280,365**	**15,576,990**	**833,955,432**
Accumulated depreciation					
Balance at 31 Dec 2016	**0**	**224,074,690**	**212,787,214**	**0**	**436,861,904**
Depreciation	0	13,371,254	14,178,119	0	27,549,373
Disposals	0	-47,543	-15,937,803	0	-15,985,346
Transfer to intangible long-term assets	0	0	-3,920	0	-3,920
Transfer from intangible assets	0	714,261	0	0	714,261
Reclassifications within property, plant and equipment	0	14,886	-14,886	0	0
Reclassifications within cost and value adjustment	0	18,355	-18,355	0	0
Balance at 31 Dec 2017	**0**	**238,145,903**	**210,990,369**	**0**	**449,136,272**
Carrying amount					
Balance at 31 Dec 2016	**18,255,454**	**237,646,358**	**55,330,933**	**64,779,235**	**376,011,980**
Balance at 31 Dec 2017	**18,286,759**	**256,665,415**	**94,289,996**	**15,576,990**	**384,819,160**

Note 13. Investment property

(in EUR)	31 Dec 2018	31 Dec 2017
Investment property - land	11,256,486	11,577,769
Investment property - buildings	3,614,092	3,752,072
Total	**14,870,578**	**15,329,841**

The item of investment property includes land and buildings leased out, and properties that increase the value of the non-current investment. Investment properties are valued by using the cost model.

(in EUR)	2018	2017
Rental income on investment property	943,631	869,752
Depreciation of investment property	265,385	200,995

Investment properties are not pledged as collateral.

Fair value of investment property as at 31 December 2018 amounted to EUR 14,962,695.

Fair value of investment property was assessed on the basis of valuation and by means of estimated total value of expected future cash flows generated through renting.

As at 31 December 2018, the value of investment property in the Group was EUR 14,870,578, which is a decrease by EUR 459,263 from the previous year-end. The decrease is a consequence of depreciation and reclassification as fixed assets.

Movements in investment property in 2018

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2017	**11,577,770**	**5,889,708**	**17,467,478**
Adjustments	-321,284	1,189,959	868,675
Balance at 1 Jan 2018	**11,256,486**	**7,079,667**	**18,336,153**
Transfer from investments in course of construction	0	8,951	8,951
Transfer from property, plant and equipment	0	298,476	298,476
Balance at 31 Dec 2018	**11,256,486**	**7,387,094**	**18,643,580**
Accumulated depreciation			
Balance at 31 Dec 2017	**0**	**2,137,637**	**2,137,637**
Adjustments	0	1,298,346	1,298,346
Balance at 1 Jan 2018	**0**	**3,435,983**	**3,435,983**
	0		
Depreciation	0	265,385	265,385
Transfer from property, plant and equipment	0	71,634	71,634
Balance at 31 Dec 2018	**0**	**3,773,002**	**3,773,002**
Carrying amount			
Balance at 31 Dec 2017	**11,577,770**	**3,752,071**	**15,329,841**
Balance at 1 Jan 2018	**11,256,486**	**3,643,684**	**14,900,170**
Balance at 31 Dec 2018	**11,256,486**	**3,614,092**	**14,870,578**

Movements in investment property in 2017

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2016	**14,991,483**	**5,520,689**	**20,512,172**
Impairment	-3,413,714	0	-3,413,714
Transfer to property, plant and equipment	0	369,019	369,019
Balance at 31 Dec 2017	**11,577,769**	**5,889,708**	**17,467,477**
Accumulated depreciation			
Balance at 31 Dec 2016	**0**	**1,936,642**	**1,936,642**
Depreciation	0	200,994	200,994
Balance at 31 Dec 2017	**0**	**2,137,636**	**2,137,636**
Carrying amount			
Balance at 31 Dec 2016	**14,991,483**	**3,584,047**	**18,575,530**
Balance at 31 Dec 2017	**11,577,769**	**3,752,072**	**15,329,841**

Note 14. Intangible assets

(in EUR)	31 Dec 2018	31 Dec 2017
Development costs	156,298	195,373
Non-current property rights	2,737,797	3,271,669
Total	**2,894,095**	**3,467,042**

The cost of the intangible assets in use, of which the carrying value as at 31 December 2018 equalled zero, is recorded at EUR 5,730,854 (2017: EUR 6.084.633).

As at 31 December 2018, the Group recorded payables to suppliers on intangible assets amounting to EUR 51,744, whereas at the preceding year-end it recorded no such payables.

Intangible assets were not pledged as collateral as at 31 December 2018.

The Group's intangible assets include industrial property rights and other rights, as well as costs of development. Industrial property rights and other rights comprise computer software, information systems and development-related projects. Development costs in the amount of EUR 156,298 relate to the company TOC, d. o. o. in connection with the CAPSorb project (development of efficient ecological absorbents to control spills of all types of hydrophilic and hydrophobic hazardous and non-hazardous substances on hard and on water surfaces).

The difference between the cost and value adjustment for intangible assets written off was recognised among costs for impairment, write-offs and losses on sale of property, plant and equipment and investment property (Note 8).

Movements in intangible assets in 2018

(in EUR)	Development costs	Industrial property and other rights	Intangible assets being acquired	Total
Cost				
Balance at 31 Dec 2017	**390,746**	**12,839,968**	**59,873**	**13,290,587**
Additions	0	239	24,319	24,558
Transfer from investments in course of construction	0	95,960	0	95,960
Disposals	0	-354,023	0	-354,023
Transfer to property, plant and equipment	0	65,625	0	65,625
Transfer from investment property	0	0	-14,183	-14,183
Balance at 31 Dec 2018	**390,746**	**12,647,769**	**70,009**	**13,108,524**
Accumulated depreciation				
Balance at 31 Dec 2017	**195,373**	**9,628,172**	**0**	**9,823,545**
Depreciation	39,074	699,275	0	738,349
Disposals	0	-353,904	0	-353,904
Transfer to property, plant and equipment	0	6,437	0	6,437
Balance at 31 Dec 2018	**234,447**	**9,979,980**	**0**	**10,214,427**
Carrying amount				
Balance at 31 Dec 2017	**195,373**	**3,211,796**	**59,873**	**3,467,042**
Balance at 31 Dec 2018	**156,299**	**2,667,789**	**70,009**	**2,894,097**

Movements in intangible assets in 2017

(in EUR)	Development costs	Industrial property and other rights	Intangible assets being acquired	Total
Cost				
Balance at 31 Dec 2016	**390,746**	**13,453,548**	**157,123**	**14,001,417**
Additions	0	32,265	0	32,265
Transfer from investments in course of construction	0	97,250	-97,250	0
Disposals	0	-40,242	0	-40,242
Transfer from property, plant and equipment	0	11,408	0	11,408
Transfer to property, plant and equipment	0	-714,261	0	-714,261
Balance at 31 Dec 2017	**390,746**	**12,839,968**	**59,873**	**13,290,587**
Accumulated depreciation				
Balance at 31 Dec 2016	**156,299**	**9,718,948**	**0**	**9,875,247**
Depreciation	39,074	658,334	0	697,408
Disposals	0	-38,769	0	-38,769
Transfer from property, plant and equipment	0	3,920	0	3,920
Transfer to property, plant and equipment	0	-714,261	0	-714,261
Balance at 31 Dec 2017	**195,373**	**9,628,172**	**0**	**9,823,545**
Carrying amount				
Balance at 31 Dec 2016	**234,447**	**3,734,600**	**157,123**	**4,126,170**
Balance at 31 Dec 2017	**195,373**	**3,211,796**	**59,873**	**3,467,042**

Note 15. Shares and interests in associates

		31 Dec 2018	31 Dec 2017
(in EUR)	Country	Equity interest (in %)	Equity interest (in %)
Associates:			
Adriafin, d. o. o.	Slovenia	50.0	50.0
Adria Transport, d. o. o.	Slovenia	50.0	50.0
Adria-Tow, d. o. o.	Slovenia	50.0	50.0
Avtoservis, d. o. o.	Slovenia	49.0	49.0

Shares and interests in associates are not pledged as collateral.

