

Annual Report 2019





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Luka Koper Group
and Luka Koper, d. d.

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 2019 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 2019 with all its component parts: Management Report, Sustainability Report, Accounting Report, including the Corporate Governance Statement, has been devised and published pursuant to the legislation in force and International Financial Reporting 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 five years after the end of the year for which tax assessment was due, carry out an audit of the Company 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 Luka Koper, d. d. and the Luka Koper Group, and to prevent and detect fraud and other irregularities and/or illegal acts.



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, 17 March 2020

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Business report



1 Business performance highlights of the Luka Koper Group in 2019

In 2019, net sales amounted to EUR 229 million, which was an increase by 1% or EUR 2.4 million compared to 2018. Net sales of the Group relating to market activity were lower than the net sales of the preceding year by 1% or EUR 1.6 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport exceeded the result of the previous year by 91% or EUR 3.9 million. Higher revenues relating to market activity were achieved from warehousing due to slower dispatch of goods, from container filling and emptying and from rents. Lower revenues as compared to 2018 were recorded in shipping which was due to lower transshipment.



229 million EUR +1% 2019/2018

net sales

-6% 2019/PLAN 2019

The second half of 2019 was marked by the global economic downturn, which showed in various industries, particularly in car manufacturing, electronics industry and manufacturing of iron products. The decrease of industrial production was reflected in the decreased transshipment of raw materials, semi-manufactured products, components and finished products, which resulted in the Luka Koper Group net sales in 2019 being lower by 6% or EUR 14.1 million than the ambitiously budgeted net sales. Compared to 2018, the transshipment decreased in all product groups except for liquid cargoes, where growth can be mostly attributed to favourable trends in fuel transport and capacities of the liquid cargo's terminal. Net sales of the Group relating to the market activity fell short of the budgeted net sales in 2019 by 4% or EUR 9.5 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport lagged behind the plan by 35% or EUR 4.5 million.

Table 1: Throughput in tons per cargo group in 2019 and 2018

Cargo groups (in tons)	1-12 2019	1-12 2018	Index 2019/2018
General cargoes	1,280,194	1,526,026	84
Containers	9,475,016	9,520,007	100
Cars	1,111,433	1,156,265	96
Liquid cargoes	4,307,388	3,855,247	112
Dry bulk and bulk cargoes	6,618,616	7,991,074	83
Total	22,792,646	24,048,618	95

Table 2: Throughput of containers (number of containers and TEU) and cars (number) in 2019 and 2018

Cargo groups	1-12 2019	1-12 2018	Index 2019/2018
Containers – number	560,885	582,397	96
Containers – TEU	959,354	988,499	97
Cars – pieces	705,993	754,409	94



45 million EUR -35% 2019/2018

earnings before interest and taxes (EBIT) +3% 2019/PLAN 2019

The Luka Koper Group operating results in 2019 were expectedly influenced by the implementation of a new business model of providing port services and by the introduction of the transshipment fee intended for the construction of the second railway track. Also, when making comparisons with 2018, the impact of the extraordinary event of receiving compensation amounting to EUR 9.3 million in 2018 for the crane that collapsed in an accident in 2017 has to be excluded.

In 2019, earnings before interest and taxes (EBIT) of the Luka Koper Group amounted to EUR 45 million, which was a decrease of 35% or EUR 24.4 million from 2018. Without capitalised own products and services from maintenance of the port infrastructure, which in 2018 amounted to EUR 1.3 million, and was mostly performed by the subsidiary Luka Koper INPO, d. o. o., and the compensation for the crane received in the amount of EUR 9.3 million in 2018, and EUR 0.4 million in 2019, and recorded under other income, the 2019 earnings before interest and taxes would be lower by 24% or EUR 13.9 million than the amount achieved in 2018. Earnings before interest and taxes (EBIT) being lower in 2019 than in 2018 was mostly affected by labour costs, which in 2019 were higher by EUR 14.4 million, transshipment fee costs amounting to EUR 4.8 million for the period March–December 2019, costs under provisions for legal costs amounting to EUR 2 million. However, the achieved earnings before interest and taxes were influenced positively by lower depreciation costs from reassessment of useful lives amounting to EUR 2.1 million.

In 2019, earnings before interest and taxes (EBIT) of the Luka Koper Group were higher than planned by 3% or EUR 1.3 million despite lower income from market activity amounting to EUR 9.5 million, and lower income from performing a public utility service in the amount of EUR 4.5 million. The achieved earnings before interest and taxes being higher than planned were due to lower cost of material, services, labour and depreciation.



EUR 73 million -26% 2019/2018

earnings before interest, taxes, depreciation and amortisation (EBITDA) PLAN ACHIEVED

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Luka Koper Group amounted to EUR 73 million in 2019, which was a 26% or EUR 26 million decrease from 2018. Without the compensation for the crane received in 2018 and 2019, the 2019 earnings before interest, taxes, depreciation and amortisation (EBITDA) would be lower by 19% or EUR 16.8 million than the amount achieved in 2018.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Luka Koper Group in 2019 were as planned.



32%

EBITDA margin

-27% 2019/2018

+6% 2019/PLAN 2019

The EBITDA margin of the Luka Koper Group in 2019 accounted for 32%, which was a decrease of 27% or 11.8 percentage points from 2018. Without the compensation for the crane received in 2018 and 2019, the 2019 EBITDA margin would be lower by 10% or 7.8 percentage points than the margin in 2018.

The EBITDA margin of the Luka Koper Group in 2019 was higher by 6% or 1.7 percentage point when compared to the budgeted margin.

In 2019, the EBITDA margin of the Luka Koper Group resulting from market activity accounted for 33.2%, which was an increase of 4% or 1.2 percentage points when compared to the plan.



EUR 40 million

net profit or loss

-32% 2019/2018

+5% 2019/PLAN 2019

Net profit or loss of the Luka Koper Group amounted to EUR 40 million in 2019, which was a decrease of 32% or EUR 19.3 million from 2018. Without the compensation for the crane received in 2018 and 2019, the 2019 net profit or loss would be lower by 23% or EUR 11.7 million than the amount achieved in 2018. Alongside previously explained influences on the earnings before interest and taxes (EBIT) in 2019 being lower than in 2018, the net profit or loss in 2019 was also affected by the lower effective corporate tax rate resulting from higher tax incentives due to increased investments.

Net profit or loss of the Luka Koper Group in 2019 was higher than planned by 5% or EUR 2.1 million.



EUR 40 million

investments

+240% 2019/2018

-26% 2019/PLAN 2019

In 2019, the Luka Koper Group allocated the amount of EUR 40 million to investments in property, plant and equipment, investment property and intangible fixed assets, which was an increase of EUR 28.3 million from 2018. The investments were mainly intended for transshipment equipment, the new port entrance and the construction of a new berth.¹

Investment expenditure in 2019 was lower than planned by 26% or EUR 14.4 million, which was mostly due to the procedures for the award of public contracts being longer than planned.

¹ Without taking into account advances paid for the equipment.


10%

return on equity (ROE)

-38% 2019/2018

+4% 2019/PLAN 2019

The return on equity (ROE) was at 10% in 2019, down 38% or 6.1 percentage points from 2018. Without the compensation for the crane received in 2018 and 2019, the 2019 return on equity would be 30% lower than the share achieved in 2018, which is mostly due to the effects of the changed port service provision strategy and the transshipment fee intended for the construction of the second rail track. The return on equity (ROE) in 2019 was higher than planned by 4 % or 0.4 percentage point.


0.3

net financial debt/EBITDA

+0.2 2019/2018

-0.3 2019/PLAN 2019

In 2019, the net financial debt/EBITDA indicator was 0.3, while in 2018 it was 0.1. 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. The net financial debt /EBITDA indicator was planned at 0.6 in 2019.

Relevant events, developments and achievements in 2019

In January, 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.

As of March, Luka Koper has been paying the transshipment fee intended for the construction of the Divača–Koper second railway track.

A new, official entrance, the second truck entrance to the port was opened on 10 May 2019.

On 22 May 2019, the Company received the decision that the 2017 inspection procedure into exceeded noise levels towards Koper had been completed.

The extension of Pier I began in July with the integration of test piles. The extension will ensure the port's further development and enhance its competitive edge on the international market.








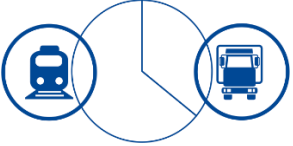
In August, the contractor was chosen for the construction of a parking garage at the car terminal, which will increase the storage capacity for cars.

The first teams of workers from the so-called tier II of the new strategy began working in September, and by the end of 2019, the scheme comprised 304 workers. They will be providing port services as agency workers.

In November, Luka Koper signed an agreement with the Municipality of Koper on the implementation of mitigation measures to reduce the environmental impact of port activity.

In December, contracts were signed with providers of services at the car terminal and providers of industrial cleaning services as part of tier III of the port service provision strategy; they were selected through public procurement procedures.

2019 in numbers:

	<p>unloaded from and loaded on ships</p> <p>22.8 million tons of cargoes</p>
	<p>unloaded from and loaded on ships</p> <p>959,354 TEU <small>(container units)</small></p>
	<p>unloaded from and loaded on ships</p> <p>705,993 cars</p>
	<p>berthed</p> <p>1,703 ships</p>
	<p>unloaded and loaded</p> <p>288,705 wagons</p>
	<p>arrived in and departed from the port</p> <p>22,329 trains</p>
	<p>arrived in and departed from the port</p> <p>337,940 trucks</p>
	<p>59% <small>share of railway transshipment</small></p> <p>41% <small>share of road transshipment</small></p>

1.1 Financial ratios²

Table 3: The key financial ratios of Luka Koper, d. d., and the Luka Koper Group in 2019 compared to 2018

	Luka Koper, d. d.			Luka Koper Group		
Income statement (in EUR)	2019	2018	Index 2019/ 2018	2019	2018	Index 2019/ 2018
Net sales	224,715,839	222,980,390	101	228,677,538	226,305,538	101
Earnings before interest and taxes (EBIT) ³	43,575,419	68,744,503	63	45,308,084	69,707,500	65
Earnings before interest, taxes, depreciation and amortisation (EBITDA) ⁴	70,595,927	97,289,910	73	73,086,627	99,074,675	74
Profit or loss from financing activity	2,519,600	2,055,291	123	1,116,621	624,300	179
Profit before tax	46,095,019	70,799,794	65	47,800,254	71,990,783	66
Net profit or loss	38,818,611	58,588,995	66	40,425,162	59,760,203	68
Added value ⁵	142,207,202	153,696,709	93	150,704,224	162,462,410	93

Statement of financial position (in EUR)	31 Dec 2019	31 Dec 2018	Index 2019/ 2018	31 Dec 2019	31 Dec 2018	Index 2019/ 2018
Assets	578,115,124	553,542,206	104	597,410,414	572,242,060	104
Non-current assets	463,329,270	433,899,168	107	474,919,477	445,660,208	107
Current assets	114,785,854	119,643,038	96	122,490,937	126,581,852	97
Own funds	386,889,959	362,644,965	107	419,089,356	393,878,805	106
Non-current liabilities with provisions and long-term accruals and deferred revenue	144,484,229	137,848,415	105	130,715,123	124,316,097	105
Short-term liabilities	46,740,936	53,048,826	88	47,605,935	54,047,158	88
Financial liabilities	108,844,281	107,273,741	101	93,001,716	91,262,420	102

Investments (in EUR)	2019	2018	Index 2019/ 2018	2019	2018	Index 2019/ 2018
Investments in property, plant and equipment, investment property and intangible assets ⁶	38,140,525	11,324,414	337	40,037,457	11,786,524	340

² GRI GS 102-7

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.

	Luka Koper, d. d.			Luka Koper Group		
Ratios (in%)	2019	2018	Index 2019/2018	2019	2018	Index 2019/2018
Return on sales (ROS) ⁷	19.4%	30.8%	63	19.8 %	30.8 %	64
Return on equity (ROE) ⁸	10.4%	17.1%	60	9.9%	16.1%	62
Return on assets (ROA) ⁹	6.9 %	10.9 %	63	6.9%	10.8%	64
EBITDA margin ¹⁰	31.4%	43.6%	72	32.0%	43.8%	73
EBITDA margin from market activity ¹¹	32.6%	44.5%	73	33.2%	44.6%	74
Financial liabilities/equity	28.1%	29.6%	95	22.2 %	23.2 %	96
Net financial debt/EBITDA ¹²	0.6	0.3	175	0.3	0.1	232
Maritime throughput (in tons)	2019	2018	Index 2019/2018	2019	2018	Index 2019/2018
Maritime throughput	22,792,646	24,048,618	95	22,792,646	24,048,618	95
Number of employees	2019	2018	Index 2019/2018	2019	2018	Index 2019/2018
Number of employees	1,541	1,089	142	1,703	1,242	137

⁷Return 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.

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

¹¹EBITDA 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

Figure 1: Maritime throughput

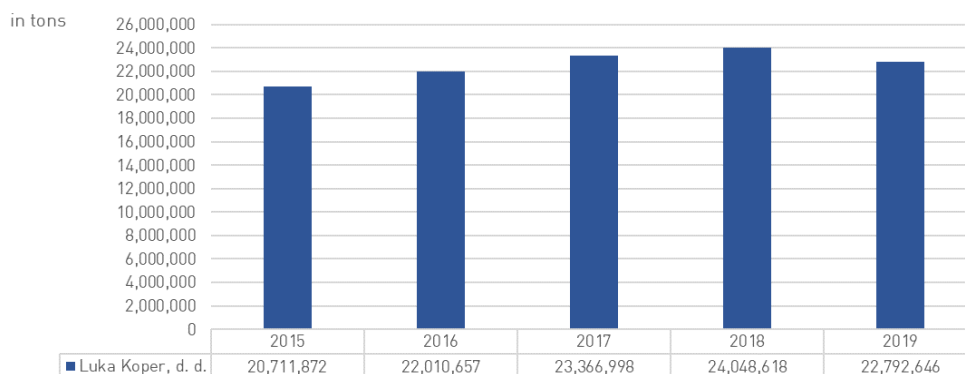


Figure 2: Net sales

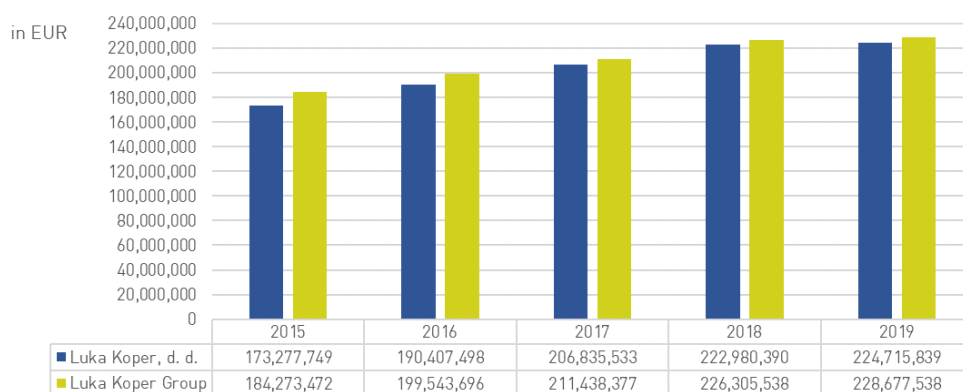
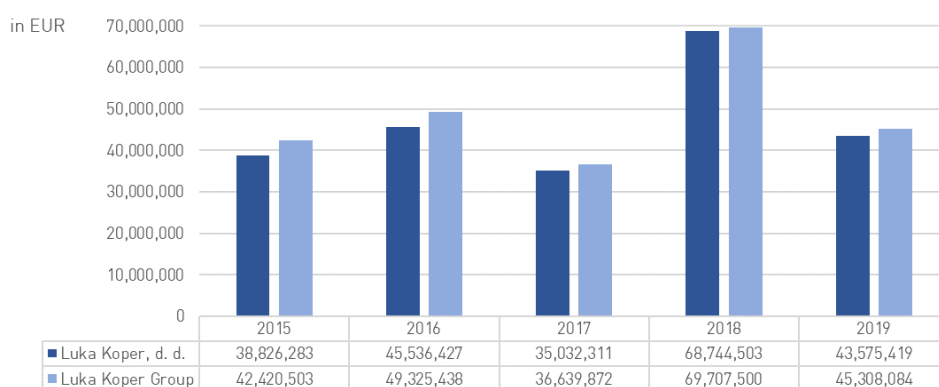


Figure 3: Earnings before interest and taxes (EBIT)



The earnings before interest and taxes (EBIT) and net profit or loss in 2017 were affected by formed provisions for liabilities from legal obligations amounting to EUR 15.7 million, whereas the 2018 results were affected by the single event of received reimbursement of EUR 9.3 million. The earnings before interest and taxes (EBIT) and net profit or loss in 2019 were mainly affected by two factors: implementation of the port service provision strategy and the related increase of labour costs by EUR 14.4 million, and transshipment fee costs under the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line amounting to EUR 4.8 million.

Figure 4: Net profit or loss

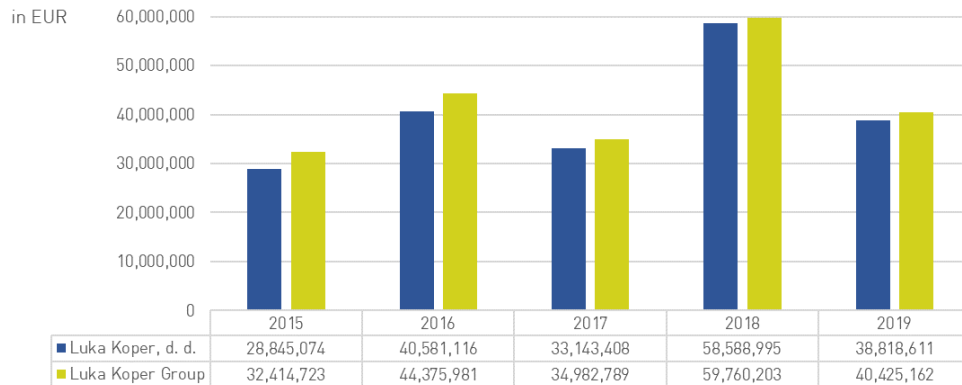
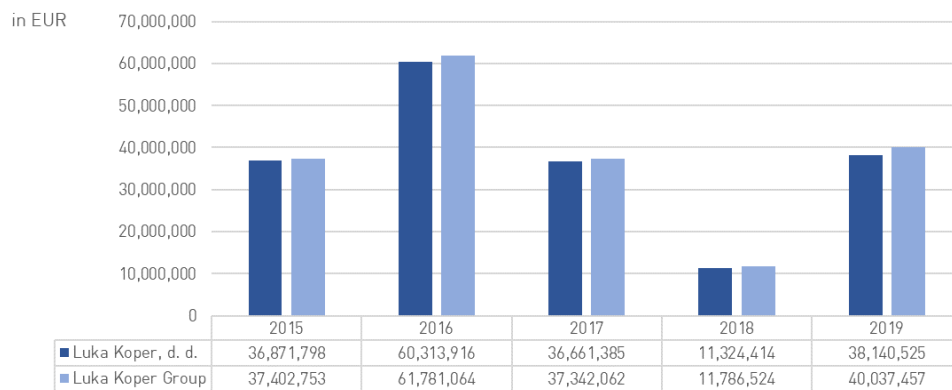
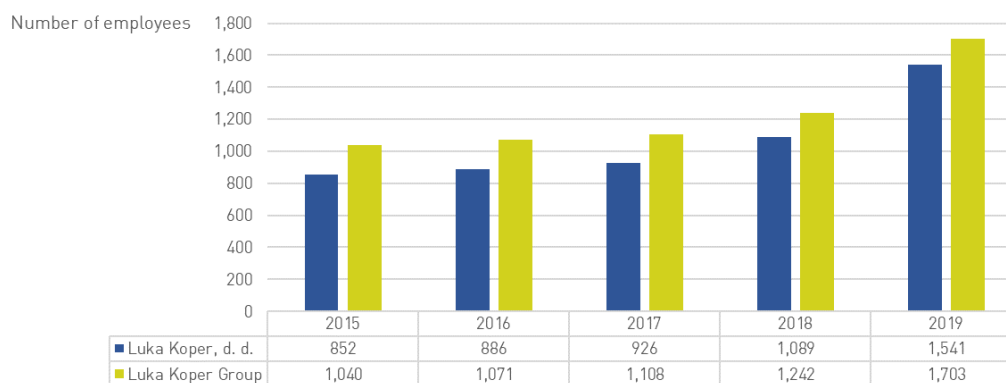


Figure 5: Investment expenditure



A smaller volume of investment was implemented in 2018, which was due to lengthy procedures for acquiring the required permits and unpredictable public procurement procedures.

