

SUMMARY OF THE BUSINESS PLAN FOR 2021 AND ESTIMATE OF THE BUSINESS PERFORMANCE IN 2020 OF LUKA KOPER, D. D., AND LUKA KOPER GROUP

Luka Koper Group
and Luka Koper, d. d.

1 Forecast of business performance in 2021

Business plan for 2021 is based on the projections of the key international institutions, such as IMF¹ and OECD², European Commission and other analytical platforms. The forecast of aforesaid institutions for 2021, reveals the recovery of global economy and recovery in global GDP, although the latter is supposed to be lower than prior to the pandemic outbreak. Both IMF and OECD are aware that their forecasts contain huge uncertainties related to the starting points for the projections, since the forecasts are based on factors, which due to the pandemic characteristics are by their nature difficult to predict. However, the uncertainty has been diminishing because of optimistic forecasts for the vaccine. In its October forecasts, IMF projects 5.2 percent economic growth for Euro zone in 2021. The growth is foreseen in almost all hinterland markets of Luka Koper, d. d.: Austria 4.7 percent, Slovakia 6.9 percent, Czech republic 5.1 percent, and Germany 4.2 percent growth. According to data provided by the European Commission, the growth of GDP in China, the most important oversea market of Luka Koper, should achieve 7.3 percent. In its December forecast, OECD estimates that after a sharp fall in 2020, the global GDP should increase by approximately 4.2 percent in 2021 and further 3.7 percent in 2022.

In view of the favourable projection of the economic growth and on the basis of the estimates of global logistic providers, in 2021, Luka Koper, d. d., and Luka Koper Group, in comparison with the estimate for 2020, will generate 6 percent increase in revenue from net sales and 5 percent increase in total maritime throughput. The growth is planned in all product groups.

In the strategic group of containers, 3 percent growth in container throughput (measured in container units TEU), in comparison to the estimate for 2020 is planned as well as the maintenance of the leading position among the Adriatic ports. Container shipping companies project a gradual throughput growth to the level from 2019 for the Northern Adriatic area in the beginning of 2021, since trade flows should be redirected from the air cargo traffic to the maritime transport, whilst the return to normal situation is foreseen in 2022.

Due to the COVID-19 pandemic outbreak, the world automotive industry was of the most affected sectors. Among the European car ports, Luka Koper, d. d., recorded the lowest fall in car transshipment. Alongside the economy recovery in 2021, the car sales rise is expected in 2021. In the strategic product group of cars, 8 percent increase is projected in 2021 in the car transshipment, compared to the estimate for 2020.

In 2021, Luka Koper, d. d., and Luka Koper Group, are expected to reach a similar level of the earnings before interest and taxes (EIT) and net profit or loss in line with the estimate for 2020, despite the planned growth of net sales, mostly due to the State aid in compliance with the Act determining the intervention measures to contain the COVID-19 and mitigate its consequences for citizens and economy ZIUZEOP (COVID-19) and lower labours cost from performance bonuses in 2020.

In 2021, Luka Koper, d. d., will continue the undertaken investments in the port infrastructure and which are primarily related to the increase of the container terminal capacities. In the first quarter of 2021, the first stage of the extension of the Pier I will be completed, and namely the extension of the quayside for 100 metres. The works will continue with the construction of the second stage, which will be implemented at the end of 2022 and in which additional storage areas at the Pier I, measuring almost 25 thousand square meters, are planned. In the first quarter of the next year, also the garage with 6.000 parking lots will be constructed. In the same period, a new, third truck entrance to the Port is projected to be put in use. The construction of new storage capacities for general cargoes is planned in the Business plan. Luka Koper Group will continue the construction of road and railway infrastructure in the port and the digital transformation.

¹ IMF – International Monetary Fund

² OECD – Organisation for Economic Co-operation and Development

2 Key performance indicators of Luka Koper, d. d., and Luka Koper Group in 2021

Income statement (in EUR)	Luka Koper, d. d.			Luka Koper Group		
	PROJECTION 2020	PLAN 2021	index 2021/ 2020	PROJECTION 2020	PLAN 2021	index 2021/ 2020
Net sales	204,192,675	216,152,643	106	207,863,912	219,834,530	106
Earnings before interest and taxes (EBIT) ³	25,755,351	25,805,929	100	26,118,375	25,802,434	99
Earnings before interest, taxes, depreciation and amortisation (EBITDA) ⁴	52,991,168	53,214,053	100	54,133,448	54,008,299	100
Profit or loss from financing activity	2,489,074	2,372,289	95	1,482,694	1,479,554	100
Profit before tax	28,244,425	28,178,219	100	28,511,285	28,148,940	99
Net profit or loss	24,851,562	24,419,094	98	25,076,043	24,371,429	97
Added value ⁵	127,481,504	133,002,896	104	135,337,482	140,606,164	104