Movements in shares and interests in associates

(in EUR)	2018	2017
Balance at 1 Jan	**13,376,467**	**12,680,341**
Increase		
Attributable profits	1,658,983	1,689,934
Decrease		
Dividends paid	-1,280,634	-993,808
Balance at 31 Dec	**13,754,816**	**13,376,467**

Profits in the total amount of EUR 1,689,934 were generated in 2018 in connection with investments in associates and relating to Adria Transport, d. o. o. (EUR 407,751), Adria-Tow, d. o. o. (EUR 528,113), Adriafin, d. o .o. (EUR 44,226) and Avtoservis, d. o. o. (EUR 678,894).

Significant data on associates in 2018

(in EUR)	Equity interest (in %)	Assets	Liabilities	Revenue	Profit or loss for the period	Profit or loss attributable to the Group	Payment of previous year's profit
Adria Transport, d. o. o.	50.0	15,076,590	11,151,255	11,542,591	815,501	407,751	150,000
Adria-Tow, d. o. o.	50.0	15,123,227	4,561,251	6,623,343	1,056,226	528,113	400,000
Adriafin, d. o. o.	50.0	10,569,472	7,657	14,163	88,451	44,226	250,000
Avtoservis, d. o. o.	49.0	4,252,531	581,503	5,285,578	1,385,467	678,879	480,634

Significant data on associates in 2017

(in EUR)	Equity interest (in %)	Assets	Liabilities	Revenue	Profit or loss for the period	Profit or loss attributable to the Group	Payment of previous year's profit
Adria Transport, d. o. o.	50.0	12,619,968	9,208,225	10,150,081	865,822	432,911	320,000
Adria-Tow, d. o. o.	50.0	15,901,055	5,589,681	6,015,704	933,689	466,845	250,000
Adriafin, d. o. o.	50.0	10,998,596	25,231	496,754	619,130	309,565	0
Avtoservis, d. o. o.	49.0	3,477,467	455,895	4,080,875	980,842	480,613	423,808

Note 16. Other non-current investments

(in EUR)	31 Dec 2018	31 Dec 2017
Other investments measured at fair value through profit or loss	3,414,602	3,414,602
Other investments measured at fair value through comprehensive income	32,109,556	30,802,833
Total	**35,524,158**	**34,217,435**

Other non-current investments primarily comprise investments in securities and equity interests. Investments in securities include investments in shares in Krka, d. d. and Intereuropa, d. d., whose value as at 31 December 2018 was EUR 30,180,800, and mutual funds, whose value was EUR 1,928,756.

Other investments measured at fair value through profit or loss refer to investments in other companies, where the Group's equity interest is less than 20%, and two companies that are fully (100%) owned by the controlling company and are not consolidated due to insignificance.

Movements in other non-current investments

(in EUR)	2018	2017
Balance at 1 Jan	**34,217,435**	**30,551,199**
Increase		
Revaluation to fair value through equity	1,306,723	3,666,236
Balance at 31 Dec	**35,524,158**	**34,217,435**

Other non-current investments are not pledged as collateral.

Note 17. Deferred tax assets and deferred tax liabilities

	Receivables		Liabilities	
(in EUR)	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
Deferred tax assets and liabilities relating to:				
impairment of investments in subsidiaries	538,738	415,238	0	0
impairment of other investments and deductible temporary differences arising on securities	9,291,691	9,351,157	2,985,684	2,737,832
financial instruments	0	18,875	0	0
allowances for trade receivables	284,026	381,366	0	0
provisions for retirement benefits	319,373	290,204	0	0
provisions for jubilee premiums	58,924	58,356	0	0
non-current accrued costs and deferred income for public utility service	453,983	453,983	0	0
Total	**10,946,736**	**10,969,178**	**2,985,684**	**2,737,832**
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,985,684	-2,737,832	-2,985,684	-2,737,832
Total	**7,961,052**	**8,231,347**	**0**	**0**

Deferred tax assets represent deductible temporary differences arising on securities, non-current investments, impairment of receivables, provisions for retirement benefits and jubilee premiums, and deferred income from public utility service. Deferred taxes increased the operating result by EUR 17,163 in 2018, and decreased it by EUR 265,963 in the preceding year.

As at the 31 December 2018, the Group conducted an off-set of its deferred tax liabilities with receivables in the amount of EUR 2,985,684 (2017: EUR 2,737,832).

Within deferred taxes, the Group also records deferred taxes relating to impairment of investments in subsidiaries, which due to being a tax item of the controlling company, is not excluded. They are formed for the subsidiaries that have been defined as non-strategic for and are also subject to various types of withdrawal or disinvestment.

Movements in deferred tax assets and deferred tax liabilities in 2018

	Receivables				Liabilities		
(in EUR)	Balance at 31 Dec 2017	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2018	Balance at 31 Dec 2017	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2018
Deferred tax assets and liabilities relating to:							
impairment of investments in subsidiaries	415,238	123,500	0	**538,738**	0	0	**0**
impairment of other investments and deductible temporary differences arising on securities	9,351,156	-59,464	-70,076	**9,221,616**	2,737,832	177,775	**2,915,607**
financial instruments	18,875	0	-18,875	**0**	0	0	**0**
allowances for trade receivables	381,366	-97,342	0	**284,024**	0	0	**0**
provisions for retirement benefits	289,738	15,575	13,594	**318,907**	0	0	**0**
provisions for jubilee premiums	58,821	568	0	**59,389**	0	0	**0**
non-current accrued costs and deferred income for public utility service	453,983	0	0	**453,983**	0	0	**0**
Total	**10,969,177**	**-17,163**	**-75,357**	**10,876,657**	**2,737,832**	**177,775**	**2,915,607**
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,737,832	0	-177,775	**-2,915,607**	-2,737,832	-177,775	**-2,915,607**
Deferred tax assets in the Group's statement of financial position	**8,231,345**	**-17,163**	**-253,132**	**7,961,051**	**0**	**0**	**0**