Figure 6: Number of employees



The total number of employees increased by 37% or 461 from 2018, to 1,703 employees in 2019, which was due to the Group having continued to carry out the action plan for the implementation of the port service provision strategy. 488 new employees were hired by the Luka Koper Group in 2019, of which 286 were part of the action plan for the implementation of the port service provision strategy.

Figure 7: Financial liabilities

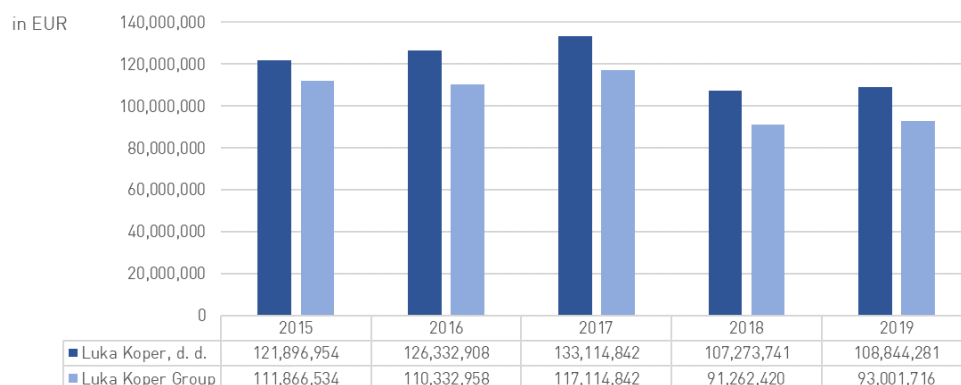


Figure 8: Net financial debt/EBITDA

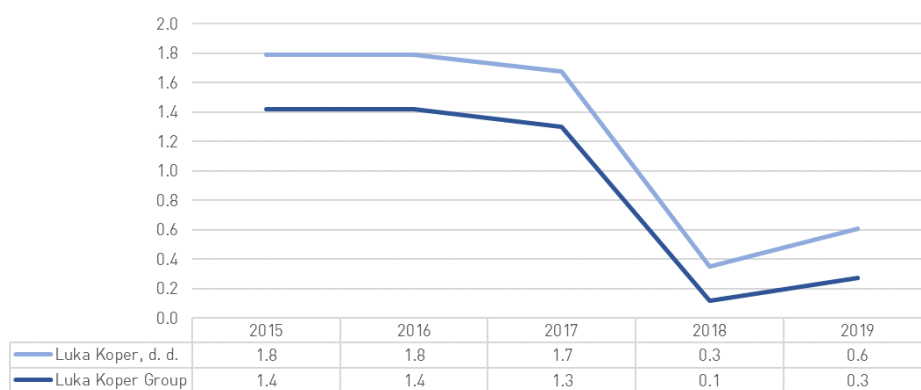
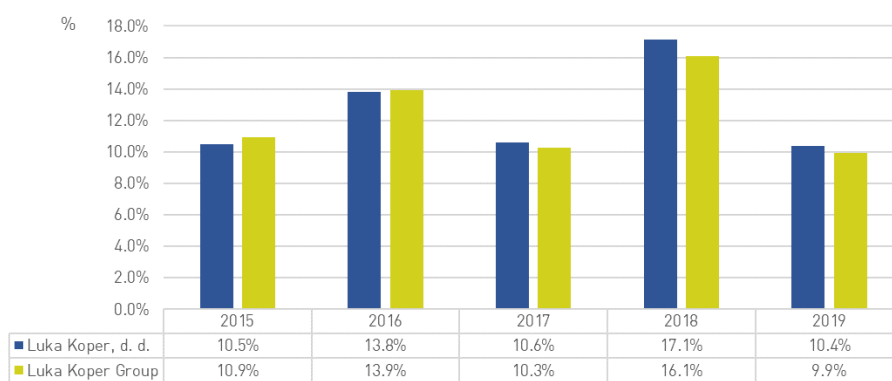


Figure 9: Return on equity (ROE)



2 **Presentation** of the Luka Koper Group¹³

LUKA KOPER

The only Slovenian multipurpose port;

Its activity influences the development of the region, Slovenian economy, and logistics in this part of Europe.

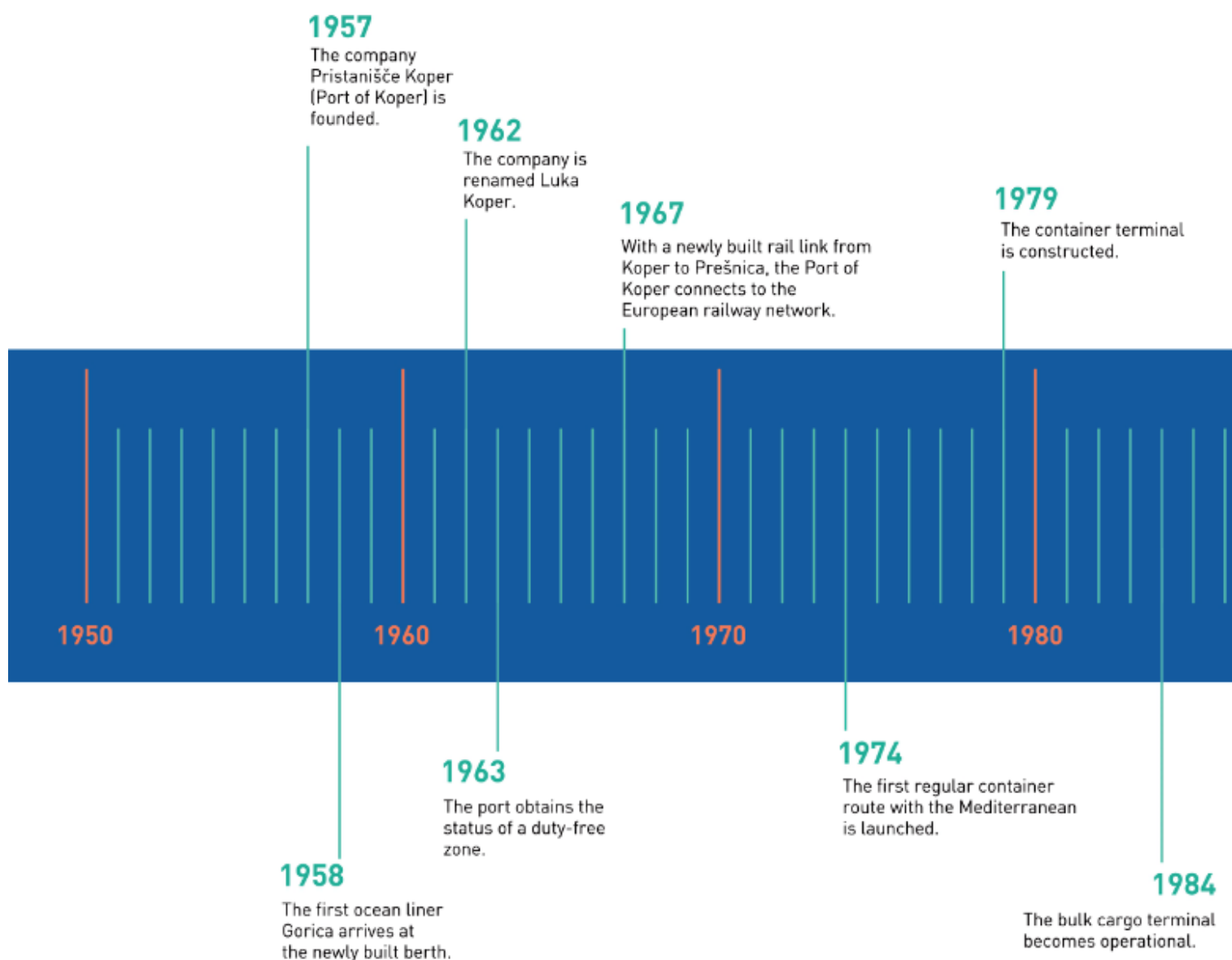
It comprises an integrated marine and coastal area accommodating port activities related to cargo and passenger transport.

The core business of the port comprises the transshipment and warehousing of a variety of goods, supplemented by a range of services on goods and other services, providing customers with comprehensive logistic support. Luka Koper has set an ambitious objective to meet the needs of its customers, owners and employees, all at the same time. By implementing the development policy of the port, Luka Koper is reinforcing its competitive advantage.

Companies of the Luka Koper Group perform their activity in the territory of the Republic of Slovenia.

¹³ GRI GS 102-2, 102-4, 102-6

The key milestones in the development of the Port



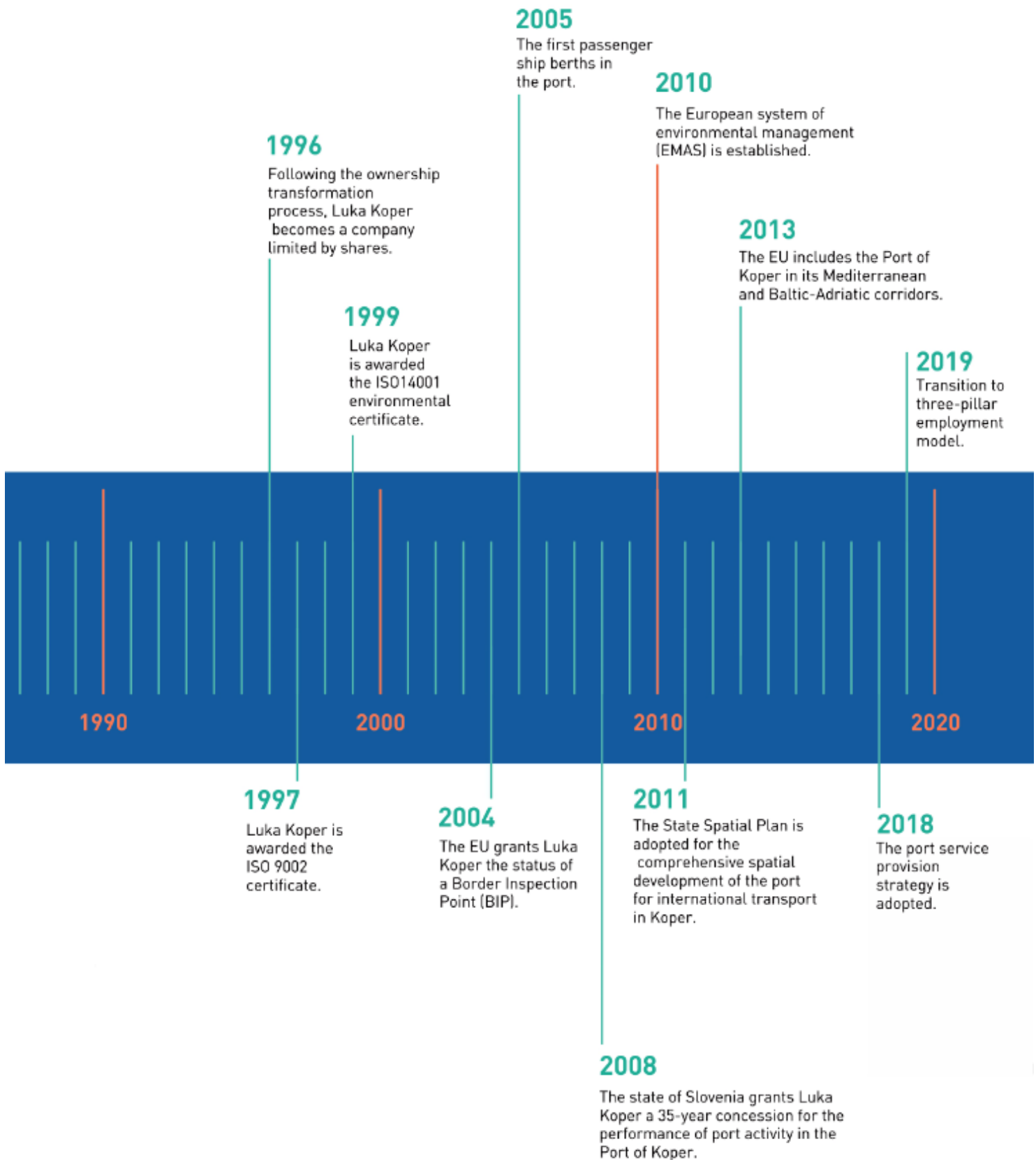
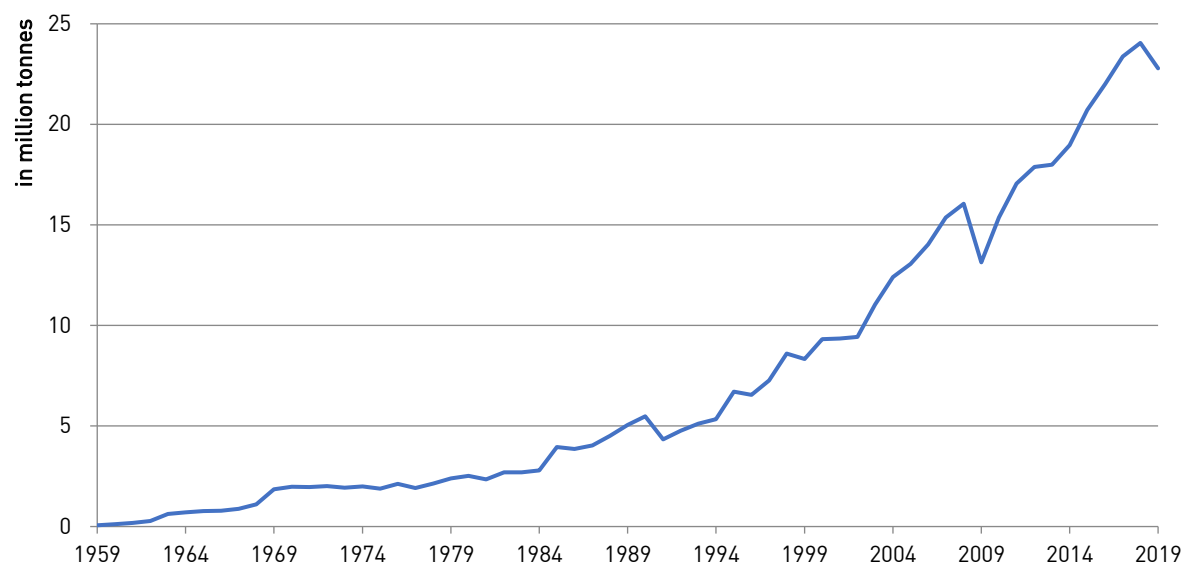


Figure 10: Port throughput through history



2.1 Company profile of Luka Koper, d. d. as at 17 March 2020¹⁴

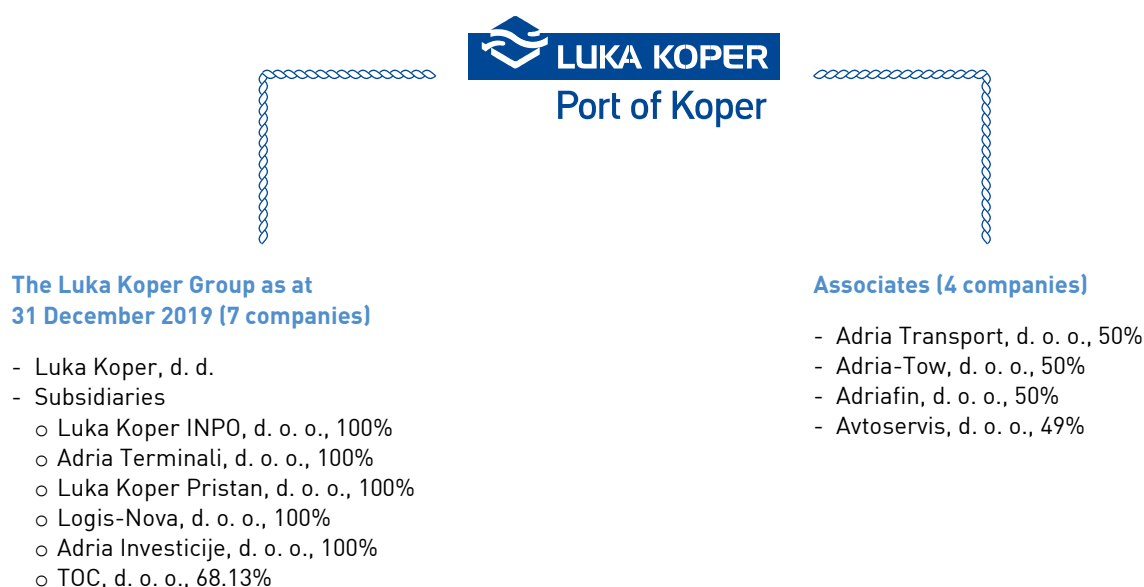
Company name	LUKA KOPER, pristaniški in logistični sistem, delniška družba
Trade name	Luka Koper, d. d., Vojkovo nabrežje 38, 6000 Koper – Capodistria
Registered office	Koper
Business address	Koper, Vojkovo nabrežje 38, 6000 Koper/Capodistria
Legal form of organisation	Public limited company
Telephone:	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, entry no. 066/10032200
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, Prime Market
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
Chair 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

¹⁴ GRI GS 102-1, 102-3, 102-4, 102-5



2.2 Organisation of the Luka Koper Group¹⁵

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



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

2.3 Inclusion into consolidated financial statements¹⁶

The consolidated financial statements of the Luka Koper Group for the year ended 31 December 2019 consist of the financial statements of the controlling company Luka Koper d. d., its subsidiaries and corresponding results of associates.

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 2019:

- 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 operate in a limited scope and are not considered significant for a fair presentation of the Group's financial position.

¹⁵ GRI GS 102-7

¹⁶ GRI GS 102-45

The sustainability report includes all companies included in the consolidated financial statements, each of them under sections pertaining to their operations. Reporting levels are defined for each section in the GRI index.

2.4 Activities of the Luka Koper Group¹⁷

Luka Koper is the only Slovenian multi-purpose 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 port activities related to cargo and passenger transport services.

The core business of the port comprises the transshipment and warehousing of a variety of goods. The Luka Koper Group provides eleven basic services (loading/unloading of ships, loading/unloading of trucks, loading/unloading of wagons, embarkation/disembarkation of passengers, storage, delivery, ship berthing) and a range of complementary services on goods and other services, providing customers with comprehensive logistics support.