Statement of financial position (in EUR)	PROJECTION 31.12.2020	PLAN 31.12.2021	index 2021/ 2020	PROJECTION 31.12.2020	PLAN 31.12.2021	index 2021/ 2020
Assets	574,508,873	606,323,081	106	609,306,783	624,576,525	103
Non-current assets	492,347,224	536,329,072	109	502,668,966	546,724,187	109
Current assets	82,161,650	69,994,009	85	106,637,817	77,852,340	73
Own funds	399,456,107	411,555,201	103	432,200,211	444,251,640	103
Non-current liabilities with provisions and long-term accruals and deferred revenue	114,053,030	132,767,362	116	116,047,937	118,579,834	102
Short-term liabilities	60,999,736	62,000,518	102	61,058,635	61,745,052	101
Financial liabilities	82,445,995	102,924,820	125	82,291,117	86,750,537	105

Investments (in EUR)	PROJECTION 2020	PLAN 2021	index 2021/ 2020	PROJECTION 2020	PLAN 2021	index 2021/ 2020
Investments in property, plant and equipment, investment property and intangible assets ⁶	67,626,682	74,537,793	110	68,003,802	75,561,593	111

³ Earnings before interest and taxes (EBIT) = difference between operating income and costs.

⁴ Earnings before interest, taxes, depreciation and amortisation (EBITDA) = earnings before interest and taxes (EBIT) + depreciation/amortisation.

⁵ Added value = net sales + capitalised own products and own services + other revenue – costs of goods, material, services – other operating expenses excluding revaluation operating expenses.

⁶ Without taking into account advances paid for the equipment.

Ratios (in%)	Luka Koper, d. d.			Luka Koper Group		
	PROJECTION 2020	PLAN 2021	index 2021/2020	PROJECTION 2020	PLAN 2021	index 2021/2020
Return on sales (ROS) ⁷	12.6%	11.9%	95	12.6%	11.7%	93
Return on equity (ROE) ⁸	6.3%	6.0%	94	5.9%	5.6%	95
Return on assets (ROA) ⁹	4.3%	4.1%	95	4.2%	4.0%	96
EBITDA margin ¹⁰	26.0%	24.6%	95	26.0%	24.6%	94
EBITDA margin from market activity ¹¹	26.9%	25.8%	96	27.0%	25.7%	95
Financial liabilities/equity	20.6%	25.0%	121	19.0%	19.5%	103
Net financial debt /EBITDA ¹²	1.0	1.6	172	0.5	1.2	242

Maritime throughput (in tons)	PROJECTION 2020	PLAN 2021	index 2021/2020	PROJECTION 2020	PLAN 2021	index 2021/2020
Maritime throughput	19,488,833	20,546,387	105	19,488,833	20,546,387	105

Number of employees	PROJECTION 2020	PLAN 2021	index 2021/2020	PROJECTION 2020	PLAN 2021	index 2021/2020
Number of employees	1,545	1,634	106	1,710	1,797	105

⁷ Return on sales (ROS) = earnings before interest and taxes (EBIT) / net sales.

⁸ Return on equity (ROE) = net income / shareholder equity.

⁹ Return on assets (ROA) = net income / average total assets.

¹⁰ EBITDA margin = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales.

¹¹ EBITDA margin from market activity = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales from market activity.

¹² Net financial debt/EBITDA = (financial liabilities – cash and cash equivalents) / EBITDA.

3 Estimate of business performance in 2020

The impact of the COVID-19 pandemic on global trade flows has been affecting the performance of Luka Koper Group. Notwithstanding, the throughput of the strategic product group of containers is stable, whilst the throughput downturn will mark other product groups. The impact of the pandemic in liquid cargoes is directly resulting from the reduced sale of oil products, mainly in the aviation industry. The decline in vehicle production has affected the whole supply chain, which is reflected in the general cargoes throughput, and namely in iron ore products for car industry and at the bulk cargoes terminal, where raw materials destined to the steel industry are handled. Bulk cargoes are affected by the reduced consumption of the thermal coal as result of higher environmental taxes on emissions. In addition to the abovesaid, the competitiveness of neighbouring ports and difficulties in the railway connection between the Port of Koper and the hinterland in previous years have been increasing, and consequently some logistic companies established alternative connections. The throughput of cars from the half-year 2020 onwards has been even rising, mostly due to the export to the Far East. Therefore, it is supposed that by the end of 2020, the maritime throughput of Luka Koper Group should achieve 19.5 million tonnes, which is 14 percent decline from the achieved throughput in 2019 and 19 percent below the plan.

Accordingly to current estimates, net sales of Luka Koper Group in 2020 will amount to EUR 207.9 million, which is 9 percent decrease in comparison with 2019 and 13 percent below the plan. In 2020, earnings before interest and tax (EBIT) will amount to EUR 26.1 million, (42 percent decrease over last year resp. 21 percent below the planned), whilst net profit or loss will amount to EUR 25.1 million (38 percent decline over last year resp. 21 percent decline from the planned). Estimated indicators arise from the coronavirus epidemic and related measures, economic downturn and higher labour costs due to higher number of employees as result of implementing the port service provision strategy.