Movements in deferred tax assets and deferred tax liabilities in 2017

	Receivables				Liabilities		
(in EUR)	Balance at 31 Dec 2016	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2017	Balance at 31 Dec 2016	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2017
Deferred tax assets and liabilities relating to:							
impairment of investments in subsidiaries	0	249,278	165,960	**415,238**	0	0	**0**
impairment of investments in associates	183,535	-17,574	-165,961	**0**	0	0	**0**
impairment of other investments and deductible temporary differences arising on securities	9,355,596	-4,439	0	**9,351,157**	2,041,047	696,586	**2,737,633**
financial instruments	79,776	0	-60,901	**18,875**	0	0	**0**
allowances for trade receivables	253,315	128,051	0	**381,366**	0	0	**0**
provisions for retirement benefits	368,654	-89,549	11,099	**290,204**	0	0	**0**
provisions for jubilee premiums	58,159	196	0	**58,355**	0	0	**0**
non-current accrued costs and deferred income for public utility service	453,983	0	0	**453,983**	0	0	**0**
Total	**10,753,018**	**265,963**	**-49,803**	**10,969,178**	**2,041,047**	**696,586**	**2,737,633**
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,041,247	0	-696,586	**-2,737,833**	-2,041,047	-696,586	**-2,737,633**
Deferred tax assets in the Group's statement of financial position	**8,711,771**	**265,963**	**-746,389**	**8,231,345**	**0**	**0**	**0**

Note 18. Inventories

As at 31 December 2018, inventories are recorded at EUR 1,322,412 (2017: EUR 1,037,066). A larger portion thereof relates to maintenance material and spare parts, as well as to overhead-related material and auxiliary material.

Note 19. Trade and other receivables

(in EUR)	31 Dec 2018	31 Dec 2017
Current trade receivables:		
domestic market	18,602,598	17,300,996
foreign markets	20,214,049	18,439,648
Current operating receivables due from associates	193,348	55,902
Current trade receivables	**39,009,995**	**35,796,546**
Advances and collaterals given	3,090,899	94,490
Current receivables related to finance income	1	14,844
Receivables due from the state	2,701,347	1,955,276
Other current receivables	124,861	102,589
Trade receivables	**44,927,103**	**37,963,745**
Short-term deferred costs and expenses	251,669	545,755
Accrued income	417,573	443,123
Other receivables	**669,242**	**988,878**
Total	**45,596,345**	**38,952,623**

As at 31 December 2018, the value of trade and other receivables was EUR 45,596,345, which is an increase by EUR 6,643,722 from the previous year-end. The highest increase results from a short-term security amounting to EUR 3,041,855 provided to the Financial Administration of the Republic of Slovenia to secure the fulfilment of tax obligation.

With most trade receivables, the Group has an option to enforce a legal lien over the stored goods in its possession.

The Group checks its overdue receivables pursuant to the accounting manual, and regularly forms related allowances in the event of delayed payments. In accordance with IFRS 9 – Financial Instruments and based on its accounting policy, the Group formed for the first time in 2018 revaluation adjustment for receivables for not matured claims per key risk criteria. On that basis, the Group had less than one percent of such outstanding and not matured claims that included the risk of default. In 2018, the Group formed allowances for receivables in the amount of EUR 554,390 and eliminated the allowance for collected or written-off receivables amounting to EUR 2,345,630.

As at 31 December 2018, no receivables were due from Members of the Management Board or the Supervisory Board.

For the purpose of collateralising a bank loan that as at 31 December 2018 amounted to EUR 1,700,000, the Group signed a contract on assigning receivables. As of the reporting date, these receivables amounted to EUR 134,551.

Other receivables include short-term accrued income in the amount of EUR 416,880 which refers to income arising on expenses for European development projects, co-financed by European institutions, and short-term deferred costs in the amount of EUR 251,669.

Maturity of trade receivables and receivables relating to finance income:

(in EUR)	31 Dec 2018	Allowances 2018	31 Dec 2017	Allowances 2017
Outstanding and undue trade receivables	33,075,479	-69,940	30,882,773	0
Past due receivables:				
up to 30 days	5,486,120	-54,307	4,963,985	-519,624
31 to 60 days overdue	394,334	-40,317	245,383	0
61 to 90 days overdue	121,865	-26,400	100,069	0
91 to 180 days overdue	162,491	-57,860	54,402	0
more than 180 days overdue	1,033,410	-1,014,880	2,619,720	-2,535,318
Total	**40,273,700**	**-1,263,704**	**38,866,332**	**-3,054,942**

As at 31 December 2018, the Group disclosed allowances for receivables amounting to EUR 1,263,704, a decrease from the preceding year-end by EUR 1,791,238. The decrease of allowances for receivables was mainly due to the partial conversion of receivables into equity participation in a subsidiary and partial repayment.

Movements in allowances for receivables

(in EUR)	2018	2017
Balance at 1 Jan	3,054,942	2,379,850
Increase:		
Formation of allowances	554,390	921,229
Decrease:		
Collected receivables written off	-1,032,542	-119,611
Final write-off of receivables	-1,313,088	-126,526
Balance at 31 Dec	**1,263,704**	**3,054,942**

Note 20. Cash and cash equivalents

(in EUR)	31 Dec 2018	31 Dec 2017
Cash in hand	10,834	11,657
Bank balances	27,592,459	30,382,558
Current deposits	51,980,000	1,980,000
Total	**79,583,293**	**32,374,215**

Note 21. Equity

Share capital

Share capital in the amount of EUR 58,420,965 consists of 14,000,000 shares of the controlling company Luka Koper, d. d. that are freely transferable. The nominal value of a share is EUR 4.17.

The ownerships structure, the movement of the share price and the dividend policy are outlined in detail in the Business Report of the Luka Koper Group within the section 'The LKPG share'.

Capital surplus (share premium) and revenue reserves

The Group records legal reserves in the amount of at least 10% of share capital as required by the Companies Act (ZGD-1). Legal reserves and share premium are not included in the accumulated profit and are not subject to distribution. The Group has no statutory reserves, as they are not envisaged under the articles of association. Pursuant to Article 230 (3) of the Companies Act, the controlling company formed at the year-end of 2018 additional other revenue reserves in the amount of a half of net profit or loss, which equalled EUR 29,294,497.

(in EUR)	31 Dec 2018	31 Dec 2017
Share premium	89,562,703	89,562,703
Legal reserves	18,765,115	18,765,115
Other revenue reserves	156,136,738	126,842,241
Total	**264,464,556**	**235,170,059**

Reserves arising on valuation at fair value

At the year-end of 2018, reserves arising on valuation at fair value with respect to the valuation of investments measured at fair value and with respect to unrealised actuarial gains and losses, amounted to EUR 14,365,218. After deducting deferred taxes, they are recorded at EUR 11,507,892.

Retained earnings

Retained earnings consist of the unappropriated portion of the net profit for the period, which as at 31 December 2018 amounted to EUR 30,447,226, and net profit brought forward that was recorded at EUR 28,827,350.

Note 22. Provisions

(in EUR)	31 Dec 2018	31 Dec 2017
Provisions for retirement benefits and jubilee premiums	4,680,214	3,669,042
Provisions for legal disputes	15,255,961	17,032,786
Total	**19,936,175**	**20,701,828**

Provisions for pensions and similar liabilities are composed of provisions for termination benefits and jubilee premiums as well as post-employment benefits.