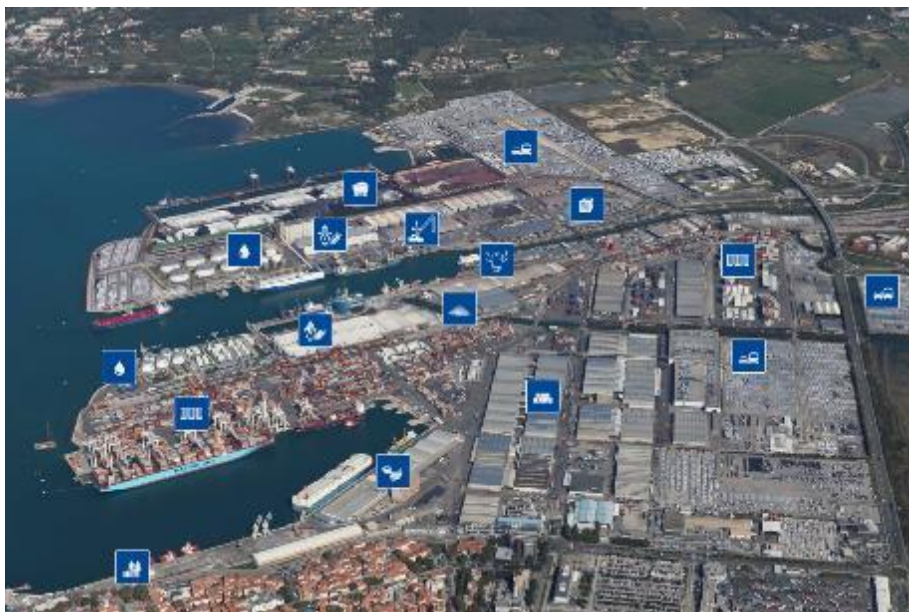
2.4.1 Concession agreement

In 2008, Luka Koper, d. d. concluded with the State the Concession Agreement for the performance of port activity, management, development and regular maintenance of the port infrastructure in the area of the Koper cargo port. The concession agreement was concluded for a period of 35 years, as stipulated in 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.

2.4.2 Port and logistic activities

The core port business of transshipment 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 joined into five profit centres. A detailed description of terminals is available on the website <https://luka-kp.si/eng/terminals>.

¹⁷ GRI GS 102-2, 102-6, 102-7

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

- 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 clients,
- Integrated logistics solutions.

The services of individual terminals are supplemented by the companies Luka Koper INPO, d. o. o., Adria-Tow, d. o. o., Adria Transport, d. o. o., and Avtoservis, d. o. o., which enables a quick response to the customers' 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. 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, as well as sea rescue and vessel assistance at the port.

Adria Transport, d. o. o. facilitates efficient railway logistics between the Koper port and its hinterland. This is aimed mainly at developing regular railway connections for specific needs of individual clients from markets of Central and Eastern Europe.

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.

2.4.3 Hinterland logistic activity in Sežana

Adria Terminali, d. o. o. manages the hinterland logistics terminal in Sežana. Its operation focuses on the transshipment and warehousing of various kinds of goods, particularly general cargoes with iron products and wood pellets, groupage shipments, scrap plastic as well as conventional transshipment in container traffic. Well-connected to the railway and road infrastructure, the terminal comprises nearly 35,000 m² of indoor storage facilities and boasts state-of-the-art machinery for handling goods. As a land terminal manager, the company Adria Terminali, d. o. o. endeavours to attract goods flows in the inland transport from Central and East European markets.

2.4.4 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 the field of technological and ecology research and analytical laboratory services.

2.5 Organisational changes¹⁸

In 2019, there were no organisational changes.

2.6 Organisation structure¹⁹

2.6.1 Committees and boards

Risk management committee – a body composed of responsible and competent employees and carrying out activities of the risk management process by helping risk administrators identify, describe and assess risks and

¹⁸ GRI GS 102-10

¹⁹ GRI GS 102-18

supporting the preparation of proposals for the implementation of risk management measures. The Committee has no decision-making powers.

Project committees – a supervisory body appointed by the Management Board to exercise control over a project. Its responsibilities include ensuring project implementation by reviewing the status of the project, providing approvals to all deviations from plans in individual project phases, and confirming conclusions of all project phases. It is composed of employees responsible who are of crucial importance for reaching project objectives (chair of project committee), and employees responsible who are users of project results (member of project committee).

Quality teams – a form of team activity ensuring the implementation of management system objectives in an organisational unit. An organisational unit (or several units together) sets up a quality team to ensure the periodic review of the effectiveness and efficiency of own operations considering all aspects of the management system.

The committee addressing reported violations of corporate integrity of the Luka Koper Group – its task being to investigate the reported unethical conduct regarding compliance with the company rules, conflict of interest, misuse of insider information, divulgence of business secrets of employees and other stakeholders, as well as providing guidance, recommendations, and measures to prevent such practices and occurrence of adverse consequences.

2.6.2 Organisation chart of Luka Koper, d. d.





Strategically oriented

We have adopted the 2020-2025 strategic business plan focusing on business growth, reorganization of work processes, digital transformation, automation and all aspects of sustainable development. We are aware that only a clear sustainable development strategy will lead to stable growth in the long term.

3 Business **development strategy**²⁰

3.1 Mission, Vision, Values, Strategic objectives

Mission

To provide efficient and reliable first-class services for our partners while meeting the highest standards of sustainable development and using innovative approaches.



Vision

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



Values



Responsibility



Loyalty



Cooperation



Creativity



Respect

²⁰ GRI GS 102-16, 103-1, 103-2, 103-3

Strategic objectives²¹

In 2019, the Company adopted the 2020-2025 Strategic Business Plan, which, in addition to the Company's objectives and orientations, outlines nine strategic projects with which the Company will implement the said strategic business plan. The projects include extensions to both strategic product groups and the digitization of key processes, notably in linking the entire logistics chain and increasing port throughput.

Luka Koper's medium-term plans are ambitious and focused on developing its core business. The coming years will be dedicated to increasing the capacity of the port. By increasing the number of berths, storage areas as well as road and railway infrastructure in the port and by means of projects in the field of digital transformation, we will await the renovated twin track line ready, while ensuring the highest standards of sustainable development. At the same time, we will use a determined commercial approach to ensure an increase in throughput volumes, thereby maintaining primacy among ports in the northern Adriatic and the Mediterranean.

The Strategic Business Plan also envisages the development of the port by 2030, when Luka Koper will have a modern container terminal with a capacity of more than 2 million container units - TEU. With this document, Luka Koper has a clear development strategy, owing to which it can reasonably expect stable growth in the long term.

The development of the port of Koper and Luka Koper, d. d. as a concession-holder, requires the construction of a second railway track between Divača and Koper, which, according to the company 2TDK (concession-holder for construction and management of the second Divača - Koper railway track), will be accessible in the first half of 2026. Both tracks together (the new one and the rebuilt existing one) will be accessible in early 2027. According to this, until the end of 2025, Luka Koper will not be able to rely on the increased capacity of the renovated twin track line. In the meantime, the Company and its stakeholders will be increasing the capacity of the existing railway line through organizational measures, infrastructural adjustments and information technology measures. The following objectives have been set until 2025:



By exploiting synergies in the logistics chain, acquiring new strategic markets, applying a renewed long-term and targeted commercial policy and providing a revenue structure targeted at higher value-added groups, Luka Koper will increase its total operating revenues by 24% by 2025.



With a focus on fully addressing the needs of our customers, Luka Koper will increase the total throughput to 27.3 million tons by 2025.



Luka Koper will invest EUR 600 million in increasing the capacity and throughput of the port by 2025 to await the renewed twin track line ready, thus increasing the advantages and opportunities of this logistical route, while pursuing the goal of having at least 60% of transhipped quantities from the port of Koper transported by rail until the twin track line is renovated, after which the share is increased to 70%.



Using new technologies, Luka Koper will carry out a digital transformation of key processes. This will achieve connectivity between all internal and external stakeholders in the logistics chain and increase the level of cost efficiency.



Luka Koper will ensure the conditions to encourage the employees to think innovatively in order to achieve the set business goals.

²¹ GRI GS 103-1, 103-2, 103-3



Luka Koper will achieve the highest standards of sustainable development under the EU Eco-Management and Audit Scheme (EMAS) and reduce the Company's carbon footprint through energy efficiency improvement measures.



Considering the location of the port, we will reach a strategic agreement on coexistence and development with the Municipality of Koper and the Municipality of Ankaran. The port being of strategic national importance, we will also achieve a consensus on development with the government.

Since the existing capacities of the port are very nearly used, the Company decided in early 2020 in compliance with the Strategic Business Plan to focus its development efforts on 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.

3.2 Business stability and performance²²

In the materiality matrix, economic performance and indirect economic impacts of the Luka Koper Group were ascribed the highest importance both by stakeholders and Luka Koper, d. d. The Company recognises long-term opportunities for its successful operation and sets the maximisation of the value of the public limited company as its fundamental objective. Being a socially responsible company, it also creates the conditions and the environment to ensure satisfaction of its customers, employees, owners, as well as local and wider community, and coexistence with the natural environment. The Corporate governance policy defines the Company's principal management orientation, which is reflected, inter alia, in achieving ambitious performance results, systematic improvement of the quality of work, and setting ambitious targets in business plans. The Luka Koper Group has been implementing its strategy and objectives, managing its employees and working on their development, devising and managing processes, taking measures and controlling all the companies of the Luka Koper Group. The business objectives of the Luka Koper Group companies are set out in the annual business plans in accordance with strategic orientations. The processes and structures of individual Luka Koper Group companies are organized accordingly to achieve the set goals. Achievement of targets and measurement of results are monitored by means of performance indicators, quarterly reports and work programmes, annual interviews with employees, preparation and implementation of the management review, as well as identification and management of risks and opportunities. Decisions are taken at meetings of the Management Board on the basis of given and discussed proposals. The decision-making responsibility is defined in the general acts of the Company and other internal regulations. The Company's values and its partnership corporate culture are built through communication, which is carried out regularly and systematically through Management Board meetings, planning conferences, periodic coordination, weekly operational meetings, quality team meetings and other forms of working meetings. Verification is carried out by superiors executing direct verification, by means of reports on the completion of work, verification of work programmes carried out, verification of Management Board decisions implemented, business reporting, internal and external examinations, internal and external audit and managerial checks, work reports for projects, etc. In case of derogations detected during verification and other forms of control, measures will be taken at the system level in accordance with the regulation on the implementation of improvement measures.

²² GRI GS 103-1, 103-2, 103-3

3.3 Direct economic value generated and distributed²³

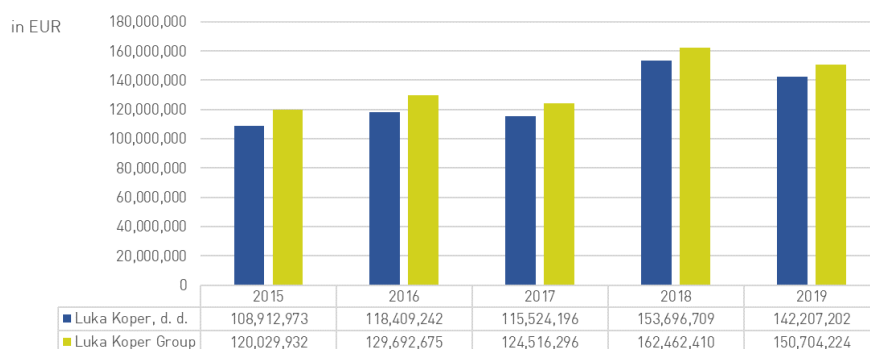
(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
A REVENUES				
- from sales	224,715,839	222,980,390	228,677,538	226,305,538
- financing	3,324,093	3,262,017	1,793,390	1,698,588
- sale of assets (profit on sales of fixed assets)	1,200	787,761	17,939	764,354
Total	228,041,132	227,030,168	230,488,867	228,768,480
B OPERATING COSTS				
Costs (excluding labour costs)	109,495,526	108,345,040	107,457,104	107,048,827
- of which concession and fee for the use of construction land, which belong to the Municipality of Koper	7,318,863	7,615,579	7,318,863	6,669,854
- of which concession and fee for the use of construction land, which belong to the Municipality of Ankaran	3,016,301	3,042,848	3,016,301	3,764,515
Total	109,495,526	108,345,040	107,457,104	107,048,827
C LABOUR COSTS				
Labour costs	71,096,551	56,028,407	77,093,179	62,652,761
Total	71,096,551	56,028,407	77,093,179	62,652,761
D PAYMENTS TO OWNERS OF CAPITAL AND OTHER SUPPLIERS OF FINANCIAL ASSETS				
Dividends	18,626,343	17,229,310	18,626,343	17,229,310
- government (Republic of Slovenia, SDH, KAD)	12,494,600	11,555,157	12,494,600	11,555,157
- other providers	6,131,743	5,674,153	6,131,743	5,674,153
Interest	741,522	1,155,723	607,945	1,017,964
Total	19,367,865	18,385,033	19,234,288	18,247,274
E INVESTMENTS IN THE SOCIAL ENVIRONMENT				
Sponsorships and donations	1,444,336	754,686	1,448,165	784,295
Environmental taxes and duties independent of operations	177,729	181,493	162,336	163,460
Total	1,622,065	936,179	1,610,501	947,755
F CONTRIBUTIONS TO THE STATE				
Concession fee belonging to the State	3,821,647	3,907,243	3,821,647	3,907,243
Corporate income tax	7,276,407	12,210,799	7,375,092	12,230,580
Taxes and social contributions from employee remuneration	8,879,029	7,035,212	11,687,663	7,830,223
Total	19,977,083	23,153,254	22,884,402	23,968,046

²³ GRI GS 201-1

3.4 Indirect impacts of operations of Luka Koper²⁴

Port activity affects the Slovenian economy both directly and indirectly through the Port of Koper. It increases the productivity of primary production factors, such as capital and work, while also increasing the profitability of products and enabling a higher rate of output, income and recruitment. Direct effects show in the added value generated in port activities (logistic services, cargo handling, internal transport, storage) and support port activities (pilotage, towage, victualling, maintenance of ships, berthing, vessel agents, the truck terminal, survey/inspection companies), which is also impacted significantly by the added value generated in Luka Koper. Indirect effects of port operations are particularly visible in the added value of forwarding, transportation, construction, technical, banking and insurance services and the services of public administration. Indirect effects show additionally in the form of sponsorships, donations and membership fees, and payment of the license fee and fee for the use of construction land to the two neighbouring municipalities. Calculation of indirect and induced effects of port activity is based on the multiplication factor of effects, which indicates the rate of port activity contribution to other related activities. The estimated multiplication factor of direct effects of port activity on added value ranges around 2 - for each euro created, the port activity generates another euro worth of indirect effects on other activities.

Figure 11: Generated added value



Luka Koper generates new jobs directly and indirectly. Slightly less than half of the new jobs are created in the very port activity and support activities, and the remaining ones in forwarding and transport – the majority referring to rail freight transport. Regarding the number of employees, the port activity multiplication factor is estimated to range between 2.4 and 3 – each position in port activity additionally indirectly generates between 1.4 and 2 jobs in other activities.

²⁴ GRI GS 203-2

3.5 Implementation of business objectives

3.5.1 Comparison of the results achieved by the Luka Koper Group in 2019 in relation to the plan

The second half of 2019 was marked by the global economic downturn, which showed in various industries, particularly in car manufacturing, electronics industry and manufacturing of iron products. The decrease of industrial production was reflected in the decreased throughput of raw materials, semi-manufactured products, components and finished products, which resulted in the Luka Koper Group net sales in 2019 being lower by 6% or EUR 14.1 million than the ambitiously budgeted net sales. Net sales of the Group relating to the market activity fell short of the budgeted net sales in 2019 by 4% or EUR 9.5 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport lagged behind the plan by 35% or EUR 4.5 million. Deviations from the plan were due to the late approval of the investment maintenance plan by the competent ministry; it was approved on 29 April 2019, while the ongoing maintenance plan for the port infrastructure was approved on 6 February 2019.

In 2019, earnings before interest and taxes (EBIT) of the Luka Koper Group were higher than planned by 3 % or EUR 1.3 million despite lower income from market activity amounting to EUR 9.5 million, and lower income from performing a public utility service in the amount of EUR 4.5 million. The achieved earnings before interest and taxes being higher than planned were due to lower cost of material, services, labour and depreciation. Labour and service costs were lower than planned due to a delay in the recruitment and integration of agency workers under the action plan for the implementation of the port service providers strategy. The cost of maintaining the public port infrastructure under the provision of the public utility service was also lower, which coincides with the lower revenue from the provision of the public utility service. Depreciation costs are lower than planned due to a decrease in depreciation in 2019 by EUR 2.1 million as a result of the extension of useful lives. Other expenses from provisions for legal expenses were higher than planned.

Earnings before interest, taxes, depreciation and amortisation (EBITDA) of the Luka Koper Group in 2019 were as planned. The EBITDA margin of the Luka Koper Group in 2019 was higher by 6% or 1.7 percentage point when compared to the budgeted margin. In 2019, the EBITDA margin of the Luka Koper Group resulting from market activity accounted for 33.2%, which was an increase of 4% or 1.2 percentage points when compared to the plan. Net profit or loss of the Luka Koper Group in 2019 was higher than planned by 5% or EUR 2.1 million.

In 2019, a number of important infrastructural shifts were made towards achieving the strategic goals, with the support of the state and both local communities:

- In a dialogue with the state and the former owner, an agreement was reached to purchase the available part of the 5A plot,
- A new port entrance was opened (Sermin entrance),
- Test piles were installed in the area of the extension of the southern part of Pier I,
- Construction of a RO-RO berth in Basin III has begun,
- Construction of the 6th group of rails has begun,
- Construction of the parking garage has begun.

3.5.2 Comparison of the results achieved by Luka Koper, d. d., in 2019 in relation to the plan

Net sales of Luka Koper, d. d., in 2019 were 6% or EUR 13.4 million below the budgeted net sales. Net sales from market activity fell short of the budgeted net sales in 2019 by 4% or EUR 8.9 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport lagged behind the plan by 35% or EUR 4.5 million. Net sales from market activity are lower than in 2018 as well as the plan due to signs the economic downturn and increased competition of neighbouring ports, whereas revenues from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport are lower than in the plan mainly due to the late approval of the investment maintenance plan by the competent ministry.

In 2019, earnings before interest and taxes (EBIT) were higher than planned by 2% or EUR 0.9 million despite lower income from market activity amounting to EUR 8.9 million, and lower income from performing the public utility service in the amount of EUR 4.5 million. The achieved earnings before interest and taxes being higher than planned were due to lower cost of material, services, labour and depreciation. Labour and service costs were lower than planned due to a delay in the recruitment and integration of agency workers under the action plan for the implementation of the port service providers strategy. Depreciation costs were lower than planned due to a decrease in depreciation in 2019 by EUR 2.1 million as a result of the extension of useful lives. Other expenses from provisions for legal expenses were higher than planned.

Net profit or loss in 2019 was higher than planned by 4% or EUR 1.6 million.

Table 4: The key financial ratios of Luka Koper, d. d., and the Luka Koper Group in 2019 compared to the plan for 2019

	Luka Koper, d. d.			Luka Koper Group		
Income statement (in EUR)	2019	Plan 2019	Index 2019 / Plan 2019	2019	Plan 2019	Index 2019 / Plan 2019
Revenue	224,715,839	238,126,934	94	228,677,538	242,767,294	94
Earnings before interest and taxes (EBIT) ²⁵	43,575,419	42,624,782	102	45,308,084	44,037,110	103
Earnings before interest, taxes, depreciation and amortisation (EBITDA) ²⁶	70,595,927	71,214,780	99	73,086,627	73,407,349	100
Profit or loss from financing activity	2,519,600	1,840,558	137	1,116,621	503,693	222
Profit before tax	46,095,019	44,465,339	104	47,800,254	45,788,567	104
Net profit or loss	38,818,611	37,214,549	104	40,425,162	38,344,685	105
Added value ²⁷	142,207,202	145,952,935	97	150,704,224	154,112,233	98

Statement of financial position (in EUR)	31 Dec 2019	Plan 31 Dec 2019	Index 2019 / Plan 2019	31 Dec 2019	Plan 31 Dec 2019	Index 2019 / Plan 2019
Assets	578,115,124	565,955,791	102	597,410,414	585,725,899	102
Non-current assets	463,329,270	476,186,652	97	474,919,477	488,124,415	97
Current assets	114,785,854	89,769,139	128	122,490,937	97,601,484	126
Own funds	386,889,959	378,059,552	102	419,089,356	411,802,818	102
Non-current liabilities with provisions and long-term accruals and deferred revenue	144,484,229	139,748,907	103	130,715,123	125,858,360	104
Current liabilities	46,740,936	48,147,332	97	47,605,935	48,064,720	99
Financial liabilities	108,844,281	107,189,943	102	93,001,716	91,129,943	102

Investments (in EUR)	2019	Plan 2019	Index 2019 / Plan 2019	2019	Plan 2019	Index 2019 / Plan 2019
Investments in property, plant and equipment, investment property and intangible assets ²⁸	38,140,525	53,922,524	71	40,037,457	54,402,462	74

²⁵ Earnings before interest and taxes (EBIT) = difference between operating income and costs.²⁶ Earnings before interest, taxes, depreciation and amortisation (EBITDA) = earnings before interest and taxes (EBIT) + amortisation.²⁷ Added value = net sales + capitalised own products and own services + other revenue – costs of goods, material, services – other operating expenses excluding revaluation operating expenses.²⁸ Without taking into account advances paid for the equipment.