The controlling company Luka Koper, d. d., and the subsidiary Luka Koper INPO, d. o. o. first formed liabilities from post-employment benefits (one-off payments upon retirement) in 2017, and such benefits were first paid in 2018. In 2017, such obligations were disclosed under other current liabilities and later transferred to provisions. In this context, provisions amounting to EUR 725,545 were formed in the reference year.

Based on actuarial calculation, the unrealised actuarial loss from the current and preceding year with respect to termination benefits amounting to EUR 183,064 was recorded in other comprehensive income. The Group recognised in the income statement the current service cost with respect to termination benefits and jubilee premiums in the amount of EUR 305,260, and the interest cost amounting to EUR 47,020. In 2018, payments under jubilee premiums and termination benefits amounted to EUR 225,177.

As at 31 December 2018, provisions for lawsuits were down by EUR 1,776,825, mainly due to a reversal of provisions for legal obligations. In accordance with Article 92 of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, the Group does not disclose information on its legal obligations as such disclosure would result in a judgement on the position of the Group in disputes with other parties.

Movements in provisions in 2018

(in EUR)	Termination benefits	Jubilee premiums	Defined contribution retirement benefit plan	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2017	3,054,774	614,267	0	3,669,042	17,032,786	20,701,828
Movement:						
Formation	492,488	77,666	725,545	1,229,824	279,418	1,509,242
Transfer from current borrowings	0	0	216,280	282,155	0	282,155
Transfer	0	0	-90,183	-90,183	0	-90,183
Use	-168,497	-56,680	-153,505	-378,682	-312,847	-691,529
Reversal	-16,943	-14,998	0	-31,942	-1,743,396	-1,775,338
Balance at 31 Dec 2018	**3,361,822**	**620,254**	**698,137**	**4,680,213**	**15,255,961**	**19,936,175**

Movements in provisions in 2017

(in EUR)	Termination benefits	Jubilee premiums	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2016	2,788,733	612,197	3,400,931	1,380,491	4,781,422
Movement:					
Formation	420,366	110,555	530,921	15,652,295	16,183,216
Use	-140,790	-105,066	-245,856	0	-245,856
Reversal	-13,535	-3,419	-16,954	0	-16,954
Balance at 31 Dec 2017	**3,054,774**	**614,267**	**3,669,042**	**17,032,786**	**20,701,828**

Note 23. Deferred income

(in EUR)	31 Dec 2018	31 Dec 2017
Non-current deferred income for regular maintenance	19,208,191	13,693,827
Non-refundable grants received	4,868,526	4,916,166
Other non-current deferred income	1,491,178	1,661,405
Total	**25,567,895**	**20,271,398**

Non-current deferred income comprise income on regular maintenance since in compliance with the Concession Agreement, Luka Koper, d. d., has the right and obligation to collect port dues, which is income intended to cover the costs of performing utility service. With respect to any annual surplus of revenue over costs, the controlling company forms non-current deferred income for covering the costs of public utility services relating to regular maintenance of the port infrastructure in the coming years. In the event that costs exceeded the revenue, the controlling company would be utilising non-current deferred income.

The grant received primarily comprise non-refundable grants and advance payments received with respect to non-refundable funds for investments into EU development projects which are recorded by the controlling company and are utilised in accord with their useful life. Under non-refundable funds received, the Group also records retained contributions on salaries of employees of the Luka Koper INPO, d. o. o sheltered workshop, i.e. contributions to insurance schemes for retirement pension, disability, sickness, and maternity. The assets were used in compliance with the Vocational Rehabilitation and Employment of Disabled Persons Act for covering 75% of wages for disabled persons and labour costs for the staff who assist the disabled persons.

Group's other non-current deferred income comprises non-current deferred income earmarked to cover the costs of depreciation of fixed assets.

Movements in deferred income in 2018

(in EUR)	Non-current deferred income for regular maintenance	Non-refundable grants received	Other non-current deferred income	Total
Balance at 31 Dec 2017	13,693,827	4,916,166	1,661,405	20,271,398
Correction of an error from previous years	55,068	0	0	55,068
Balance at 1 Jan 2018	13,748,895	4,916,166	1,661,405	20,326,466
Movement:				
Formation	0	1,390,837	710	1,391,547
Transfer to other liabilities	5,459,296	26,163	0	5,485,459
Use	0	-1,252,217	-170,937	-1,423,154
Balance at 31 Dec 2018	**19,208,191**	**4,868,526**	**1,491,178**	**25,567,895**

Movements in deferred income in 2017

(in EUR)	Non-current deferred income for regular maintenance	Non-refundable grants received	Other non-current deferred income	Total
Balance at 31 Dec 2016	7,987,214	4,829,468	1,948,156	14,764,838
Movement:				
Formation	5,706,613	2,679,689	0	8,386,302
Transfer from other liabilities	0	22,535	0	22,535
Transfer to other liabilities	0	-1,110,728	0	-1,110,728
Use	0	-1,504,798	-286,751	-1,791,549
Balance at 31 Dec 2017	**13,693,827**	**4,916,166**	**1,661,405**	**20,271,398**

Note 24. Non-current loans and borrowings

(in EUR)	31 Dec 2018	31 Dec 2017
Non-current borrowings from banks in Slovenia	50,464,286	71,419,979
Non-current borrowings from banks abroad	26,967,213	29,262,295
Total	**77,431,499**	**100,682,274**

As at the balance sheet date, non-current borrowings from banks amounted to EUR 77,431,499, and have thus decreased by 23.1 percent or EUR 23,250,775 as compared to the year-end of 2017. The decrease resulted from the transfer of part of liabilities to current borrowings and the early repayment of a bank borrowing. All bank borrowings are subject to the variable interest rate.

All non-current borrowings from banks are being repaid following the predefined repayment schedule. All liabilities under non-current borrowings from banks are collateralised with blank bills of exchange and financial covenants, whereby one borrowing is collateralised with assignment of receivables.