	Luka Koper, d. d.			Luka Koper Group		
Ratios (in%)	2019	Plan 2019	Index 2019 / Plan 2019	2019	Plan 2019	Index 2019 / Plan 2019
Return on sales (ROS) ²⁹	19.4%	17.9%	108	19.8%	18.1%	109
Return on equity (ROE) ³⁰	10.4%	10.1%	103	9.9%	9.6%	104
Return on assets (ROA) ³¹	6.9%	6.6%	105	6.9%	6.5%	106
EBITDA margin ³²	31.4%	29.9%	105	32.0%	30.2%	106
EBITDA margin from market activity ³³	32.6 %	31.6 %	103	33.2%	31.9%	104
Financial liabilities/equity	28.1%	28.4%	99	22.2%	22.1%	100
Net financial debt/EBITDA ³⁴	0.6	1.0	62	0.3	0.6	43
Maritime throughput (in tons)	2019	Plan 2019	Index 2019 / Plan 2019	2019	Plan 2019	Index 2019 / Plan 2019
Maritime throughput	22,792,646	24,654,960	92	22,792,646	24,654,960	92
Number of employees	2019	Plan 2019	Index 2019 / Plan 2019	2019	Plan 2019	Index 2019 / Plan 2019
Number of employees	1,541	1,524	101	1,703	1,695	100

²⁹Return on sales (ROS) = earnings before interest and taxes (EBIT) / net sales

³⁰ Return on equity (ROE) = net income / shareholder equity.

³¹ Return on assets (ROA) = net income / average total assets.

³²EBITDA margin = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales

³³EBITDA margin from market activity = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales from market activity

³⁴ Net financial debt/EBITDA = (financial liabilities – cash and cash equivalents) / EBITDA

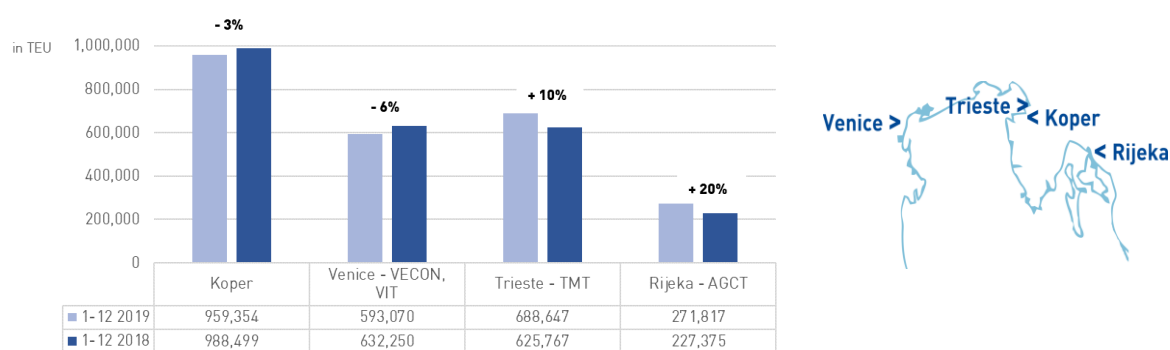
3.6 Comparative analysis with the competition

In 2019, the Luka Koper Group began to face the effects of the global economic downturn and increasing competition in the northern Adriatic and northern European ports. The economic slowdown was also felt by other ports in neighbourhood. Last year, neighbouring ports recorded a fall in total tonnage, largely as a result of a lower throughput of dry bulk and liquid cargoes in the second half of the year.

Major European ports have released their results for 2019, showing that total container movements in Europe's 15 most important ports have increased by 2.8% compared to 2018, but growth rates were significantly lower than in 2018 (4.7 percent) and 2017 (4.6 percent).³⁵

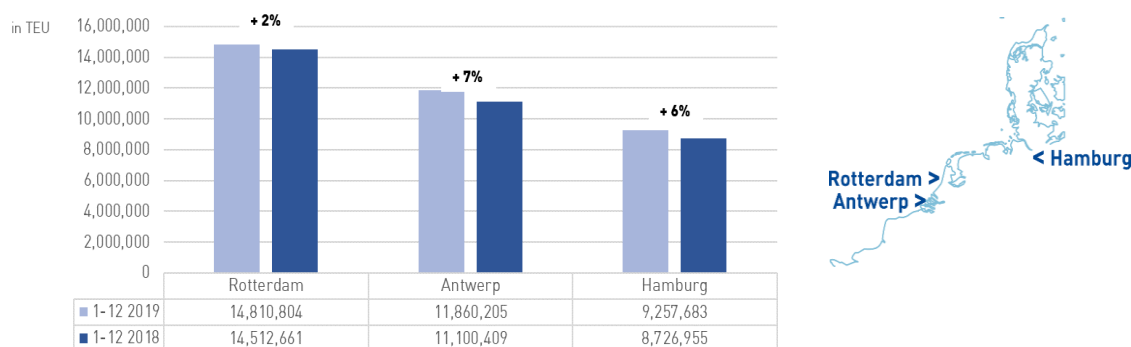
Container terminals in Trieste and Rijeka recorded an increase in throughput last year. The growth in Trieste is undoubtedly influenced by the ownership of the Trieste Marine Terminal company, which operates the container terminal there. This is 45% owned by the world's second largest container shipping company MSC, which therefore directs larger quantities of containers to the seventh pier of the port of Trieste. Much of the growth of the Rijeka terminal can be attributed to the unfavourable situation in the Slovenian railway network in 2018, when the terminal at Brajdica began to establish itself as an alternative to Koper for some customers. Logistics operators thus reduce the risk of depending on a single transport route.

Figure 12: Throughput of containers in North Adriatic ports in TEU³⁶



Throughput in the three major European container ports of Rotterdam, Antwerp and Hamburg increased in 2019. After seeing a drop-in throughput in recent years, Hamburg increased its container traffic by 6 percent in 2019. These three ports transhipped more than 35.9 million TEUs (+ 4.6 percent) in 2019, equivalent to 45.4 percent of the total of the first 15 ports.

Figure 13: Throughput of containers in three major North European ports, in TEU³⁷



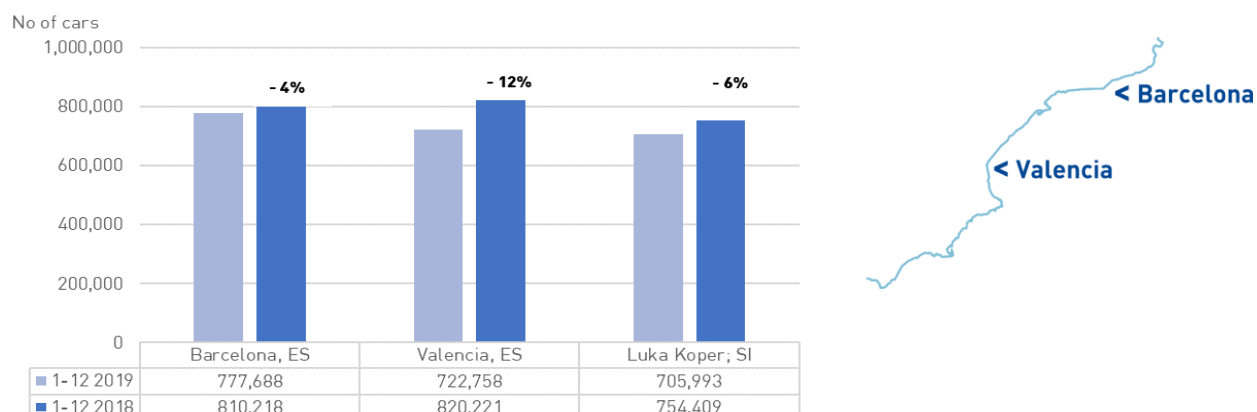
According to the data available, ports in the Mediterranean have faced a decline in vehicle traffic – including in Barcelona and Valencia, with which Koper has been competing for the title of the largest Mediterranean port for many years. Unlike Koper, Barcelona and Valencia have several terminal operators each, making the Koper car terminal the largest single terminal on the European side of the Mediterranean.

³⁵ Source: <https://www.transportjournal.com/en/home/news/artikeldetail/mixed-performance-of-the-ports-of-europe-in-2019.html>

³⁶ Source: Websites of the ports in question, and NAPA

³⁷ Source: Websites of the ports in question, and NAPA

Figure 8: Throughput of cars in three major ports in the Mediterranean



3.7 Analysis of the wider environment and industry

Maritime commodity flows represent the most important segment of international trade in the world. In this regard, ports represent an essential link between industrial, transport and commercial hubs. Ports are strategic points as they play an important role in relations between countries, as well as being the crossroads of different cultures and logistics hubs between land and maritime transport. Currently, China has been opening up to the world with its 'One Belt, One Road' initiative, and is looking for foreign markets to boost its economy in addition to domestic consumption. On the other hand, the USA wants to increase its presence in Europe with its intense policy of opposing the Chinese capital, as well as Russian influence. European countries are tackling their relations with economic powers from other continents through a variety of common cooperation platforms, backed by strong bilateral cooperation.

In its forecast up to 2025, Stratfor Worldview³⁸ predicts a disorderly world that will have changing centres of power on various continents, with the USA as the only fixed centre, which, however, will no longer be as heavily involved in interventions around the world. Relations between the EU, USA and China and, last but not least, Russia will be extremely important. Strong European integration will also be important in case of harsh economic conditions. Otherwise, the global superpowers will liaise with individual countries in Europe and forge strong bilateral relations, including capital links, most likely based on historical links. China's economic slowdown is expected in the Far East. Most brands will move their low-cost production from China to countries around the Indian Ocean, which will see high economic growth around 2025, as was happening in China years ago.

3.7.1 Container Cargo Group

Container shipping is increasingly expanding into the field of freight forwarding through acquiring major logistics companies or integrating logistics departments into the shipping segment, while also taking on an increasing role in so-called 'door to door' comprehensive transport offers. The growing role of Carrier haulage in international container transport is noticeable in this context. There are signs that the trend will continue into 2020 as this is the only way for shipping companies to remain competitive at the global level. Forecasts indicate that there will be more consolidation among shipowners over the next few years, as we have witnessed in 2017 and 2018.

In 2019, 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, >23.000 TEU), which is expected to continue into 2020. It was the introduction of larger ships on routes between Asia and Northern Europe that led to a greater drop-in fares on these routes compared to the routes between Asia and the Mediterranean and the Adriatic, which led to the competitive advantage of the Northern European ports, especially in markets bordering the area that gravitates towards Luka Koper. The introduction of larger ships on routes for Northern Europe will cause the current ships to move to other routes (e.g. Mediterranean or Adriatic), and in all likelihood, the drop-in fares will continue on

³⁸ Source: <https://worldview.stratfor.com/article/decade-forecast-2015-2025>

major routes and also on Mediterranean routes. The shift of current capacities to other routes means that we can expect larger container ships also in the Mediterranean and in Northern Adriatic ports.

Due to the volatile economic environment, growth forecasts for the container segment are steadily declining, suggesting that a similar trend will continue in 2020. At the same time, all major container shipping companies are expecting the delivery of new ULVC ships of >23,000 TEU capacity in 2020, which will strongly affect the container transport market as it is not in line with declining growth forecasts.

In 2019, Luka Koper, d. d. recorded a 3% drop-in container throughput compared to 2018, the major part on empty container throughput and a smaller share in loaded container throughput. Nevertheless, it remains the top container terminal in transhipped TEUs in the North Adriatic.

3.7.2 Cars Cargo Group

The decline in vehicle production and sales was already noticeable in the last quarter of 2018 and continued in 2019, largely due to the impact of the introduction of the WLTP test³⁹ and the associated lack of suitable engines. Globally, a 4% drop-in sales was recorded in 2019, which was also affected by the economic downturn in the European and global markets.

Passenger car sales in the United States declined by 1.4% in 2019. In South America, results for 2019 were higher than in 2018 by 8%. Passenger car sales in India was down 12.7 percent, while the Russian (-2.3%) and Japanese (-2.1%) markets also saw weak sales. Last year, sales in China amounted to 21 million passenger cars, which is a 9.5% decrease from 2018. The Chinese market was under a lot of pressure in 2019, driven by factors such as China-US economic and trade friction, the adoption of stricter emission standards and the reduction of subsidies for hybrid/electric vehicles.

Car sales in the European Union was 1.2% higher year-on-year compared to 2018. In 2019, sales growth was recorded by Germany (+ 5%), France (+ 1.9%) and Italy (+ 0.3%), while demand declined in the United Kingdom (-2.4%) and in certain markets relevant to Luka Koper (Spain -4.8%, Czech Republic -4.4%, Austria -3.4%), which resulted in a drop-in transhipped cars. The decline in throughput in the Port of Koper in 2019 was greatly influenced by the drop-in sales of cars for the Turkish market and was even more affected by the situation on the Chinese market.

In 2019, the share of petrol-engine cars grew from 56.6% to 58.9% in the EU market, while the share of cars using diesel fuel decreased from 35.9% to 30.5%. Electric vehicles account for only 3% of new car sales, one percentage point more than in 2018.

3.8 The economic environment in 2019 and forecasts for 2020

2019 was marked by uncertain economic conditions and a slow economic recovery (IMF)⁴⁰. Global growth is expected to increase from an estimated 2.9 percent in 2019 to 3.3 percent in 2020 and 3.4 percent in 2021. Growth is expected to slow mainly due to slower economic activity in emerging market economies, especially in India, and due to increased social unrest in some countries. In the US, growth is expected to slow from 2.3% in 2019 to 2% in 2020 and further decline to 1.7% in 2021. Moderation reflects a return to a neutral fiscal stance and an expected decline in support to further easing of financial conditions. Growth in the euro area is projected to rise from 1.2% in 2019 to 1.3% in 2020 and 1.4% in 2021. In the UK, growth is expected to stabilize at 1.4% in 2020 and 1.5% in 2021. The growth outlook foresees an orderly exit from the European Union.

³⁹ WLTP "Worldwide Harmonized Light Duty Test Procedure" - a globally harmonized test procedure for light-duty vehicles.

⁴⁰ Source: IMF: <https://www.imf.org/en/Publications/WEO/Issues/2020/01/20/weo-update-january2020>



OECD⁴¹ predicts balanced growth between 2020 and 2025, with just under 1.5% of annual GDP growth per capita, and a gradual increase of growth to just above 1.5% annually by 2030. Price Waterhouse Coopers predicts that the global economy will grow about 130% between 2016 and 2050. At that point, the US will no longer be the world's largest economy. China and India will assume primacy, with 27 members of the EU comprising only a 9% share in the global GDP. Comparing this analysis with the HSBC forecasts, it can be concluded that China will be the fastest growing economy until 2030, and India's economic rebirth will be noticeable only after 2030. According to HSBC, the global economy is expected to grow at an average of 3% annually by 2030.

For the Slovenian economy,⁴² the estimated economic growth is expected to be around 3% by 2021. Private consumption will continue to be the main driver of growth, supported by higher wages and steady increases in employment. Uncertainty about the external environment will slow the pace of new business investment. Progress in export performance will be slowed due to the rising unit labour cost. Import content in exports is increasing together with the decline in foreign demand for products with higher domestic added value. Due to increasingly scarce capacities, the domestic demand is increasingly being met by imports.

As a domestic market, Slovenia has reached between 25 and 30% of the total throughput of the port of Koper in recent years. Although the port of Koper is the only cargo port in the country, it also pays great attention to the domestic market, increasing the traffic of Slovenian goods in both directions year after year. The most important market for Luka Koper is Austria, which provides commodity groups for all our terminals. The second most important market is Hungary, where Luka Koper is the leader in the container throughput segment, and the market is also very important for product groups of cars, general cargoes and dry bulk cargo. The Czech Republic / Slovakia / Poland are very important markets, especially for cars, general goods and containers. In these markets, the port of Koper still has a great potential for increasing its market share, which is also set out in the strategy up to 2025. Germany is the most important potential market for Luka Koper. In 2019, business ties in the automotive segment were sustained.

Coronavirus SARS-CoV-2 (COVID-19) outbreak

These predictions did not yet include the COVID-19 (coronavirus) outbreak which the world faced in early 2020. It has greatly increased the uncertainty of economic developments in the coming months, having already had a negative impact on logistics, transport and tourism. OECD⁴³ estimates that global growth will be about 0.5 percentage point lower than projected in November 2019 (2.9%) and global GDP growth in the first quarter of 2020 may be negative, raising the likelihood of a global recession. A prolonged and intense outbreak of coronavirus would significantly reduce the likelihood of economic growth and would more than halve the initially projected growth by 1.5 percentage points, which could be reflected in a recession in some developed economies, including the EU. Given that a downturn in the international trade has been observed before the advent of coronavirus, the OECD estimates in the same report that a sharp drop-in global trade volume in 2020 is very likely.

⁴¹ Source: OECD (2018), OECD Economic Outlook, Volume 2018 Issue 2, OECD Publishing, Paris, https://doi.org/10.1787/eco_outlook-v2018-2-en.

⁴² Source: https://www.oecd-ilibrary.org/economics/oecd-economic-outlook-volume-2019-issue-2_63e8cf66-en

⁴³ Source: OECD (2020); Coronavirus: The world economy at risk, <https://www.oecd.org/economic-outlook/>

3.9 Business objectives for 2020

The Luka Koper Group has set ambitious market targets for 2020, despite internal structural developments, global market conditions and increased competition in the Northern Adriatic and among northern European ports. The Luka Koper Group plans to increase its net sales revenue by four percent in 2020 and increase its throughput by three percent; growth will be recorded by all commodity groups except liquid cargoes. The Company will strive to achieve these goals by increasing the sales of its services, in order to increase and improve own and hinterland infrastructure capacities, through determined commercial activity and reorganisation of its work processes. In 2020, major investments will be made to increase the capacity of the car terminal, such as a new RO-RO berth in Basin III, additional rail tracks in the basin's hinterland and a new parking garage. For the most important product group, containers, the extension of the operational shore of the container terminal is expected to be completed by the end of 2020, and work will be done to build storage areas on the extended Pier I.

Coronavirus disease (COVID-19) outbreak

Depending on developments, the COVID-19 coronavirus epidemic may have a negative impact on the operations of the Luka Koper Group, the extent of which is difficult to predict due to the high level of uncertainty associated with the virus itself and our ability to control it. Therefore, at this time, the Group is unable to provide an assessment of impact on the achievement of financial results in 2020. The 2020 targets presented were adopted before the outbreak of the epidemic.