Movements in current borrowings in 2018

	Lender	
(in EUR)	Banks	Total
Balance at 31 Dec 2017	100,682,274	100,682,274
Repayments	-9,565,217	-9,565,217
Transfer to current borrowings – the portion that matures within 1 year	-13,685,558	-13,685,558
Balance at 31 Dec 2018	**77,431,499**	**77,431,499**

Movements in current borrowings in 2017

	Lender	
(in EUR)	Banks	Total
Balance at 31 Dec 2016	97,900,739	97,900,739
New borrowings	18,700,000	18,700,000
Reclassifications	141,935	141,935
Transfer to current borrowings – the portion that matures within 1 year	-16,060,400	-16,060,400
Balance at 31 Dec 2017	**100,682,274**	**100,682,274**

Loan principals (non-current and current borrowings) in 2018

(in EUR)	Currency of loan	Interest rate	Date of maturity	Approved principal amount	Principal at 31 Dec 2018
Loans B	EUR	Euribor3m + from 0.650 to 1.000	from 1 Jul 2019 to 21 Jul 2031	88,000,000	58,545,628
Loans C	EUR	Euribor6m + from 1 , 050 to 1.200	from 14 Apr 2025 to 31 Dec 2025	50,000,000	32,571,428
Total				**138,000,000**	**91,117,056**
- whereof current portion					13,685,558

Loan principals (non-current and current borrowings) in 2017

(in EUR)	Currency of loan	Interest rate	Date of maturity	Approved principal amount	Principal at 31 Dec 2017
Loans B	EUR	Euribor3m + from 0.650 to 2.500	from 30 Sep 2018 to 21 Jul 2031	123,000,000	79,314,102
Loans C	EUR	Euribor6m + from 1.550 to 2.000	from 14 Apr 2025 to 31 Dec 2025	50,000,000	37,428,571
Total				**173,000,000**	**116,742,673**
- whereof current portion					16,060,399

Balance of non-current and current borrowings from banks at par value and by their maturity

(in EUR)	Principal at 31 Dec 2018	2019	2020	2021	2022	2023	Period 2024-2033
Balance of bank loan principals by maturity	91,117,057	13,685,558	10,652,225	10,652,225	10,652,225	10,652,225	34,822,600
Expected interest	2,753,481	641,352	540,317	453,517	367,594	281,629	469,072
Total	**93,870,538**	**14,326,910**	**11,192,542**	**11,105,742**	**11,019,819**	**10,933,854**	**35,291,671**

Note 25. Non-current operating liabilities

Non-current operating liabilities comprise non-current collaterals for the operation of the tax warehouse at the current cargo terminal and non-current collaterals received for leased premises. As at 31 December 2018, they amounted to EUR 1,380,528 (2017: EUR 1,045,243).

Note 26. Current loans and borrowings

(in EUR)	31 Dec 2018	31 Dec 2017
Current borrowings from banks in Slovenia	11,390,476	13,765,317
Current borrowings from banks abroad	2,295,082	2,295,082
Total	**13,685,558**	**16,060,399**

Current borrowings from banks as at 31 December 2018 refer to the portion of non-current principal amounts which mature in 2019 according to amortisation schedules.

Movements in current borrowings in 2018

	Lender	
(in EUR)	Banks	Banks
	2018	2017
Balance at 1 Jan	16,060,399	11,761,732
Repayments	-16,060,399	-11,761,733
Transfer from non-current borrowings – the portion that matures within 1 year	13,685,558	16,060,400
Balance at 31 Dec	**13,685,558**	**16,060,399**

Note 27. Trade and other payables

(in EUR)	31 Dec 2018	31 Dec 2017
Current liabilities to		
domestic suppliers	17,063,746	16,973,624
foreign suppliers	491,391	413,868
Current liabilities to associates	84,498	83,776
Current trade payables	**17,639,635**	**17,471,268**
Current liabilities from advances	1,780,057	1,092,723
Current liabilities to employees	6,362,944	3,985,606
Current liabilities to the state and other institutions	12,814	67,626
Current operating liabilities	**25,795,450**	**22,617,223**
Accrued costs and expenses	4,438,520	3,518,232
Other operating liabilities	288,579	772,535
Other operating liabilities	**5,175,849**	**4,290,767**
Total	**30,971,299**	**26,907,990**

As compared to the preceding year, current trade and other payables increased by EUR 4,063,309. The highest increase was recorded among current liabilities to employees, i.e. resulting from new recruitment and from the concluded agreement on one-off payment to employees for having reached added value growth.

Current liabilities from advances mostly relate to the funds received from the EU to cover the future costs incurred by co-financed projects, and to the current securities received.

Accrued costs relate to accrued costs of the concession, costs for the collective job performance, accrued interest for loans and borrowings, accrued costs for remunerations and bonuses paid under individual contracts, accrued costs for unused vacation days, and accrued charges for invoices to be received.

Note 28. Contingent liabilities

(in EUR)	31 Dec 2018	31 Dec 2017
Guarantees given	2,154,763	1,742,058
Securities given	3,360,506	4,200,467
Contingent liabilities under legal disputes	5,977,395	1,933,240
Commitments for the purchase of assets	32,160,873	366,728
Total contingent liabilities	**43,653,537**	**8,242,493**

As at 31 December 2018, the guarantees given refer to customs operations amounting to EUR 1,860,000, and to performance guarantees amounting to EUR 56,795.

Securities in the amount of EUR 3,360,506 were given to the company Adria Transport, d. o. o. to cover a lease of locomotives.

The company that received a guarantee from the controlling company regularly paid its liabilities in this regard and as at 31 December 2018 disclosed no outstanding instalments.

As at 31 December 2018, contingent liabilities under legal disputes amounted EUR 5,977,395, up EUR 4,044,155 from the preceding year-end. The highest increase relates to the formed contingent liabilities in the amount of EUR 3,041,855 for the fiscal control being conducted with regard to the corporate tax return for 2017, and for which the Group has assessed, also following the opinion of an independent fiscal counsellor, that there were no related risks for which provisions should be formed in this context.

Commitments for the purchase of assets relate to concluded contracts for the purchase/construction of an asset in a future period.

Note 29. Related party transactions

Remuneration of Members of the Management and Supervisory Boards of the controlling company are outlined in Note 29 of Luka Koper, d. d. financial report. Remuneration of groups of persons in the controlling company and subsidiaries is presented in tables below.

Remuneration of groups of persons in 2018

Gross remuneration of groups of persons (in EUR)	Gross wages (fixed and variable part)	Annual holiday pay and jubilee premiums	Other receipts and benefits	Total
Members of the Management Board	791,725	4,600	34,973	831,298
Members of the Supervisory Board (ten members)	336,036	0	87,908	423,944
Employees with individual employment contracts in the controlling company	2,698,368	30,400	166,904	2,895,672
Managing Directors of subsidiaries	356,805	4,800	29,500	391,105
Total	**4,182,934**	**39,800**	**319,284**	**4,542,018**

Transactions with associates

Income statement items from transactions with associates (in EUR)	Luka Koper Group 2018	2017
Net revenue from sales to associates	753,899	690,689
Cost of material charged to associates	120,561	153,708
Cost of services charged to associates	974,952	1,074,534
Other operating expenses charged to associates	0	6,093
Profit of associates	1,658,983	1,689,934

Items of the statement of financial position to associates (in EUR)	Luka Koper Group 31 Dec 2018	31 Dec 2017
Non-current investments except loans to associates	13,754,815	13,388,464
Current operating receivables due from associates	193,348	55,902
Current operating liabilities to associates	84,498	83,775

Transactions with the Government of the Republic of Slovenia

Transactions between the Luka Koper Group and the Government of the Republic of Slovenia in 2018 included the following:

(in EUR)	Payments in 2018	Costs/ expenses in 2018	Payments in 2017	Costs/ expenses in 2017
Concessions and the water fee	7,774,610	7,814,485	8,658,414	7,646,473
Dividends	8,782,200	0	9,996,000	0
Corporate income tax (taxes and advance payments)	3,265,037	12,213,417	7,982,344	6,046,624
Other taxes and contributions	7,421,799	7,830,223	6,023,746	6,008,500
Total	**27,243,646**	**27,858,125**	**32,660,504**	**19,701,597**

No other transactions between the Government of the Republic of Slovenia and the Group were recorded.

Dividends were paid out to two other companies, in which the Government of the Republic of Slovenia holds a controlling interest i.e. to the company SDH, d. d.in the amount of EUR 1,916,164 and the company Kapitalska družba, d. d. in the amount of EUR 856,793.

Transactions with companies, in which the Republic of Slovenia has directly dominant influence

The shareholder-related companies are those in which the Republic of Slovenia and the SDH together directly hold at least a 20% stake. The list of such companies is published on the SDH website (https://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb).

In 2018, transactions conducted between the Luka Koper Group and entities in which the state has directly dominant influence included sales to such companies amounting to EUR 11,761,759, and purchasing transactions amounting to EUR in 4,908,064. The majority of sale referred to services related to port activity, whereas major purchasing included costs of railway transport, purchases of energy and insurance costs. As at 31 December 2018, the Luka Koper Group recorded receivables and liabilities to such entities of EUR 1,868,221 and EUR 19,245,020 respectively. The major part of liabilities was related to a loan given by SID – Slovenska izvozna in razvojna banka, d. d., which was raised under market conditions.

Note 30. Financial instruments and financial risk management

Financial risks to which the Group is exposed to include:

1. Risk of change in fair value,
2. Interest rate risk,
3. Liquidity risk,
4. Currency risk,
5. Credit risk, and
6. Risk of adequate capital structure.

The Group's management of financial risks has been organised within controlling company's finance department. The specifics of the existing economic environment make forecasting future financial categories quite demanding, introducing into the planned categories a higher degree of unpredictability and, consequently, a higher level of risk. The Group has consequently tightened the control over individual financial categories.

1. Risk management and change in fair value

In compliance with the new standard IFRS 9 entering into force, the Group classified its other investments measured at cost as investments at fair value through profit or loss in the financial year 2018. In measuring fair value, the Company applied the highest and best use model. As at 31 December 2018, the Group thus recognises investments into securities at fair value through comprehensive income, whereas investments in shares of other companies, where the Group's equity interest is less than 20%, and investments in two companies that are fully (100%) owned by the controlling company and are not consolidated due to insignificance, are recognised at fair value through profit or loss.

As at 31 December 2018, the Group had 6.2 percent of its assets in investments measured at fair value (31 December 2017: 6.4 percent, data having been reviewed for comparative purposes). The fair value risk associated with investments in securities is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal, whereas with investments in shares of other companies there is a risk for the sales value not to equal the value of the market transaction. This type of risk has been recognised with regard to investments in market securities of successful Slovenian companies and to investments in shares and interests. As at 31 December 2018, the value of non-current investments at fair value amounted to EUR 35,524,158.

Sensitivity analysis of investments at fair value:

Risk of change in fair value as at 31 December 2018

Change of index (in %)	Impact on equity
-10%	-3,552,416
10%	3,552,416

Risk of change in fair value of securities as at 31 December 2017

Change of index (in %)	Impact on equity
-10%	-3,080,283
10%	3,080,283

Correction of figures for comparative purposes

Change of index (in %)	Impact on equity
-10%	-3,421,744
10%	3,421,744

The sensitivity analysis of investments at fair value was based on the assumption of a 10 percent increase in the value of the index and accordingly, such growth would result in an increase in the fair value of the market securities portfolio by EUR 3,552,416. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by that same amount.

If this was the case, the amount of the difference in fair value would be recognised as either an increase or decrease in other comprehensive income within equity for investments into securities, and within profit or loss for investments into other companies.

Fair value hierarchy in 2018

	Valuation at fair value			
(in EUR)	Carrying amount at 31 Dec 2018	Direct stock market quotation (Level 1)	Value based on comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measured at fair value				
Other non-current investments	35,524,158	32,109,556	0	3,414,602

Fair value hierarchy in 2017

(in EUR)	Valuation at fair value			
	Carrying amount at 31 Dec 2017	Direct stock market quotation (Level 1)	Value based on comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measured at fair value				
Other non-current investments	34,217,435*	30,802,833	0	3,414,602*
Liabilities measured at fair value				
Interest rate hedging for borrowings	99,346	0	99,346	0

*Adjusted comparative data

Shares and interests measured at fair value were valued at publicly applicable exchange rates of the Ljubljana Stock Exchange and mutual funds quotations.

Fair value of the interest rate swap was calculated by the bank.

2. Management of interest rate risk

With respect to its liabilities structure, the Group also faces interest rate risk as an unexpected growth in variable interest rates can have an adverse effect on the planned results.

In the overall structure of liabilities, the share of financial liabilities decreased from 21.8% in 2017 to 15.9% in 2018. The effect of variable interest rates changes on future profit and loss after taxes is shown in the table below.

With respect to the largest borrowing having a final maturity date in 2031, the controlling company has entered into an instrument as interest rate hedging. Having been entered into in 2013, the instrument was due in 2018. Possible change in variable interest rates could thus have an impact on all of the Group's borrowings (2017: 73 percent).

Overview of exposure

(in EUR)	31 Dec 2018	Exposure on 31 Dec 2018	31 Dec 2017	Exposure on 31 Dec 2017
Borrowings received at variable interest rate (without interest rate hedge)	91,117,057	100.0%	85,185,296	73.0%
Borrowings received at variable interest rate (with interest rate hedge)	0	0.0%	31,557,377	27.0%
Total	**91,117,057**	**100.0%**	**116,742,673**	**100.0%**

Sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations:

(in EUR)	Bank borrowings under the variable interest rate at 31 Dec 2018	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	58,545,629	43,893	73,156	202,243
6M EURIBOR	32,571,428	0	4,234	85,663
Total effect on interest expenses	**91,117,057**	**43,893**	**77,390**	**287,906**
(in EUR)	**Non-hedged bank borrowings under the variable interest rate at 31 Dec 2017**	**Increase by 15 bp**	**Increase by 25 bp**	**Increase by 50 bp**
3M EURIBOR	47,756,725	0	0	81,664
6M EURIBOR	37,428,571	0	0	85,711
Total effect on interest expenses	**85,185,296**	**0**	**0**	**167,375**

The analysis of financial liabilities' sensitivity to changes in variable interest rates was based on the assumption of potential growth in interest rates of 15, 25 and 50 base points. Given the assumption that variable interest rates will grow by 15 or 25 base points, the Group's interest expenses in view of unchanged borrowing would grow by EUR 121,283. If the variable interest rates are to grow by 50 base points, the interest expenses would increase by EUR 287,906. At the year-end of 2018, the Group's borrowings not hedged against interest rate risk were subject to the movement of the 3M or 6M Euribor.

3. Management of liquidity risk

Liquidity risk refers to the risk that the Group would fail to settle its liabilities at maturity. The Group manages liquidity risk by regular planning of cash flows required to settle liabilities with diverse maturity. Additional measures for preventing delays in receivable collection include regular monitoring of payments and immediate response to any delays, and also charging penalty interest in accordance with the Group's uniform policy of receivable management. Over the past three years, the Group's loans from banks were prepaid due to surplus liquid assets.