Table 5: Key operating ratios of Luka Koper, d. d., and the Luka Koper Group in 2020

Income statement (in EUR)	Luka Koper, d. d.			Luka Koper Group		
	2019	Plan 2020	Index Plan 2020/ 2019	2019	Plan 2020	Index Plan 2020/ 2019
Revenue	224,715,839	234,251,224	104	228,677,538	237,951,284	104
Earnings before interest and taxes (EBIT) ⁴⁴	43,575,419	32,370,744	74	45,308,084	33,185,152	73
Earnings before interest, taxes, depreciation and amortisation (EBITDA) ⁴⁵	70,595,927	61,771,478	88	73,086,627	63,382,155	87
Profit or loss from financing activity	2,519,600	2,103,653	83	1,116,621	1,027,176	92
Profit before tax	46,095,019	34,474,396	75	47,800,254	35,472,220	74
Net profit or loss	38,818,611	30,788,420	79	40,425,162	31,712,176	78
Added value ⁴⁶	142,207,202	141,435,127	99	150,704,224	149,714,942	99

Statement of financial position (in EUR)	31 Dec 2019	Plan 31 Dec 2020	Index Plan 2020/ 2019	31 Dec 2019	Plan 31 Dec 2020	Index Plan 2020/ 2019
Assets	578,115,124	585,593,284	101	597,410,414	605,618,235	101
Non-current assets	463,329,270	521,574,781	113	474,919,477	532,202,788	112
Current assets	114,785,854	64,018,502	56	122,490,937	73,415,448	60
Own funds	386,889,959	400,316,839	103	419,089,356	433,604,940	103
Non-current liabilities with provisions and long-term accruals and deferred revenue	144,484,229	137,471,702	95	130,715,123	123,573,841	95
Current liabilities	46,740,936	47,804,743	102	47,605,935	48,439,453	102
Financial liabilities	108,844,281	103,352,013	95	93,001,716	87,363,925	94

⁴⁴ Earnings before interest and taxes (EBIT) = difference between operating income and costs.⁴⁵ Earnings before interest, taxes, depreciation and amortisation (EBITDA) = earnings before interest and taxes (EBIT) + amortisation.⁴⁶ Added value = net sales + capitalised own products and own services + other revenue – costs of goods, material, services – other operating expenses excluding revaluation operating expenses.

	Luka Koper, d. d.			Luka Koper Group			
Investments (in EUR)	2019	Plan 2020	Index 2020/2019	2019	Plan 2020	Plan 2020/2019	Index 2020/2019
Investments in property, plant and equipment, investment property and intangible assets ⁴⁷	38,140,525	86,298,045	226	40,037,457	87,589,345		219

Ratios (in%)	2019	Plan 2020	Index 2020/2019	2019	Plan 2020	Plan 2020/2019	Index 2020/2019
Return on sales (ROS) ⁴⁸	19.4%	13.8%	71	19.8%	13.9%		70
Return on equity (ROE) ⁴⁹	10.4%	7.9%	76	9.9%	7.5%		75
Return on assets (ROA) ⁵⁰	6.9%	5.3%	77	6.9%	5.3%		76
EBITDA margin ⁵¹	31.4%	26.4%	84	32.0%	26.6%		83
EBITDA margin from market activity ⁵²	32.6%	27.8%	85	33.2%	28.1%		85
Financial liabilities/equity	28.1%	25.8%	92	22.2%	20.1%		91
Net financial debt/EBITDA ⁵³	0.6	1.5	253	0.3	1.1		404

Maritime throughput (in tons)	2019	Plan 2020	Index 2020/2019	2019	Plan 2020	Plan 2020/2019	Index 2020/2019
Maritime throughput	22,792,646	24,144,230	106	22,792,646	24,144,230		106

Number of employees	2019	Plan 2020	Index 2020/2019	2019	Plan 2020	Plan 2020/2019	Index 2020/2019
Number of employees	1,541	1,643	107	1,703	1,805		106

⁴⁷ Without taking into account advances paid for the equipment.

⁴⁸ Return on sales (ROS) = earnings before interest and taxes (EBIT) / net sales

⁴⁹ Return on equity (ROE) = net income / shareholder equity.

⁵⁰ Return on assets (ROA) = net income / average total assets.

⁵¹ EBITDA margin = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales

⁵² EBITDA margin from market activity = earnings before interest, taxes, depreciation and amortisation (EBITDA) / net sales from market activity

⁵³ Net financial debt/EBITDA = (financial liabilities – cash and cash equivalents) / EBITDA



Globally oriented

Our reliable and advanced port system supports global logistics solutions that can reach the heart of Europe, while meeting the needs of the economy and the most demanding customers.

4 Interview with the President of the Management Board⁵⁴

Business results for 2019 show signs of an economic downturn. In early 2020, the global economy was further affected by the coronavirus. How will all this affect the operations of the Luka Koper Group?

In the second half of 2019, signs of a cooling down of the economy began to show, especially as regards iron products and raw materials. Even before that, we saw a decline in the throughput of cars, which, whenever a crisis occurs, is the litmus test for the economy. This was followed by the coronavirus outbreak in early 2020, which may have a negative impact on the operations of the Luka Koper Group, but due to the great uncertainty surrounding the virus itself and our ability to control it, the effects are difficult to predict. The Group will closely monitor all events related to government interventions and ensure by taking relevant measures that it has access to a sufficient amount of liquid resources to overcome these impacts, while at the same time making sure that development project crucial to the Company are being implemented. The situation today is significantly different from that prevailing in the wake of the 2008 global economic crisis. In addition, today the Luka Koper Group is in a much better financial position than it was then. But it is also true that, even with this latest crisis, we find that the multi-purpose port is the right business model, since the decline of one product group is easier to replace with another.

In 2019, neighbouring ports except for Koper were increasing container throughput. How do you interpret it?

We are only talking about containers, not the whole throughput. Comparing the total throughput, we can see that the neighbouring ports also felt the economy cool and their total throughput was lower than a year earlier. For containers, however, it should be borne in mind that one of the largest shipping companies in the world has entered the ownership of the container terminal operator in Trieste; it is only logical that they direct the cargo they control to »their own« terminal. The problems we had with the rail connection in 2018 should also be taken into account. Due to unreliability, customers found alternative routes in the adjacent ports and kept part of the containers there, since they cannot afford to depend on just one logistics route until an additional railway track is built to the port of Koper. This is showing due diligence.

However, port performance is measured in the long run. In the past ten years, Koper has overtaken many of the older and more established ports.

Indeed. Although we were used to constant growth in Koper, the throughput of 2019 may be quite a blow, but when we look at the results of the last decade, we can be justifiably proud of our port. The number of containers has doubled, as has the number of cars. We still maintain the primacy of the largest container terminal in the Adriatic, and the car terminal is among the largest in the Mediterranean. The total throughput was a third higher than ten years ago, as was the number of trains. All this was achieved with the same port area and with one railway line with hinterland.

The Group's operations in 2019 were primarily affected by higher labour costs due to the introduction of the three-tier model for the provision of port services, and a new transshipment fee intended to finance the construction of the second railway track.

In March, we started paying the transshipment fee, which totalled EUR 4.8 million throughout the year. It is a new statutory levy, which is intended solely for the construction of an additional rail track to the port without which we will not be able to achieve our strategic objectives. All the investments envisaged over the next five years are based on the assumption that the first train will start on the new track in 2026.

Higher labour costs, however, are about fulfilling the commitment we made to our shareholders, the state and the public to redefine the port operating model which will be based largely on our own staff. As a result, the number of employees increased by a third last year. In addition, we have selected four recruitment agencies that help us cover the need for additional workers. However, for certain services we rely on external contractors. When it comes to influencing the business, we have to bear in mind that agency employees were introduced gradually in the second

⁵⁴ GRI GS 102-14

half of the year. However, we only started to cooperate with external contractors at the beginning of 2020. This means that the full effects of the new system will be visible in the 2020 business results.

The strategic business plan until 2025, adopted by the company at the end of last year, foresees investments of more than half a billion euros, mostly in operational coasts, equipment, and warehouses, and nearly a quarter-growth of revenue. On the other hand, freight is expected to increase from the current 23.4 to just 27.3 million tonnes?

It is not only the tonnage that matters, but the freight structure and the associated added value that can be generated through our services. This will increase our sales revenue by 24 percent to almost 280 million euros. Also, we should not forget that the Port of Koper is classified as critical infrastructure of national importance. Luka Koper is thus building infrastructure that is crucial for the country and its normal functioning, which is in compliance with the concession agreement. By 2025, the company will spend 213.5 million euros on investments in public transport infrastructure solely (road and rail infrastructure, coasts, depths), and the rest will be allocated to storage areas, warehouses and equipment.

Speaking of the cargo structure, it is obvious that the share of environmentally-friendly product groups has increased significantly over the last ten years. Has this been deliberate?

The strategic orientation of the company in containers and cars is also clear from the comparison of the throughput structure. Containers and cars, which are also identified as strategic cargoes in the Strategic Business Plan until 2025, now account for 46 percent of the total throughput – 10 years ago it was just 32 percent. In both cases, these are product groups with higher added value and less environmental impact. We also know that some energy products, such as coal, will slowly withdraw from the market. Otherwise, the port of Koper remains multifunctional, which has proved to be an advantage especially in times of crisis.

The strategic focus on containers and cars is also reflected in the 2020 investment plan. After a long time, we have again witnessed an important investment cycle in port infrastructure.

Indeed. At the beginning of the year we completed the investment in additional rail tracks in the hinterland of Basin III. We have also completed the construction of a new RO-RO berth in Basin III. Both investments are aimed at increasing the capacity of the car terminal. What also has to be mentioned is a new parking garage that will be completed by the end of 2020, as well as additional car storage areas on the so-called 5a plot. Our plan for this year also includes an extension of the operational coast at the container terminal, which means extending Pier I by 100 meters. Also worth mentioning is the third entrance to the port, an entrance for trucks, and an additional warehouse for general cargo. We also plan to purchase additional equipment. In short, all investments are focused on our core business and capacity building, without which we would not be able to deliver increased throughput.

But the cargo must also be taken from the port. And here we again bump into the issue of additional rail links with the hinterland. How will you bridge the period until the second track is constructed?

The port of Koper has a very high share of cargo arriving at or leaving the port by rail, as much as 60 percent. This ranks it at the very top in Europe. This makes the rail link with the hinterland of crucial importance. Last year, we managed to increase the throughput of the railway line, i.e. increase the upper limit of the number of trains by means of certain measures in cooperation with the railway stakeholders, which means that we still have some room for manoeuvre until the construction of an additional track. On the other hand, this autumn we will face a half-yearly closure of the Karavanke route due to maintenance work, which will be a major challenge for goods that gravitate to western Austria and Germany. But these works are urgently needed, and so is the modernisation of the entire Slovenian railway network, since without this, an additional Koper - Divača railway track would not be sufficient.

To a great extent, the development of the port also depends on the understanding and support of the local community or the people who live next to the port. Do you think the locals support your development plans?

We know they do. Each year, we conduct a public opinion poll among the residents of the narrow strip around the port. Last year, too, it showed that nearly 80 percent of respondents knew the port's development plans, and more than 70 percent supported those plans. Such high support is probably also an expression of awareness that the company contributes greatly to the economic development of the country and the region. In addition, more than 80 percent of the respondents believe that Luka Koper is a reputable or very reputable company that is also socially responsible. These are positive starting points for planning our further development.

What about the relationship with local authorities?

It is also good and cooperative. With the Municipality of Koper, we have signed a letter of intent which, in return for supporting the development of the port, defines certain obligations of our company. In this context, we also signed an agreement last year to implement mitigation measures to reduce the environmental impact of port activity. We have set up a special fund from which the municipality will draw funds to co-finance the renovation of buildings in the old town, which are most affected by the noise of the ships.

Our cooperation with the Municipality of Ankaran, on the other side of the bay, is also suitable. We have identified outstanding issues that are being resolved in a cooperative spirit. I am sure we will find solutions that will be beneficial for both parties.

The issue of noisy ships was particularly highlighted last year. How did you handle it?

One measure, as mentioned above, is the establishment of a fund managed by the Municipality of Koper. We worked a lot on communication and finding solutions with shipowners, as we identified the most problematic ships and handled them on a case-by-case basis. We have also been very active in the international field, where, together with other interested European ports, we have set standards for the regulation of ship noise, as there is no legislation at the national or European levels.

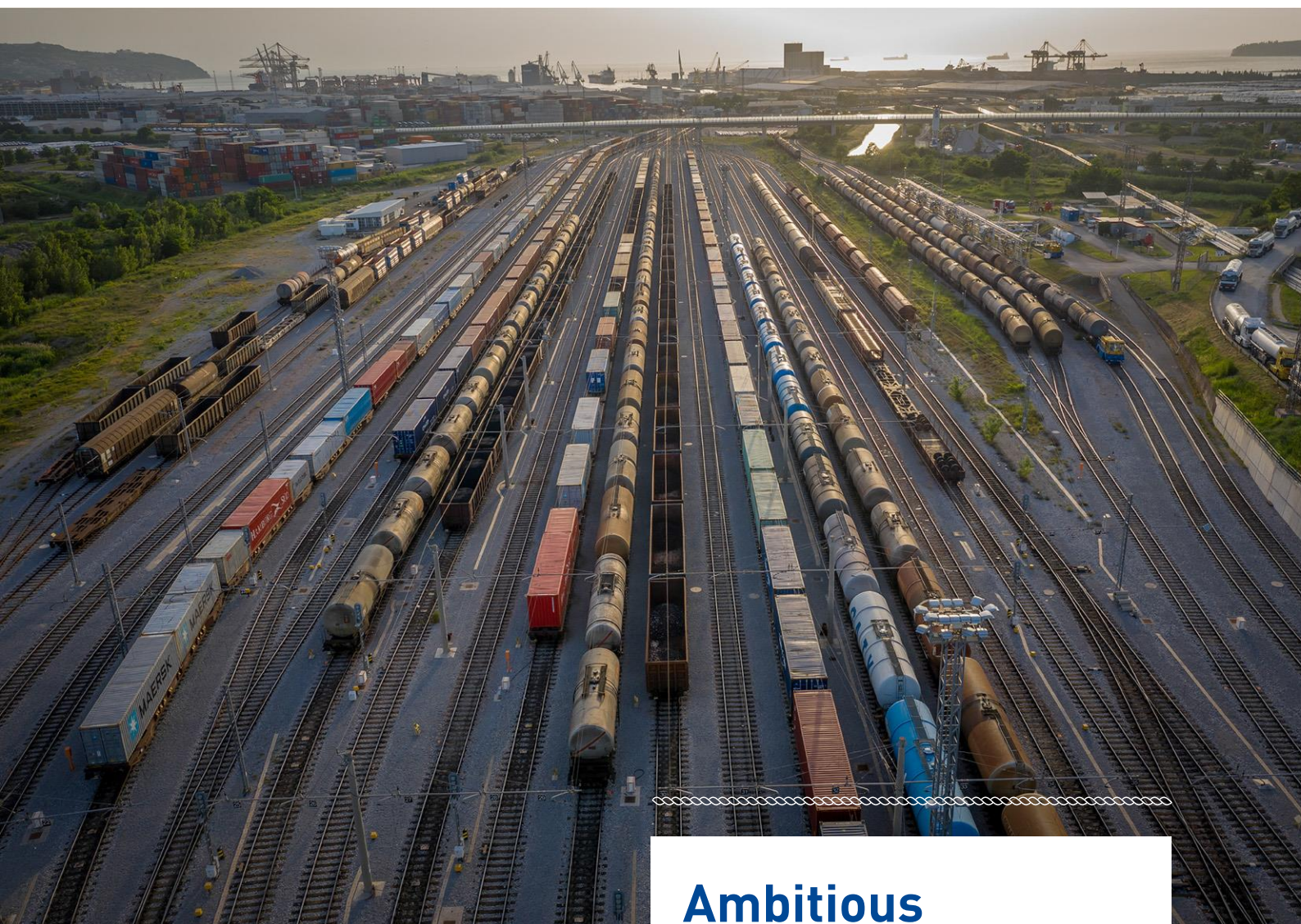
Could you say that Luka Koper actually lives in the spirit of a green harbour?

Certainly. We are aware of the impact of port activity on the surroundings and are not being an ostrich when it comes to problems. We want to be a responsible and proactive member of the local community, because, after all, most of our employees also live in the area. Also, today, green port and beyond, green logistics, is a sign of being modern, responsible and, last but not least, competitive; more and more logistics operators place particular emphasis on ecology and prefer business partners who are committed to it.



Dimitrij Zadel

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



Ambitious

We are striving to become the leading port operator and global logistics solutions provider for the countries of Central and Eastern Europe. We provide efficient and reliable first-class services to our partners while meeting the highest standards of sustainable development and using innovative approaches. To ensure further development, we are investing in port infrastructure and also in the necessary hinterland connections.

As much as 60% of cargo arrives in or leaves Luka Koper by rail, which is among the highest shares in Europe. This makes the rail link with the hinterland of crucial importance.

5 Report of the Supervisory Board for 2019

5.1 Composition of the Supervisory Board

In 2019, the Supervisory Board operated in the following composition: Uroš Ilić (Chair), Andraž Lipolt, (Deputy Chair), Milan Jelenc, Rado Antolovič, Barbara Nose, Mladen Jovičić, Rok Parovel, Marko Grabljevec, Sabina Mozetič until 21 August 2019, and Tamara Kozlovič since 22 August 2019. The composition of the Supervisory Board is excellent in terms of professional competences. Its members are mainly top experts in their fields and complement each other perfectly.

5.2 Supervisory Board's work

In 2019, the Supervisory Board met at eight regular meetings and one meeting by correspondence. 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. The work of the Supervisory Board is effective, constantly monitoring all key areas of operations. Due to their good individual preparation and high motivation, all members provide significant contributions. Support provided to the Supervisory Board by its committees as well as the Secretary is very good.

In 2019, the Supervisory Board focused most of its attention on implementing the change in the business model for the provision of port services and launching a strategically key investment program. In its work, the Supervisory Board constantly paid attention to the timely and effective identification, disclosure, management and elimination of conflicts of interest.

In February 2019, the Supervisory Board first became acquainted with the information on the performance of the Luka Koper Group and the Company in 2018, discussed the proposal for appointment of the Head of Internal Audit and appointed a new external member of the Audit Committee of the Supervisory Board. The Supervisory Board discussed the final report on the review of all technological procedures and studies on safe work in the port of Koper. They also became familiar with the topic of D&O insurance and claims of members of the Management Board who were dismissed several years ago, with the issue of pilotage in the port and the intention of the Management Board to conclude an employment contract with a member of the Supervisory Board Mladen Jovičić for the position of the union representative.

At its April meeting, the Supervisory Board reviewed and approved the proposal for the use of distributable profit as proposed by of the Management Board, discussed the audited Annual Report of the Group and Luka Koper d. d. for 2018, and agreed with the convening of the 31st General Meeting of Shareholders. It also became acquainted with the 2020-2025 strategic orientations of the Company and the Luka Koper Group, determined remuneration for performing the function of an external member of the Audit Committee, and agreed to the appointment of the new Head of Internal Audit.

In May, the Supervisory Board was briefed on the unaudited report on the performance of the Group and Luka Koper d. d. in the period January–March 2019 and concluded the contract on auditing the financial statements for the financial year 2019. The Supervisory Board agreed to the appointment of the Corporate Integrity Officer and Compliance Officer and appointed the Nomination Committee to begin the process of selecting a candidate for a new Supervisory Board member. At its June regular meeting, the Supervisory Board convened an election meeting to appoint a new member of the Supervisory Board at the proposal of the Municipality of Koper.

At the August meeting, the Supervisory Board was briefed on the half-year operating results of the Company and the Luka Koper Group, discussed the report on the implementation of the port services strategy, and acquainted itself with the progress of the external assessment of the Supervisory Board's work. The Supervisory Board adopted a competence profile for the members of the Supervisory Board and decided on bonuses to the Management Board.

At the October and November meetings, the Supervisory Board devoted a great deal of attention to the harmonisation of the 2020-2025 Strategic Business Plan of the Luka Koper Group and Company and the 2020 Business Plan. At the December meeting, both plans were approved. They also took note of the operating results for the first nine months in 2019.

In addition to the above activities, in 2019 the Supervisory Board also addressed several other issues, among which the following are particularly important:

- Discussed the report on the work of the internal audit for 2018, and the internal audit work programme for 2019;
- Risk management report;
- Corporate integrity report;
- Monitored the implementation of the Company's investment plan;
- Discussed the procedures of property purchase;
- Adopted the new Rules of Procedure of the Supervisory Board with an integrated system of reporting to the Supervisory Board and its committees;
- External assessment of the Supervisory Board's performance.