(in EUR)	Up to 3 months	3 to 12 months	1 to 2 years	3 to 5 years	Over 5 years	Total
31 Dec 2018						
Loans and borrowings*	2,115,437	11,570,121	10,652,225	31,956,674	34,822,600	91,117,057
Expected interest on all borrowings	118,102	523,250	540,317	1,102,740	469,072	2,753,481
Other financial liabilities	145,363	0	0	0	0	145,363
Payables to suppliers	17,639,635	0	0	0	0	17,639,635
Other operating liabilities	8,155,815	0	0	0	0	8,155,815
Total	**28,174,353**	**12,093,371**	**11,192,542**	**33,059,414**	**35,291,671**	**119,811,351**
31 December 2017						
Loans and borrowings*	2,974,147	13,086,251	16,004,399	39,203,051	45,474,824	116,742,672
Expected interest on all borrowings	210,700	1,007,238	965,343	1,837,580	871,811	4,892,672
Other financial liabilities	372,169	0	419,873	0	0	792,042
Payables to suppliers	17,471,268	0	0	0	0	17,471,268
Other operating liabilities	5,145,955	0	0	0	0	5,145,955
Total	**26,174,239**	**14,093,489**	**17,389,615**	**41,040,631**	**46,346,635**	**145,044,609**

*The item also includes borrowings from associates

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars (USD). In recent years, the Group succeeded in achieving significantly lower accrued income in USD to the extent that USD denominated receivables are negligible, based on which the Group has opted not to hedge this item.

5. Management of credit risk

Management of the risk of default on the side of the counterparty or the credit risk has gained in importance in recent years. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduces the assessed probability of timely inflows and increases additional costs of financing the operation. Accordingly, the Group has accelerated collection-related activities in the past five years and more consistently monitored trade receivables past due. In case of customers, regarding which the Group detects late payments and inconsistency in observing adopted business agreements, an advance payment system is set up for all ordered services with the aim of avoiding the late-payment culture. The latter area is positively impacted by the specific structure of Group's customers, which are predominantly major companies, freight forwarders and forwarding agents that have been the Group's business partners for a number of years.

Certain receivables have been secured with collaterals, which are returned to the customers once all obligations have been settled. Investments include loans, which are secured with blank bills of exchange and other movable and immovable property.

Assets exposed to credit risk:

(in EUR)	Note	31 Dec 2018	31 Dec 2017
Deposits and loans given		19,378	22,592
Non-current operating receivables		70,818	41,772
Current deposits		71,086	71,128
Current loans given		8,716	8,413
Trade receivables	19	39,009,995	35,796,546
Other receivables	19	5,917,108	2,167,199
Cash and cash equivalents	20	79,583,293	32,374,215
Guarantees and collaterals granted	28	5,524,269	5,942,525
Total		**130,204,663**	**76,424,390**

6. Management of risk relating to adequate capital structure

Having identified the optimal capital structure, the Group has set a non-current strategic goal of maintaining the debtor's share within the liabilities side below 40 percent. As at 31 December 2018, this share was at 31.1 percent, down 3.6 percent from the preceding year-end.

(in EUR)	31 Dec 2018		31 December 2017	
	in EUR	share (%)	in EUR	share (%)
Equity	393,878,805	68.8%	350,437,387	65.3%
Non-current liabilities	124,316,097	21.7%	142,700,743	26.6%
Current liabilities	54,047,158	9.4%	43,340,558	8.1%
Equity and liabilities	**572,242,060**	**100.0%**	**536,478,688**	**100.0%**

Note 32. Transactions with the audit firm

The contractual value of audit services render for the Group by BDO revizija d. o. o. for the financial year 2018 is recorded at EUR 45,223 (exclusive of VAT). The contractual value of providing assurance on the report on relations with associated companies and report on the use of public funds received due to the disabled employees for the financial year 2018, which for the Group was carried out by BDO revizija, d. o. o., amounted to EUR 1,066 (exclusive of VAT).

30 Relevant events after the end of the financial year

JANUARY 2019

- Luka Koper, d. d., began in 2018 and completed in January 2019 the procedure of refinancing part of its long-term loans payable: long-term loan contracts were signed with two banks, i.e. Intesa Sanpaolo, d. d., and SID, d. d., for the period of 10 years and for a total amount of EUR 43.7 million, each bank providing a half. By refinancing part of its loans, the Company has lengthened the maturity of its sources of funds, while also replacing part of its variable-rate sources of funds with fixed interest rate sources and reducing financing costs.
- Upon the completion of the tax inspection performed by the Financial Administration of the Republic of Slovenia with regard to the corporation tax return for 2017, Luka Koper, d. d., received a notice of reassessment and paid the liabilities. The Company appealed against the notice.
- On 15 January 2019, Luka Koper received an application from the Ministry of Infrastructure to issue permissions to register a title to the land.

31 Independent Auditor's Report

BDO

Tel: +386 1 53 00 920
Fax: +386 1 53 00 921
info@bdo.si
www.bdo.si

Cesta v Mestni log 1
SI-1000 Ljubljana
Slovenija

INDEPENDENT AUDITOR'S REPORT

(Translation from the original in Slovene language)

To the Shareholders of **Luka Koper d.d.**

Opinion

We have audited the consolidated financial statements of Luka Koper d.d. and its subsidiaries (the Group), which comprise the statement of financial position as at 31 December 2018, consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2018, and its financial performance for the year then ended in accordance with International Financial Reporting Standards as adopted by European Union (IFRSs).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and Regulation (EU) No. 537/2014 of the European Parliament and Council of 16th April 2014 on specific requirements regarding statutory audit of public-interest entities. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Slovenia, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a consolidated opinion on these matters.

We have fulfilled all our obligations described in the paragraph "Auditor's responsibilities for the audit of the consolidated financial statements", including those related to these matters. Therefore, the audit comprised the implementation of the procedures determined on the basis of our assessment of the risk of material misstatement in the consolidated financial statements. The results of our audit procedures, including the procedures performed in relation to the matters stated hereinafter, serve as the basis for issuing our audit opinion about the attached consolidated financial statements.

Revenue recognition

Key audit matter

Revenue for the year ended 31 December 2018 amounted to EUR 226.305.528 (2017: EUR 211.438.377).

The Group's core activities include transhipment of goods and rendering other accompanying and supporting services.

Revenue from these core services is generally recognized by reference to their stage of completion on the reporting date, calculated based on proportion of the service rendered.

Transhipment and other accompanying and supporting services are frequently contracted by the Group within a single customer arrangement.

The Group performs a large volume of individual transactions, which are predominantly smaller, therefore it is very important that their completeness is ensured in the accounting period.

Accounting for such bundled arrangements requires significant management judgement in determining the appropriate measurement and timing of revenue, hence we considered this area to be a key audit matter.

Our response

Our audit procedures included, among others:

- Testing of design, implementation and operating effectiveness of controls over the revenue cycle. This included using our own IT specialists in evaluating the controls in the IT systems that support the recording of revenue.
- Assessing the Group´s policy for recognizing revenue, including considering whether the policy is in accordance with relevant financial reporting standards.
- Based on our inspection of a sample of contracts with key customers:
  - challenging the Group´s identification of identifiable components within the revenue contracts;
  - critically assessing the Group´s selection of revenue recognition patterns for identified revenue components by reference to the Group´s accounting policies;
- Critically evaluating the Group's identification of the stage of completion of the services by inspecting of contracts and supporting documents, such as ship documentation, for all the ships berthed in the Luka Koper harbour in the end of December 2018.
- Inspecting manual journal entries posted to revenue accounts focusing on unusual and irregular items, or entries modified subsequent to the balance sheet date.

We refer to the consolidated financial statements Note 27.2 Basis for preparation of consolidated financial statements and a summary of important accounting policies, Note 27.2.24 Revenue (accounting policy) and Note 28 Additional notes to the consolidated income statement, Note 1. Net revenue from sales (notes).

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Provisions for Lawsuits

Key audit matter

The carrying amount of provisions for lawsuits as at 31 December 2018: EUR 15.255.961 (2017: EUR 17.032.828); contingent liabilities arising from lawsuits as at 31 December 2018: EUR 5.977.395 (2017: EUR 1.933.240).

The Group is exposed to material potential claims arising from pending lawsuits, regarding its operations. The claims and legal disputes, including recognised provisions, are important for the audit, since their recognition requires management judgement and since the assessment process is complex and based on future development of events, which is why the matter was defined as a key audit matter.

We refer to Note 29.22 Provisions and Note 29.28 Contingent liabilities describing the Group's exposure to lawsuits.

There is great uncertainty in the assessment of whether these are provisions or contingent liabilities. When adopting a decision, the Group uses material assumptions and assessments. The amounts of claims represent a material liability, and the assessment of the need to establish provisions is mostly subjective.

Our response

We assessed the management estimate of the current status of disputes and claims towards the Group and judged if potential provisions and the related disclosures should be recognised in accordance with the accounting standards. The management prepared the legal and financial assessment of the situation and obtained the assessments from several lawyers and independent legal experts.

Our audit procedures included among other:

- Inspecting the minutes of the Management and Supervisory Board of Luka Koper d.d.
- With the assistance of our legal experts, we assessed the reasonableness of our legal bases for recognising the provisions. We reviewed the appropriateness of estimates and assumptions used by the Group regarding the recognition of provisions or disclosing contingent liabilities for lawsuits. We focused on the judgement of the management regarding probability of unfavourable outcome and reliability of the assessed amount of claims.
- We evaluated the range of values and the assumptions included in the management's assessment of potential outflows of benefits and discussed the management assessment with the Group's Management Board and Audit Committee.
- We have assessed whether the Group's disclosures regarding provisions for lawsuits were appropriate considering the IFRSs.

We refer to the consolidated financial statements, Note 27.2 Basis for preparation of consolidated financial statements and notes - Assessment of provisioning for lawsuits 26.2.14 Additional notes to the consolidated income statements - Note 29.22 Provisions, Note 29.28 Contingent liabilities.

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Other Information

Management is responsible for the other information. The other information comprises Introduction, Business Report and Sustainability report included in the Group's annual report but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read other information and, in doing so, assess whether the other information is materially inconsistent with the consolidated financial statements, legal requirements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work done, we conclude that there is a material misstatement of other information, we must report such circumstances. Based on the procedures performed, we report that:

- The other information is in all material respect consistent with audited consolidated financial statements;
- The other information is prepared in compliance with applicable law or regulation.

Our responsibility is to report, based on the knowledge and understanding of the Company and the Group obtained in the audit, on whether the other information contains any material misstatement. Based on the procedures we have performed on the other information obtained, we have not identified any material misstatement.

Responsibilities of Management and the Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The Supervisory Board and Audit Committee are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

With the Supervisory Board and the Audit Committee we communicate the planned scope and timing of the audit and significant findings from the audit, including significant deficiencies in internal control we have identified during our audit.

We also provide the Supervisory Board and the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Supervisory Board and the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other reporting obligations as required by EU Regulation No. No 537/2017 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament the Council, we provide the following information in our Independent Auditor's report, which is required in addition to the requirements of International Standards on Auditing:

Appointment of the Auditor and the Period of Engagement

We were appointed as the statutory auditor of the Company by the shareholders on the General Shareholders´ Meeting held on 28th December 2017 for the financial years 2017, 2018 and 2019. Chairman of the Supervisory Board signed the engagement letter for financial year 2018 on 12th October 2018 and annex on 19th December 2018. The audit is carried out by Certified Auditor M.Sc. Nadja Kranjc.

Consistence with the Additional Report to the Audit Committee

We confirm that our audit opinion on the consolidated financial statements expressed herein is consistent with the additional report issued to the Audit Committee of the Company on 10th April 2019.

Prohibited Services

We confirm that we have not performed any prohibited services referred to the Article 5(1) of EU Regulation No. 537/2014 of the European Parliament and the Council. We declare that we ensure our independence from audit Company.

Other Audit Services

In addition to the statutory audit services, we have performed other audit procedures for the Company in relation to the assessment of the objective reasonableness of the criteria that serve the allocation of assets and liabilities, costs, expenses and revenues, and procedures related to the assessment of the correctness of the criteria application in the preparation of consolidated financial statements when performing a public services of administration, management, development and regular maintenance of port infrastructure in the area of the Koper cargo port and waste collection from vessels.

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

Ljubljana, 10th April 2019

M.Sc. Nadja Kranjc, Certified auditor,
Director

BDO Revizija d.o.o.
Družba za revidiranje

32 Statement of Management's Responsibility

The Management Board of Luka Koper, d. d., is responsible for the preparation of the Annual Report hereof, including the financial statements and notes thereto, that give a true and fair view of the financial position of the Luka Koper Group and Luka Koper, d. d., as of 31 December 2018 and of their financial performance for the year then ended.

The Management Board confirms that the Annual Report for the Luka Koper Group and Luka Koper, d. d. for 2018 with all its component parts: Management Report, Accounting Report, Sustainability Report, including the Corporate Governance Statement, has been devised and published pursuant to the legislation in force and international accounting standards.

The Management Board confirms that accounting policies were consistently applied and that the accounting judgements were made under the principle of prudence and due diligence of a good manager.

The Management Board further confirms that the financial statements of the Company and the Group have been compiled under the assumption of a going concern of the parent and its subsidiaries and in accordance with the applicable legislation and International Financial Reporting Standards as adopted by the EU.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which tax assessment was due, carry out the audit of the Group operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that could give rise to any significant liability on this account.

The Management Board is responsible for adopting measures to secure the assets of the Luka Koper Group and Luka Koper, d. d. and to prevent and detect fraud and other irregularities and/or illegal acts.

Members of the Management Board

Dimitrij Zadel
President of the Management Board

Metod Podkrižnik
Member of the Management Board

Irma Gubanec
Member of the Management Board

Vojko Rotar
Member of the Management Board - Worker Director

Koper, 15 March 2019