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 Works Council on the situation regarding worker participation in the management, since the report for 2019 had again not been submitted for discussion by the Works Council. Out of 145 resolutions adopted, 97 percent were adopted unanimously by the Supervisory Board.

5.3 Work of Supervisory Board committees

In 2019 the following committees functioned under the Supervisory Board: Audit Committee, HR Committee and Business Operations Committee, and temporarily the Nomination Committee.

5.3.1 Audit Committee

In 2019, the Audit Committee was composed of Barbara Nose (Chair, level of education 7, BSc in Economics, auditing specialist), Milan Jelenc (Member, level of education 8, MSc in Economics), Marko Grabljevec (Member, level of education 7, BSc in Criminal justice and Security), until 22 February 2019 External Member Mateja Kupšek (level of education 7, BSc in Economics), since appointment by the Supervisory Board on 22 February 2019 the new External Member Mateja Treven (level of education 8, MSc in Economics), and since 30 August 2019 also the new Member of the Supervisory Board Tamara Kozlovič (level of education 8, MSc in Enterprise Engineering).

The Audit Committee met at ten regular and one meeting by correspondence. Within the scope of its competences and mandates, the Committee regularly monitored the financial reporting process, discussed various materials and reports of the Management Board, and reported regularly to the Supervisory Board on its conclusions, findings and proposals.

The Committee actively communicated with the representatives of the external audit company in both the areas and the course and findings of the external audit of the financial statements, while monitoring the independence of the external auditor and the quality of the work performed. The Audit Committee discussed the auditor's letter to the management and the management's response, participated in the preparation of the contract between the Company and the auditor, adopted guidelines for the appointment and ensuring of independence of the auditor, and guidelines for monitoring the quality of his work. The Committee also regularly reviewed both areas.

In accordance with the Guidelines for ensuring the independence of the external auditor, the Audit Committee supervised the contracts concluded with audit firms as well as the nature and extent of the provision of their services. The Committee discussed the audited annual report of the Luka Koper Group and Company for 2018, with particular emphasis on the presentation of revenue, formation of provisions for potential legal actions, liabilities from the concession contract and non-financial reporting. It actively monitored the implementation of the Action plan for implementing the port service provision strategy, which the Company completed in early 2020.

The Audit Committee monitored the risk management system and the functioning of the internal audit and internal control department, compliance of operations and corporate integrity, and made recommendations for its strengthening and upgrading. It considered customer and supplier reports, sponsorships and donations, internal group relations, open judicial proceedings, public information, tax and information risks, operation of the IT system

and other reports under the adopted reporting system, carefully examined them and monitored their integrity. The Committee also proposed amendments as well as immediate and appropriate measures for areas where potential gaps were detected. It followed the idea of a transparent, ethical and socially responsible model of the Company's operations and management of potential conflicts of interest and a clear regulation of the Company's cooperation with all stakeholders.

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 her work on regular and extraordinary internal auditing, remuneration and award, and was extremely vigilant as to the respect for the autonomy and personal integrity.

The Audit Committee adopted the 2019 work programme at the beginning of 2019, and the 2020 work programme at the end of the year. Based on self-assessment, The Committee adopted a plan for the implementation of further improvements in the areas where it considered them feasible.

During the year, the members of the Audit Committee also attended several training programmes on the work of audit committees under the Slovenian Sovereign Holding and the Slovenian Directors' Association.

5.3.2 HR Committee

In 2019, the HR Committee met at seven meetings. It was composed of Uroš Ilić (Chair), and members Milan Jelenc, Barbara Nose and Rok Parovel. The HR Committee proposed to the Management Board to supplement the Management Policy and adopt a succession programme and appoint a Corporate Integrity and Operations Compliance Officer. It carefully examined and proposed to the Supervisory Board the criteria for the remuneration of the Management Board for 2019 and reviewed the criteria for the remuneration of the Management Board for 2018. The HR Committee participated in the preparation of the Rules of Procedure of the Supervisory Board and proposed them for adoption by the Supervisory Board. It discussed reports on key positions in managerial positions, reports on the management of conflicts of interest, examined the remuneration of Supervisory Board members in 2018, and proposed to the Supervisory Board to adopt the introduction programme for Supervisory Board members and their competence profile. The Committee also considered the claims of members of the Management Board who were dismissed and became aware of the impact of the statutory competition clause on the obligation of members of the Management Board and the Supervisory Board, which was amended at the 2019 General Meeting. At the end of the year, the HR Committee discussed the proposal for an employment contract for the post "Dispatcher" and an annex to the employment contract for the difference in salary with the member of the Supervisory Board - employee representative Rok Parovel and the proposal for an annex to the contract of employment with Supervisory Board member Mladen Jovičić regarding the criteria for payment of individual work performance in the position of a union representative.

5.3.3 Business Operations Committee

In 2019, the Business Operations Committee met at seven meetings. It was composed of Andraž Lipolt (Chair) and members Milan Jelenc, Rado Antolovič, Rok Parovel, Mladen Jovičić and Sabina Mozetič until 21 August 2019, and a new Member of the Supervisory Board, Tamara Kozlovič, for the remainder of the year. 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, purchase of land and information support. It monitored measures to increase productivity, reviewed regular reports on occupational safety and health and fire safety, and was briefed on various feasibility studies on investments and other reports prepared by the Management Board. Special emphasis was placed on the co-creation of the Company's 2020-2025 Strategic Business Plan and the 2020 Business and Investment Plan, which the Committee proposed to the Supervisory Board for approval at the end of the year. To the Management Board, it submitted recommendations in respect of efficient management of investments and public procurement, and was briefed regularly on the Company's business targets and the use of funds for performing the public utility service, the operation of individual profit centres of the Company and relations with its subsidiaries.

5.3.4 Nomination Committee

At its 20th session, the Supervisory Board appointed a Nomination Committee composed of Milan Jelenc (Chair), and members Uroš Ilić and Barbara Nose with the task of initiating the procedure for submitting a proposal to the General Meeting of Shareholders for the appointment of a new member of the Supervisory Board. Within the scope of its powers and competences, the Committee proposed to the Supervisory Board to nominate Tamara Kozlovič,

the only candidate proposed by relevant local communities in the area of which lies the terrestrial part of the port area, to be appointed as a new member by the General Meeting.

Table 6: Meetings of the Supervisory Board and its committees in 2019 and absence of members

Meeting No	Date of the meeting	Absent members
Supervisory Board meetings		
18th ordinary meeting	22 February 2019	/
19th ordinary meeting	26 April 2019	Mladen Jovičić*
20th ordinary meeting	24 May 2019	Sabina Mozetič, Rado Antolovič
21st ordinary meeting	28 June 2019	Andraž Lipolt, Rado Antolovič
22nd ordinary meeting	30 August 2019	/
23rd ordinary meeting	18 October 2019	/
24th ordinary meeting	29 November 2019	Rado Antolovič
25th ordinary meeting	13 December 2019	/
4th meeting by correspondence	18 December 2019	Uroš Ilić
HR Committee meetings		
9th ordinary meeting	4 February 2019	Rok Parovel*
10th ordinary meeting	15 March 2019	/
11th ordinary meeting	19 April 2019	/
12th ordinary meeting	24 May 2019	/
13th ordinary meeting	28 June 2019	/
14th ordinary meeting	30 August 2019	/
15th ordinary meeting	18 October 2019	/
16th ordinary meeting	29 November 2019	/
Business Operations Committee meetings		
10th ordinary meeting	26 March 2019	Milan Jelenc
11th ordinary meeting	31 May 2019	/
12th ordinary meeting	25 June 2019	Rado Antolovič
13th ordinary meeting	12 September 2019	Rado Antolovič*, Mladen Jovičić
14th ordinary meeting	9 October 2019	Andraž Lipolt, Rado Antolovič
15th ordinary meeting	8 November 2019	Rado Antolovič*
16th ordinary meeting	21 November 2019	Rado Antolovič*, Mladen Jovičić
Audit Committee meetings		
20th ordinary meeting	30 January 2019	Milan Jelenc
21st ordinary meeting	22 February 2019	/
22nd ordinary meeting	25 March 2019	/
23rd ordinary meeting	23 April 2019	/
24th ordinary meeting	22 May 2019	/
25th ordinary meeting	26 June 2019	/
26th ordinary meeting	9 September 2018	/
27th ordinary meeting	16 October 2019	/
28th ordinary meeting	28 November 2019	/
29th ordinary meeting	11 December 2019	Milan Jelenc
5th meeting by correspondence	24 September 2019	/
Nomination Committee meetings		
Inaugural meeting	6 June 2019	/
1st meeting by correspondence	26 June 2019	/

* members gave their authorisation to vote or joined the session via telephone

5.3.5 Assessment of the Supervisory Board's work

The Supervisory Board assesses its composition as excellent in terms of professional competences, and its functioning as effective and in accordance with the recommended practice. In 2019, the Supervisory Board conducted evaluation of the Supervisory Board with external assessment, which was performed by the Slovenian Directors' Association who assessed that the performance of the Supervisory Board is excellent and that its members are top experts in their fields. Although there are occasional tensions between the representatives of shareholders and employees, they function well as a whole and do not compromise performance. Management of the conflicts of interest between the members of the Supervisory Board also effectively protects the interests of the Company.

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. All members of the Supervisory Board signed statements on their independence and declared themselves independent. Also employee representatives. The materials discussed by the Supervisory Board were of high quality [the trend of quality of materials has been increasing since the beginning of 2018].

5.3.6 Costs of the 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., Note 31 'Related party transactions'. In 2019, education costs for the members of the Supervisory Board totalled EUR 4,491.

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

Auditing of the 2019 Annual Report of the Company and Luka Koper Group was carried out by the audit company BDO Revizija, d. o. o., which issued an opinion on the financial statements. At its 34th regular meeting of 23 April 2020, the Audit Committee of the Supervisory Board established that the Annual report was prepared in a timely manner, and is compiled clearly, transparently and in accordance with the provisions of the Companies Act, the applicable International Financial Reporting Standards as adopted by the EU and other relevant legislation. The Audit Committee had no objections to the 2019 Annual report of the Company and the Luka Koper Group and thus proposed to the Supervisory Board that they approve it in compliance with Article 282 of the Companies Act. Based on the auditor's opinion, the position of the Supervisory Board's Audit Committee, and data and disclosures in the 2019 Annual Report, the Supervisory Board estimates that the auditor performed his work independently and professionally, in accordance with applicable legislation and business practice, that the Annual Report is prepared in accordance with the requirements of the Companies Act in all material respects, and that the financial statements in all material respects fairly represent the financial position of the Company and the Luka Koper Group as at 31 December 2019 and their profit and loss and cash flows for the year ended in accordance with International Financial Reporting Standards as adopted by the EU. The Supervisory Board had no objections to the auditor's report. In addition, the Supervisory Board has no objections to the 2019 Annual Report of the Company and the Luka Koper Group, which would in any way delay it in reaching a decision approving it. Therefore, in accordance with Article 282 (3) of the Companies Act, the Supervisory Board approved the 2019 Annual Report of the Company and the Luka Koper Group at its 27th regular meeting of 24 April 2020.

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 2019 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 2019.



Uroš Ilić

Chair of the Supervisory Board of Luka Koper, d. d.



Accelerating economic development

Port activity has significant direct and indirect effects on the Slovenian economy. The direct effects are reflected in the added value created in the diversified port activities and related support activities. In contrast, the impulse to the economy is also enhanced by numerous indirect effects. However, with great influence comes great responsibility.

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 2019 to 31 December 2019.

6.1 Codes and Management Practice

In the period from 1 January to 31 December 2019, the Company observed the Slovenian 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 2019, 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 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.

The Corporate Governance Policy was adopted by the Management Board On 20 April 2010 and approved by the Supervisory Board on 13 May 2010. In 2016, a new corporate governance policy was prepared by the Company. It was adopted by the Management Board on 6 December 2016 and approved by the Supervisory Board on 16 December 2016 and is available on the Company's website <https://luka-kp.si/eng/corporate-documents>.

In its corporate governance, the Company voluntarily decided to apply the Slovenian corporate integrity guidelines, which are available on the website <https://www.luka-kp.si/slo/pomembni-dokumenti-208>, 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 code of ethics of the Luka Koper Group companies was updated on 1 October 2019 and is available on the Company's website at <https://luka-kp.si/eng/corporate-documents>. On 8 October 2019, the Company also adopted the new Rules of Procedure of the corporate integrity officer and the committee addressing reported violations of corporate integrity of the Luka Koper Group.

6.1.1 Governance of Luka Koper, d. d.

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

- The corporate governance policy is not fully in line with the current corporate governance policies in the Company. The Company intends to update and harmonise its governance policy in 2020. (Derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 2.2, and from the Corporate Governance Code for State-Owned Enterprises, Item 3.2.)
- As at 26 April 2018, the Supervisory Board adopted the Diversity Policy, which addresses representation in the management and supervisory bodies of the company in terms of gender, age and professional profiles. The Company intends to publish the Diversity Policy in 2020. (Partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 3.6.)
- The Company adopted the Diversity Policy on 26 April 2018 but failed to regulate with it all the issues required by the code. Although the Diversity Policy states that gender representation in the Supervisory

Board and in the Management Board should be appropriate, it does not specify what the appropriate gender representation ratio would be. (Partial derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 4.2.)

- The Company's Diversity Policy of 26 April 2018 sets targets for each body but does not specify how objectives and impacts on HR processes and other processes in the Company will be implemented. In recent years, the Company has introduced improvements in the area of diversity. (Partial derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 4.3, and partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 3.6.1.)
- The Company does not invite institutional investors and the state to make the public aware of their management policy with a call that is an integral part of the General Meeting. The Company does not do this because it has developed its own system of communication with shareholders and institutional investors, i.e. the state, and considered that through their communication with the public the latter display their corporate governance policies. When convening the General Meeting, the Company does not specifically invite the state and the Slovenian State Holding, d. d., to explain their corporate governance policy, since the Holding's website includes the Annual Asset Management Plan for majority state-owned companies, which also includes Luka Koper, d. d. The plan shows clear positions of the Slovenian State Holding, d. d., and the state regarding the management of Luka Koper, d. d., including the results it expects from Luka Koper, d. d. For this reason, the Company will not be following this recommendation in the future. (Derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 6.2.)
- The members of the Supervisory Board - employee representatives have no university degree. Employee representatives of the Supervisory Board are appointed by the Works Council, over which the Company's General Meeting has no influence. Similarly, the Worker Participation in Management Act, which is the basis for appointing members of the Supervisory Board - employee representatives, does not prescribe the level of education for Supervisory Board members, employee representatives. For this reason, there is no basis to guarantee that all members of the Supervisory Board will have a university degree in the future. (Partial derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 10.1.)
- The Rules of Procedure of the Supervisory Board do not contain provisions on the list of all types of transactions for which the Management Board requires the prior approval of the Supervisory Board based on a Supervisory Board resolution and the Articles of Association of the Company, or provisions on the outsourcing system for purposes of the Supervisory Board. The Company's legal transactions for which the Management Board requires the consent of the Supervisory Board are clearly defined in the Articles of Association of the Company, and the Supervisory Board, through the Secretary, has insight into the decisions that determine when the Management Board needs the approval of the Supervisory Board to conclude a legal transaction. For this reason, it is not necessary in the future for these transactions to be listed in the Rules of Procedure of the Supervisory Board. With regard to outsourcing, the Company's general rules regarding the procurement of intellectual services were followed. (Partial derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 12.2.)
- The Rules of Procedure of the Supervisory Board specify the time limits within which the Management Board must refer individual matters to the Supervisory Board, whereas the content of reporting (including regular reporting) to be taken into account by the Management Board is set out in the document entitled Reporting System. This method allows for appropriate communication of information and reporting to the Supervisory Board. (Partial derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 12.3.)
- The Supervisory Board does not consider once a year the report of the Works Council on the status of workers' participation in management, since it does not receive the said report from the Works Council. (Derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 12.4.)
- The Supervisory Board prepares a competence profile for the members of the Supervisory Board in view of the optimal size and composition of the Supervisory Board but does not publish it on the Company's public website. (Partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.5.1.)
- The Supervisory Board does not have a specific education plan because the priorities regarding education are set by each member of the Supervisory Board individually. (Partial derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 13.1.)
- The Nomination Committee shall not appoint at least one-third of the members on the proposal of the majority shareholder or major shareholders and at least one external expert which, in the companies in which the state or the Slovenian Sovereign Holding directly or indirectly holds at least 1/3 of the share capital of the company, should be selected by the Supervisory Board on the proposal of the Slovenian Sovereign Holding. In the future, the Nomination Committee of the Supervisory Board will not include members at the proposal of Slovenian Sovereign Holding or the state and one external expert, because the Nomination Committee of the Company's Supervisory Board forwards its findings in respect of each

candidate to the nomination committee of the Slovenian Sovereign Holding, which then considers them. (Partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.9.2.)

- When setting up an individual commission, the Supervisory Board does not directly determine its task by decision or in the rules of procedure. The tasks of commissions are evident from the discussion of the Supervisory Board upon their establishment. (Partial derogation from the Slovene Corporate Governance Code for Listed Companies, Item 18.2.)
- The members of the Supervisory Board are charged for the credit rating for the liability insurance of company bodies and executives, which is the only credit rating they are entitled to. Regarding the liability insurance of the members of the Supervisory Board, there is a uniform system for all members of the management and supervisory bodies of the company, which will not be changed in the future. (Partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.10.3.)
- Chair of the Supervisory Board is also the Chair of the HR Committee of the Supervisory Board. Prior to his appointment to the post of Chair of the Supervisory Board, the Chair of the Supervisory Board was the Chair of the Supervisory Board's HR Committee. (Derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 15.3, and partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.16.1.)
- The Audit Committee of the Company's Supervisory Board meets quarterly, but there are more than eight meetings per year. (Partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 6.14.2.)
- The members of the Management Board do not obtain the prior approval of the Supervisory Board for appointment to the management and supervisory bodies of other companies. When they are appointed to the management and supervisory bodies of other companies, the members of the Management Board inform the Supervisory Board accordingly, which enables the identification of conflicts of interest and implementation of appropriate measures. (Partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 19.6, and from the Slovenian Corporate Governance Code for Listed Companies, Item 7.3.2.)
- The Company has an established system of internal controls, which does not yet ensure comprehensive risk management and is, therefore, being constantly improved (derogation from the Corporate Governance Code for State-Owned Enterprises, Item 9.2, and from the Slovenian Corporate Governance Code for Listed Companies, Item 26).
- Not all internal audit recommendations are implemented in a timely manner, but the situation has improved in 2019 as there are significantly fewer recommendations implemented untimely than in the previous year. In 2020, the Company will continue its efforts to implement the internal audit recommendations in a timely manner in order to ensure that all recommendations are implemented in a timely manner. (Partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 9.2.7.)
- The Company's Code of Ethics does not contain detailed content relating to the example of management, employees, labour rights, attitudes towards officials and control and sanctions. The Code of Ethics regulates various areas, which are constantly updated by the Company. (Partial derogation from the Corporate Governance Code for State-Owned Enterprises, Item 10.1.1.)
- The Company does not publish the rules of procedure of its bodies, i.e. the management, control and assembly bodies, on its web pages. (Derogation from the Slovenian Corporate Governance Code for Listed Companies, Item 29.9.)

6.1.2 Corporate integrity

Corporate integrity is reported in detail in section 21 Corporate integrity, human rights and operations compliance.

6.1.3 Risk control system

Risk is reported in detail in section 12 Risk Management.

6.2 Internal controls and risk management related to financial reporting

The Luka Koper Group manages risk related to financial reporting and the implementation of adopted guidelines and internal control procedures. 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.

6.3 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 in line with the provision of Article 70 (6) of the Companies Act data as at 31 December 2019 and all the required explanations:

6.3.1 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 15 'The LKPG Share'.

6.3.2 Share transfer limitations

All Company shares are freely transferable.

6.3.3 Qualified shares pursuant to the Takeovers Act

Pursuant to Article 77 (1) of the Takeovers Act, achievement of the qualified share on 31 December 2019 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, and
- 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.

6.3.4 Holders of securities granting special control rights

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

6.3.5 Employee share scheme

The Company has no employee share scheme.

6.3.6 Limitation of voting rights

There is no limitation of voting rights.

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

The Company has not been informed of any such agreements.

6.3.8 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 Works 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 shareholders, of which the Chair of the Supervisory Board and deputy Chair 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 Works Council.

The Supervisory Board has an 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, the Committee 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 Works 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 area is located. The General Meeting establishes with a decision the election and discharge of the members of the Supervisory Board elected by the Works 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 Works Council. The General Meeting only establishes their discharge with a decision. 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 Companies Act and the 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.

6.3.9 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.

6.3.10 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 6.7 'Company Management'. The Management Board has no special powers relating to the issue or purchase of own shares.

6.3.11 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.

6.3.12 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.

6.4 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 changes to the articles of association and Company's internal regulations related to the work of these bodies are laid down in 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>.

6.5 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 Section 15 'The LKPG Share'.

6.5.1 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.

6.5.2 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.

6.5.3 Decisions of the General Meeting of Shareholders

On 28 June 2019, the shareholders of Company Luka Koper, d. d., gathered for the 31st General Meeting. At the meeting, the shareholders:

- Adopted a decision on the proposal for the appropriation of the accumulated profit for 2018, which amounted to EUR 29,252,442.43:
 - o 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,
 - o The residual amount of accumulated profit in the amount of EUR 10,632,442.43 is to remain unappropriated.
- Granted discharge for the year 2018 to the Management Board and Members of the Supervisory Board, except for Mladen Jovičić,
- Adopted amendments and supplements to the Articles of Association of the Company.

On 22 August 2019, the shareholders of Company Luka Koper, d. d., gathered for the 32nd General Meeting. At the meeting, the shareholders:

- Elected Tamara Kozlovič as a member of the Supervisory Board of the Company on the proposal of the Municipality of Koper for a four-year term of office, which began as at 22 August 2019.

6.6 Supervisory Board of Luka Koper, d. d.⁵⁵

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.

6.6.1 Composition of the Supervisory Board

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

6.6.2 Composition of the Supervisory Board of Luka Koper, d. d. as at 31 December 2019:

6.6.2.1 Representatives of shareholders:

Uroš Ilić, Chair 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: Perutnina Ptuj, d. o. o., Chair of the Supervisory Board

Andraž Lipolt, Deputy Chair 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, 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: P&O Ports, CEO; Dubai Dry Dock World, Member of the Supervisory Board

Milan Jelenc, Member of the Supervisory Board

Beginning of a 4-year term of office: 1 July 2017 (28th General Meeting)

Employed: /

Membership in other management or supervisory bodies: Adriakombi, d. o. o., Chair 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 Primia, d. o. o., Managing Partner

Membership in other management or supervisory bodies: /

Tamara Kozlovič, Member of the Supervisory Board

Beginning of a 4-year term of office: 22 August 2019 (32nd General Meeting)

Employed: Municipality of Koper

Membership in other management or supervisory bodies: /

At the 32nd General Meeting of the Company on 22 August 2019, Tamara Kozlovič was elected a Member of the Supervisory Board to replace the Supervisory Board member Sabina Mozetič whose term of office expired on 21 August 2019.

6.6.2.2 Representatives of employees:

Mladen Jovičić, Member of the Supervisory Board

Beginning of a 4-year term of office: 8 April 2017 (28th General Meeting – informing the shareholders)

Marko Grabljevec, Member of the Supervisory Board

Beginning of a 4-year term of office: 18 January 2017 (27th General Meeting – informing the shareholders)

Rok Parovel, Member of the Supervisory Board

Beginning of a 4-year term of office: 12 September 2016 (28th General Meeting – informing the shareholders)

⁵⁵ GRI GS 102-22, 405-1

6.6.2.3 External Member of the Audit Committee of the Supervisory Board

Mateja Treven, External Member of the Audit Committee of the Supervisory Board
Appointed for the period from 22 February 2019 until revoked.

Diversity of members of the Supervisory Board by gender

31 Dec 2019	Men	Women	Total
Number of members of the Supervisory Board	7	2	9
Share	78%	22%	100%

Diversity of members of the Supervisory Board by age

31 Dec 2019	Under 30	30 to 50	50 and over	Total
Number of members of the Supervisory Board	0	4	5	9
Share	0%	44%	56%	100%

6.6.3 Changes in the composition of the Supervisory Board Audit Committee

As at 22 February 2019, the Supervisory Board of Luka Koper, d. d. appointed Mateja Treven as the new external member of the Audit Committee of the Supervisory Board to replace the former member, Mateja Kupšek.

6.6.4 Changes in the composition of the Supervisory Board

On 18 January 2020, the term of office of Marko Grabljevec, a Member of the Supervisory Board - employee representative - expired. On 19 January 2020, the Works Council appointed Mehruđin Vukovič to replace him as a Member of the Supervisory Board - employee representative - for a term of 4 years.

6.6.5 Details of the composition of the Supervisory Board

All details pertaining to members of the Supervisory Board and its composition and the composition of the committees of the Supervisory Board are listed in the tables prepared in accordance with appendices C.2 of the Slovenian Corporate Governance Code for Listed Companies and 5.2 of the Corporate Governance Code for State-Owned Enterprises, entitled Composition of the Supervisory Board and Committees in the financial year 2019, which are an integral part of this corporate governance statement.

6.6.6 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 Slovenian 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 2019, 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 section 5, Report of the Supervisory Board for 2019.

Each Member of the Supervisory Board, taking into account the provisions of the Slovenian Corporate Governance Code for Listed Companies and Corporate Governance Code for State-Owned Enterprises, signed a declaration in 2019 stating that in the year 2019 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>.

6.6.7 Committees of the Supervisory Board

Three committees work on a regular basis under the Supervisory Board:

- HR Committee,
- Audit Committee,
- Business Operations Committee.

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

In 2019, the HR Committee was composed of Uroš Ilić (Chair), Barbara Nose (Member), Milan Jelenc (Member), and Rok Parovel (Member).

In 2019, the Audit Committee was composed of Barbara Nose (Chair), Mag. Milan Jelenc (Member), Marko Grabljevec (Member) and Mateja Kupšek (External Member) until 22 February 2019, and from 22 February 2019 with a new external member Mateja Treven. At the meeting of the Supervisory Board of 30 August 2019, member Tamara Kozlovič was appointed a member of the Audit Committee.

In 2019, the Business Operations Committee was composed of Andraž Lipolt (Chair), Rado Antolovič (Member), Milan Jelenc (Member), Tamara Kozlovič (Member), Mladen Jovičić (Member) and Rok Parovel (Member). At the meeting of the Supervisory Board of 30 August 2019, the Supervisory Board appointed member Tamara Kozlovič. As at 21 August 2019, due to the termination of the term of office of the Supervisory Board member, Sabina Mozetič, her membership of the Business Operations Committee of the Supervisory Board also ceased.

6.6.8 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. The amount of attendance fees and payments shall be determined by the General Meeting of Shareholders. 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 31 'Related party transactions', and in the table taken from the Appendix C.4 of the Slovenian Corporate Governance Code, entitled Composition and the amount of remuneration of the supervisory board and committee members in the financial year 2019, in section 6.13 Appendix to the Corporate Governance Statement, which is an integral part of the Corporate Governance Statement. The information on the ownership of shares of Members of the Supervisory Board and its committees is given in section 15 The LKPG Share.

6.7 The Management Board of Luka Koper, d. d.⁵⁶

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 Slovenian 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.

6.7.1 Composition of the Management Board

As at 31 December 2019, the Management Board of Luka Koper, d. d. consisted of:

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

⁵⁶ GRI GS 102-22, 405-1

6.7.2 Presentation of members of the Management Board of Luka Koper, d. d. as at 31 December 2019⁵⁷ :



Dimitrij Zadel

President of the Management Board



Metod Podkrižnik

Member 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, he introduced important measures aimed at improving the performance of OMV companies in the Czech Republic and Slovakia. 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, 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.

⁵⁷ GRI GS 405-1



Irma Gubanec

Member of the Management Board



Vojko Rotar

Worker Director

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 analyze 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, 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 nearing 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.

Diversity of members of the Management Board by gender

31 Dec 2019	Men	Women	Total
Number of members of the Management Board	3	1	4
Share	75%	25%	100%

Diversity of members of the Management Board by age

31 Dec 2019	Under 30	30 to 50	50 and over	Total
Number of members of the Management Board	0	2	2	4
Share	0%	50%	50%	100%

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

6.7.3 Details of the composition of the Management Board

All details pertaining to members of the Management Board are listed in the table prepared in accordance with appendices C.1 of the Slovenian Corporate Governance Code for Listed Companies and 5.1 of the Corporate Governance Code for State-Owned Enterprises, entitled Composition of the Management Board in the financial year 2019, which is an integral part of this corporate governance statement.

6.8 Management Board's work⁵⁸

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

- Secretariat of the Management Board (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 a Member of the Management Board:

- PC General Cargoes Terminal,
- PC Container Terminal,
- PC Car & RO-RO Terminal,
- PC Bulk and Liquid Cargo Terminal,
- PC Cruise Terminal,
- Operations Department,
- Sales Department.

Tasks of a Member of the Management Board:

- Finance and Accounting,
- Controlling,

⁵⁸ GRI GS 102-23

- Management and development of business processes,
- Entities in which Luka Koper, d. d., has a capital share or corporate rights.

Tasks of a Member of the Management Board – Worker Director:

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

All members of the Management Board jointly:

- Internal Auditing,
- Corporate integrity,
- Operations compliance,
- Cooperation with the Secretary of the Supervisory Board.

6.8.1 Remuneration of the Management Board

Remuneration paid to Members of the Management Board consists of fixed and variable components. They are determined in fixed-term employment contracts for the management of the company as 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 Chair. The remuneration of the Management Board is reported in the Accounting Report of Luka Koper d. d., Note 31 'Related party transactions', and in the table taken from the Appendix C.3 of the Slovenian Corporate Governance Code, entitled Composition of the management board in the financial year 2019, which is an integral part of the Company's Corporate Governance Statement. The ownership of shares is reported in section 15 The LKPG Share.

6.9 Management and governance of companies in the Luka Koper Group

Luka Koper, d. d. has an established corporate governance system which, after the sale of the share in Aerodrom Portorož, d. o. o. includes the controlling company and 17 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 controlling 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 controlling 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.

The Strategic Business Plan of the Company and the Group for the period 2020-2025 also stipulates goals in the field of financial investment management. As the Investment Management Strategy has been adopted, guidelines for the decision-making and managing aspects of management of strategic investments were also set.

Table 7: Management and governance of subsidiaries in the Luka Koper Group as at 31 December 2019

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 Miklavac	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

6.10 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 2019, the internal audit carried out internal audit engagements and other activities in accordance with the adopted annual plan of work. The planned internal audit engagements were carried out. In implementing the planned transactions, the risks identified in the preparation of the annual plan served as guidance, and were also supplemented 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.

In addition to the planned auditing, after-audit activities were performed monthly, their aim being to report promptly on the measures taken for a better management of risks. Having monitored recommendations implementation, the internal audit reported on implemented recommendations in 2019. The share of recommendations not implemented declined significantly in 2019.


The internal audit reported on each individual engagement to the management of the audited unit, the Management Board and the Audit Committee of the Supervisory Board; 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 audit 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 assessment as well as monitoring and measuring the internal audit operation. In 2019, the achieved values of ratios for measuring the performance of internal audit were as planned.

6.11 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 for the period 2017–2019.

The costs of audit services performed for Luka Koper, d. d. and its subsidiaries are presented in the consolidated accounting report, Note 33 '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

6.12 Statement on external assessment of the Corporate Governance Statement for the 2019 Annual Report



ZDRUŽENJE NADZORNIKOV
SLOVENIJE

za učinkovito korporativno
upravljanje

Slovenian Directors' Association declares to have carried out in the period from 19 February to 20. April 2020 the external assessment of the Corporate Governance Statement of Luka Koper, d. d. for the year 2019 in accordance with Article 5.7. of the Slovenian Corporate Governance Code. External assessment is not considered to be an assurance service performed by accounting professionals who are publicly mandated (auditors) or non-publicly accounted professionals (e.g. internal auditors). As an external independent reference institution that is not a provider of audit services in the Company and is not related to it, we have reviewed all the components of the Corporate Governance Statement, their adequacy in relation to Article 70 (5) of the Companies Act and assessed whether they adequately described the management of the company as shown in relevant company documents. This review also included a review of the selected reference codes and declarations of compliance with the reference codes that the Company pursues. An external assessment report was prepared in connection with the external assessment of the Corporate Governance Statement, which was forwarded to the Company's Management Board and the Supervisory Board for information.

Slovenian Directors' Association declares that the Corporate Governance Statement in the Annual Report of Luka Koper d. d., for 2019 contains all the necessary legal components and that its contents adequately describe the management of the Company as evidenced by the obtained Company documents.

20 April 2020

Irena Prijović,

Executive Director
Slovenian Directors' Association

6.13 Appendix to the Corporate Governance Statement

C.1: Composition of the Management Board for the Financial Year 2019

Name and surname	Position (President, Member)	Area of work in the Management Board	First appointment to office	End of office / term of office	Gender	Citizenship	Year of birth	Education	Professional profile	Membership in management or supervisory bodies of
Dimitrij Zadel	President	1 Management Board secretariat (adviser to the Board, Secretary of Bodies, Office of the Management Board), 2 Human resources, 3 Legal affairs, 4 Public relations, 5 Investments, 6 Port security, 7 Purchasing, 8 Strategic development, 9 Internal audit, 10 Corporate integrity, 11 Operations compliance, 12 Collaboration with the Secretary of the Supervisory Board	29-Dec-2017	ongoing	Man	Slovenian	1967	Level of education 7	University Graduate in Mechanical Engineering	none
Metod Podkrižnik	Member	1 PC General Cargo Terminal, 2 PC Container Terminal, 3 PC Car & RO-RO Terminal, 4 PC Bulk and Liquid Cargo Terminal, 5 PC Cruise Terminal, 6 Operations, 7 Sales, 8 Internal audit, 9 Corporate integrity, 10 Operations compliance, 11 Collaboration with the Secretary of the Supervisory Board	29-Dec-2017	ongoing	Man	Slovenian	1971	Level of education 8	University Graduate in Mechanical Engineering and Master's Degree in Economics	Member of the Supervisory Board in Petrol, d. d.
Irma Gubanec	Member	1 Finance and Accounting, 2 Controlling, 3 Management and development of business processes, 4 Entities in which Luka Koper, d. d., has an equity participation or corporate rights, 5 Internal audit, 6 Corporate integrity, 7 Operations compliance, 8 Collaboration with the Secretary of the Supervisory Board	29-Dec-2017	ongoing	Woman	Slovenian	1968	Level of education 8	Master's Degree in Economics	Member of the Supervisory Board in IEDC - Poslovna šola Bled, d. o. o.
Vojko Rotar	Member	1 Representation of the interests of employees relating to HR and social issues, 2 Health protection and ecology, 3 Monitoring observance and implementation of written agreements and participation in concluding agreements between employees and employers (participating agreement and other agreements), 4 Internal audit, 5 Corporate integrity, 6 Operations compliance, 7 Collaboration with the Secretary of the Supervisory Board.	16-Feb-2018	ongoing	Man	Slovenian	1976	Level of education 7	University Graduate in Economics	Member of the Supervisory Board in Marjetica, d. o. o.

[illegible]

Name and surname	Position (Chair, Deputy, SB Member)	First appointment to office	End of office / term of office	Representative of shareholders / employees	Attendance at Supervisory Board meetings proportional to the total	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under Article 23 of the Code (YES / NO)	Existence of conflicts of interest in the financial year (YES / NO)	Membership in management or supervisory bodies of other companies
Andraž Uloot	Deputy Chair	1-Jul-2017	ongoing	Representative of shareholders	8/9	Man	Slovenian	1974	Level of education 8	University Graduate in Mechanical Engineering and	yes	no	no
	Committee member (Audit, HR, Remuneration Committee, etc.)			Chair / Member	Attendance at committee meetings proportional to the total number of committee meetings								
	BUSINESS OPERATIONS COMMITTEE			CHAIR	6/7								

Name and surname	Position (Chair, Deputy, SB Member)	First appointment to office	End of office / term of office	Representative of shareholders / employees	Attendance at Supervisory Board meetings proportional to the total	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under Article 23 of the Code (YES / NO)	Existence of conflicts of interest in the financial year (YES / NO)	Membership in management or supervisory bodies of other companies
Rado Antolovič	Member	7-Oct-2013	ongoing	Representative of shareholders	6/9	Man	Slovenian	1959	Level of education 9	Doctor of Economic Sciences	yes	no	no
	Committee member (Audit, HR, Remuneration Committee, etc.)			Chair / Member	Attendance at committee meetings proportional to the total number of committee meetings								
	BUSINESS OPERATIONS COMMITTEE			MEMBER	2/7								

Name and surname	Position (Chair, Deputy, SB Member)	First appointment to office	End of office / term of office	Representative of shareholders / employees	Attendance at Supervisory Board meetings proportional to the total	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under Article 23 of the Code (YES / NO)	Existence of conflicts of interest in the financial year (YES / NO)	Membership in management or supervisory bodies of other companies
Tamara Kozlovič	Member	22-Aug-2019	ongoing	Representative of shareholders	5/5	Woman	Slovenian	1978	Level of education 8	Master's Degree in Business Policy and Organisation	yes	no	no
	Committee member (Audit, HR, Remuneration Committee, etc.)			Chair / Member	Attendance at committee meetings proportional to the total number of committee meetings								
	AUDIT COMMITTEE / BUSINESS OPERATIONS COMMITTEE			MEMBER / MEMBER		5/5, 4/4							

Name and surname	Position (Chair, Deputy, SB Member)	First appointment to office	End of office / term of office	Representative of shareholders / employees	Attendance at Supervisory Board meetings proportional to the total number of Supervisory Board meetings	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under Article 23 of the Code (YES / NO)	Existence of conflicts of interest in the financial year (YES / NO)	Membership in management or supervisory bodies of other companies
Mladen Jovičić	Member	8-Apr-2009	ongoing	Representative of employees	8/9	Man	Slovenian	1969	Level of education 5	Electrical technician	yes	no	no
	Committee member (Audit, HR, Remuneration Committee, etc.)			Chair / Member	committee meetings proportional to the total number of								
	BUSINESS OPERATIONS COMMITTEE			MEMBER	6/7								

Name and surname	Position (Chair, Deputy, SB Member)	First appointment to office	End of office / term of office	Representative of shareholders / employees	Attendance at Supervisory Board meetings proportional to the total number of Supervisory Board meetings	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under Article 23 of the Code (YES / NO)	Existence of conflicts of interest in the financial year (YES / NO)	Membership in management or supervisory bodies of other companies
Rok Parovel	Member	12-Sep-2016	ongoing	Representative of employees	9/9	Man	Slovenian	1987	Level of education 5	High school graduate	yes	no	no
	Committee member (Audit, HR, Remuneration Committee, etc.)			Chair / Member	Attendance at committee meetings proportional to the total number of committee meetings								
	HR COMMITTEE / BUSINESS OPERATIONS COMMITTEE			MEMBER / MEMBER		7/8,7/7							
Name and surname	Position (Chair, Deputy, SB Member)	First appointment to office	End of office / term of office	Representative of shareholders / employees	Attendance at Supervisory Board meetings proportional to the total number of Supervisory Board meetings	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under Article 23 of the Code (YES / NO)	Existence of conflicts of interest in the financial year (YES / NO)	Membership in management or supervisory bodies of other companies
Marko Grabljevec	Member	18-Jan-2016	ongoing	Representative of employees	9/9	Man	Slovenian	1966	Level of education 5	Bachelor of Defence	yes	no	no
	Committee member (Audit, HR, Remuneration Committee, etc.)			Chair / Member	Attendance at committee meetings proportional to the total number of committee meetings								
	AUDIT COMMITTEE			MEMBER		11/11							
Name and surname	Position (Chair, Deputy, SB Member)	First appointment to office	End of office / term of office	Representative of shareholders / employees	Attendance at Supervisory Board meetings proportional to the total number of	Gender	Citizenship	Year of birth	Education	Professional profile	Independence under Article 23 of the Code (YES / NO)	Existence of conflicts of interest in the financial year (YES / NO)	Membership in management or supervisory bodies of other companies
Sabina Mozetič	Member	11-Jul-2011	21-Aug-2019	Representative of employees	3/4	Woman	Slovenian	1963	Level of education 5	University Graduate in Laws	yes	no	no
	Committee member (Audit, HR, Remuneration Committee, etc.)			Chair / Member	committee meetings proportional to the total number of								
	BUSINESS OPERATIONS COMMITTEE			MEMBER		3/3							

C.3: Composition and Amount of Remuneration* of Management Board Members in the Financial Year 2019

(in EUR)

Name and surname	Position (Chair, Member)	Fixed income - gross (1)	Variable income - gross			Deferred income (3) **	Severance pay (4)	Bonuses (5)	Bonus clawback (6)	Total Gross (1 + 2 + 3 + 4 + 5-6)	Total net ***
			based on quantitative criteria	based on qualitative criteria	Total (2)						
Dimitrij Zadel	President of the Management Board	196,153.24			28,160.40	28,160.40	0.00	1,637.64	0.00	254,111.68	109,666.52
Metod Podkrižnik	Member of the Management Board	175,628.98			25,314.27	25,314.27	0.00	9,740.80	0.00	235,998.32	92,460.88
Irma Gubanec	Member of the Management Board	176,519.92			25,328.80	25,328.80	0.00	3,472.92	0.00	230,650.44	99,409.62
Vojko Rotar	Member of the Management Board - Worker Director	156,683.36			18,765.20	18,765.20	0.00	5,533.26	0.00	199,747.02	85,353.14

* For the purpose of this disclosure, it is not necessary to disclose travel, accommodation and subsistence expenses because they do not by their nature constitute payment to the Management Board.

** Deferred payment of the second half of the award under the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities on 18 July 2021 or at the end of the term, if the latter lasted more than two years.

*** Net salary, voluntary supplementary pension insurance, labour cost reimbursement and annual leave allowance

C.4: Composition and Amount of Remuneration* of Members of the Supervisory Board and its Committees in the Financial Year 2019

(in EUR)

Name and surname	Position (Chair, Deputy, Member, External Member of the Committee)	Performance Fee - Gross Annual (1)	Supervisory Board and Committee attendance fees - gross annually (2)	Total Gross (1 + 2)	Total net *	Travel expenses net
Uroš Ilić	Chair	28,203.97	4,796.00	32,999.97	23,939.52	0.00
Andraž Lipolt	Deputy Chair	21,656.28	3,465.00	25,121.28	18,787.12	577.77
Rado Antolovič	Member	18,750.00	1,815.00	20,565.00	47,307.03	32,411.47
Milan Jelenc	Member	22,500.00	8,668.00	31,168.00	23,496.51	889.37
Barbara Nose	Member	22,500.00	7,348.00	29,848.00	22,554.32	907.11
Sabina Mozetič	Member until 21.08.2019	13,558.46	1,980.00	15,538.46	11,266.33	9.52
Tamara Kozlovič	Member since 22.08.2019	6,068.55	2,541.00	8,609.55	6,254.44	9.72
Mladen Jovičič	Member	18,750.00	3,740.00	22,490.00	16,295.63	0.00
Marko Grabljevec	Member	18,750.00	4,752.00	23,502.00	17,031.67	0.00
Rok Parovel	Member	22,500.00	6,160.00	28,660.00	20,841.24	58.15
Mateja Kupšek	External member of the Committee until 22-Feb-2019	870.54	616.00	1,486.54	1,153.15	72.00
Mateja Treven	External member of the Committee since 23-Feb-2019	4,581.54	1,672.00	6,253.54	4,664.82	116.64

* The amount that the company transfers to the individual's account as payment after the advance payment of personal income tax, which does not take into account any subsequent additional payments of personal income tax.

C.1: Composition of Directors of the Largest Subsidiaries of Luka Koper, d. d. in the Financial Year 2019

Name and surname	Office (Director)	Area of work in the company	First appointment to office	End of office / term of office	Gender	Citizenship	Year of birth	Education	Professional profile	Membership in management or supervisory bodies of unrelated companies
Boris Kranjac	Managing Director	Luka Koper INPO, d. o. o.	1-Jul-2017	ongoing	Man	Slovenian	1958	Level 8	Master's Degree in Organizational Sciences	
Darko Grgič	Managing Director	Luka Koper Pristan, d. o. o.	1-Jan-2006	ongoing	Man	Slovenian	1961	Level 7	Specialisation in Management	
Aleš Miklavc	Managing Director	Adria Terminali, d. o. o.	1-Oct-2013	ongoing	Man	Slovenian	1973	Level 7	Specialisation in Traffic and Transport Studies	

C.3: Composition and Amount of Remuneration* of Directors of the Largest Subsidiaries of Luka Koper, d. d. in the Financial Year 2019

(in EUR)

Name and surname	Office (Director)	Fixed income - gross (1)	Variable income - gross			Deferred income (3) **	Severance pay (4)	Bonuses (5)	Bonus clawback (6)	Total Gross (1+2+3+4+5-6)	Total net ***
			based on quantitative criteria	based on qualitative criteria	Total (2)						
Boris Kranjac	Managing Director	117,391.28			12,378.28	12,378.28	0.00	0.00	0.00	142,147.84	69,569.56
Darko Grgič	Managing Director	58,524.16			5,217.91	0.00	0.00	0.00	0.00	63,742.07	46,567.81
Aleš Miklavc	Managing Director	97,358.72			9,897.38	1,650.32	0.00	5,130.00	0.00	114,036.42	56,007.96

* For the purpose of this disclosure, it is not necessary to disclose travel, accommodation and subsistence expenses because they do not by their nature constitute payment to the management.

** Deferred payment of the second half of the award under the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities for two years or until the end of the term, if the latter lasted more than two years.

*** Net salary, voluntary supplementary pension insurance, labour cost reimbursement and annual leave allowance

7 **Survey** of relevant events, novelties and achievements in 2019

JANUARY

- 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.
- Luka Koper, d. d., began the procedure of refinancing part of its long-term loans payable in 2018 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 settled the obligation. The Company appealed against the notice.

FEBRUARY

- 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 transshipment fee calculation.
- In the category of large companies, Luka Koper is one of the seven finalists of the Zlata nit (Golden Thread) 2018 research project, which selects and rewards the most reputable and successful employers.

MARCH

- Luka Koper started paying the transshipment fee intended for the construction of the Divača–Koper second railway track.
- Luka Koper representatives met their business partners from Egypt at the Port Day and in Cairo. Foreign ministers from both countries also attended the event.
- On the occasion of the Slovenian Maritime Day, a round table on the protection of the marine environment was held under the auspices of the Ministry of Infrastructure, Slovenian Maritime Administration, the Faculty of Maritime Affairs and Transport, and Luka Koper.
- The cruise ship season began. It was opened by the Viking Star cruiser.
- The ports of Koper, Venice and Trieste signed a protocol on cooperation in the field of port security.
- At the Conference Transport and Logistics of South East Europe and the Danube Region, Luka Koper received the Brand Leader Award 2019.

APRIL

- Luka Koper attended the world's largest cruise show, the 2019 Seatrade Cruise Global in Miami.
- Luka Koper became an honorary member of the Association of Polish Regions of the Baltic-Adriatic Transport Corridor.
- In order to promote the Slovenian transport and logistics sector, representatives of Luka Koper joined a delegation of the Slovenian Chamber of Commerce to visit India.
- Luka Koper presented awards to the best suppliers in 2018. The recipients were GES, Varmig and Metalna – SRM.
- Luka Koper presented its development plans to heads of municipal offices and councillors of the Municipality of Koper.

MAY

- A new, second official truck entrance to the port was opened on 10 May 2019.
- A contract was signed to build a RO-RO berth in Basin III.
- A contract was signed for the construction of the so-called 6th group of tracks inland of Basin III.
- On 22 May 2019, the Company received the decision that the 2017 inspection procedure into exceeded noise levels towards Koper has been completed.
- Maersk Hamburg, the largest container ship to date, with a payload of 15,200 TEU of container units, arrived at the port.
- At the Port Day in Warsaw, Luka Koper introduced itself to Polish business partners.
- A new regular container railway link between the container terminal of the Port of Koper and the Austrian terminals of Enns and Salzburg was put into operation.
- At the traditional Port Day, more than 4,000 visitors were able to view the port and its activities.
- For the third time, Luka Koper was again selected by the international tender of the German Daimler Corporation as the most suitable port for transporting cars from Europe to the Far East.
- Luka Koper presented its services at the Breakbulk Europe specialized cargo fair.
- Luka Koper organised the annual meeting with Serbian business partners in Belgrade.
- In Vienna, Luka Koper presented the advantages of Koper transport routes to representatives of Japanese companies operating in Europe.
- Luka Koper introduced the electronic Vehicle Booking System (VBS).
- At the Forum on Respect for Human Rights, Luka Koper signed a pledge to respect human rights in its operations.
- French shipping company CMA CGM launched a new scheduled container shipping service between Koper and the Algerian port of Skikda.

JUNE

- On 28 June 2019, the shareholders of Company Luka Koper, d. d., gathered for the 31st General Meeting. At the meeting, the shareholders:
 - o Adopted a decision on the proposal for the appropriation of the accumulated profit for 2019, which amounted to EUR 29,252,442.43:
 - o 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,
 - o the residual amount of accumulated profit in the amount of EUR 10,632,442.43 is to remain unappropriated.
 - o Granted discharge for the year 2018 to the Management Board and Members of the Supervisory Board, except for Mladen Jovičić,
 - o Adopted amendments and supplements to the Articles of Association of the Company.
- Together with 19 logistics companies and under the auspices of the Spirit public agency, Luka Koper presented the Slovenian transport route at the largest logistics fair, Transport Logistic in Munich.
- At the meeting of the Heads of State united in the so-called Three Seas Initiative, Luka Koper participated in a business forum in the Transport panel.
- At the EXPO fair held in Ningbo, China, Luka Koper, together with some Slovenian companies, presented the advantages of the southern transport route to Europe via Koper. As part of the national delegation, the Company also visited China's largest shipowner Cosco.
- Due to a railway accident near Hrastovlje, the port of Koper had no railway connection to the hinterland for four days.
- Luka Koper presented itself at the Day of Austrian logistics in Linz.
- In the publication *Luški vozli* [i.e. the Port Knots], received by 15,300 households in the Municipality of Koper and the Municipality of Ankaran, Luka Koper presented its activities in the field of sustainable development and planned investments.
- According to the specialized Austrian paper *Verkehr*, in 2018 Luka Koper was again the most important port for Austrian overseas transport.
- On 21 August 2019, Luka Koper convened the 32nd General Meeting of Shareholders, where the owners voted on a new member, a representative of local communities in the Supervisory Board.
- The Ljubljana and Zagreb Stock Exchanges launched the ADRIaprime joint index, composed of selected companies from prime markets of both stock exchanges. Luka Koper, d. d. is included in the index composition.

JULY

- The extension of Pier I began with the integration of test piles. The extension will ensure the port's further development and enhance its competitive edge on the international market.
- Luka Koper received the award for the best company in the region of Southeast and Central Europe presented by the Independent European Agency for the Selection and Promotion of the Most Successful Businessmen and Companies.
- The United Nations Conference on Trade and Development (UNCTAD) published the Liner Shipping Connectivity Index (LSCI) of the best-connected container ports. Ranked 80th, the Port of Koper is the highest ranked container port in the Adriatic.

AUGUST

- The contractor was chosen for the construction of a parking garage at the car terminal, which will increase the storage capacity for cars.
- On 21 August 2019, the term of office of Supervisory Board member Sabina Mozetič expired. As at 22 August 2019, Tamara Kozlovič was appointed as a new Member of the Supervisory Board.
- The largest passenger ship of the season, the MS Koningsdam cruise ship, landed at the Port of Koper.
- Luka Koper was visited by an 38-member delegation headed by the Port Authority of Nagoya, Japan's largest port by annual throughput.

SEPTEMBER

- The first group of workers from the so-called tier III of the new strategy, i.e. agency workers, began to work.
- Rail Cargo Operator Hungary (RCO) established a new scheduled rail service between Ploiesti, Romania, and the container terminal of the Port of Koper.
- A conference was held in Koper on the opening of the RFC11 European Corridor or the Amber Rail Freight Corridor, of which the port of Koper is the only port.

OCTOBER

- The multinational Yusen opened its representative office in Koper as the first Japanese logistics operator.
- The port of Koper hosted an economic delegation from Saudi Arabia.
- The port of Koper was visited by a delegation of the Chinese shipowner COSCO, which is one of the largest container shipping companies in the world and in recent years records the highest percentage growth in container throughput in Koper.
- Residents living in the vicinity of the port assessed Luka Koper in a public opinion poll from the business and environmental point of view.
- A new milestone was reached at the Passenger Terminal, with the number of passengers reaching 110,505, an increase from the previous annual record.

NOVEMBER

- In November, Luka Koper organized the so-called Port Days in key markets, a traditional autumn gathering with business partners. The Company presented ongoing investments and major acquisitions of the past year to the business partners in Prague, Budapest, Bratislava and Vienna.
- Luka Koper signed an agreement with the Municipality of Koper on the implementation of mitigation measures to reduce the environmental impact of port activity.

DECEMBER

- The Supervisory Board approved the 2020 business plan of Luka Koper, d. d. and the Luka Koper Group, and the 2020–2025 Strategic Business Plan of Luka Koper, d. d.



Responsible in times of turmoil

Global logistics are experiencing regional and global upheavals, such as trade wars, Brexit, political unrest, and economic downturns, which adds further uncertainty to business activity. Our operations remain focused and responsible.

8 Relevant events after the end of the financial year

JANUARY 2020

- The Works Council of Luka Koper, d. d. elected Mehrudin Vukovič as the new employee representative on the Company's Supervisory Board, as the term of his predecessor, Marko Grabljevec, had expired.
- The World Health Organization (WHO) declared the COVID-19 coronavirus a global health threat. The spread of the disease also has an impact on international commodity flows.
- Luka Koper completed the construction of four railway tracks with a total length of 2,800 m, thereby gaining faster and more optimal train access for transshipment of cars.
- The Government of the Republic of Slovenia adopted a Decision on the implementation of changes and amendments to the national site plan for the second track of the Divača-Koper railway line, which will enable the construction of an additional track on the Divača-Koper section.
- Luka Koper published a call for sponsorships and donations in scope of the Living with the Port Fund in 2020.

FEBRUARY 2020

- The COVID-19 disease outbreak in China at the end of 2019, and in Europe in February 2020, affected the global economy and logistics flows. In Slovenia, the government declared an epidemic on 12 March. Fear of the effects of the virus and efforts to prevent it from spreading will also affect supply chains and logistics flows and, consequently, Luka Koper, where the effects of reduced throughput and increased volume of goods in storage may be felt. Depending on developments, the COVID-19 coronavirus epidemic may have a negative impact on the operations of the Company and the Luka Koper Group, the extent of which is difficult to predict due to the high level of uncertainty associated with the virus itself and our ability to control it. Therefore, at this time, the Company and the Group are unable to provide an assessment of impact on the achievement of financial results in 2020. In accordance with IAS 10 – Events after the Reporting Period, events related to the impact of COVID-19 on operations are treated as non-adjusting events. For additional details please see Section 12 'Risk Management'.
- The Port of Koper presented itself at the Cargo Show CTL-BHP 2020 transport logistics expo held in Mumbai, India.
- The Municipality of Koper published a call for proposals for the award of grants to the residents of Koper, who live in the immediate vicinity of the port and are most affected by its effects. The funds in the amount of EUR 400,000 will be provided by the Luka Koper and intended for various construction works.
- The state purchased the 24,000 m² 5A plot just behind the fence of the port of Koper, which is intended for the expansion of the port area according to the national spatial plan.
- Luka Koper has prepared a protocol for dealing with infectious disease and implemented a series of measures to protect employees from the coronavirus infection.
- Luka Koper is one of the finalists for the 2019 Zlata nit (Golden Thread) award, which will be awarded to the best employer in Slovenia in 2019.



The first among Adriatic ports

Each year, the United Nations Conference on Trade and Development (UNCTAD) publishes a ranking of the best-connected container ports (by number and frequency of connections with other ports and size of ships). Ranked 80th out of 900 ports assessed, the Port of Koper is the highest rated container port in the Adriatic.

9 Performance Analysis – 2019

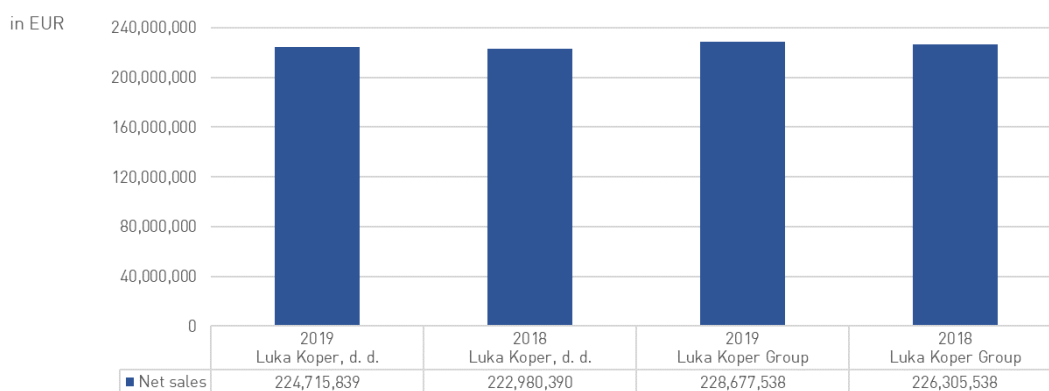
9.1 Performance of the Luka Koper Group

The Luka Koper Group operating results in 2019 were expectedly affected by the implementation of a new business model of providing port services and the introduction of the transshipment fee intended for the construction of the second railway track. Also, when making comparisons with 2018, the impact of the extraordinary event of receiving compensation amounting to EUR 9.3 million in 2018 for the crane that collapsed in an accident in 2017 has to be excluded.

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

In 2019, net sales amounted to EUR 229 million, which was an increase by 1% or EUR 2.4 million compared to 2018.

Figure 9: Net sales



Net sales of the Group relating to market activity were lower than the net sales of the preceding year by 1% or EUR 1.6 million. The revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport exceeded the result of the previous year by 91% or EUR 3.9 million. Higher revenues relating to market activity were achieved from warehousing due to slower dispatch of goods, from container filling and emptying and from rents. Lower revenues as compared to 2018 were recorded in shipping which was due to lower transshipment.

9.1.2 Capitalised own products and services

Capitalised own products and services amounted to EUR 74.4 thousand in 2019, which is a drop of 94 percent or EUR 1.2 million from 2018. Under the capitalised own products and services, in 2018 the Group recorded maintenance works on the infrastructure, which were mostly carried out by the subsidiary Luka Koper INPO, d. o. o.

9.1.3 Other income

In 2019, other revenue of the Luka Koper Group amounted to EUR 4.9 million, which was a decrease of 69% or EUR 10.8 million as compared to 2018. In 2018, a compensation of EUR 9.3 million for a damaged coast gantry crane was recognized under other revenue, and in 2019, the compensation received for the crane amounted to EUR 0.4 million. In 2019, revaluation operating income amounted to EUR 233,9 thousand, which was a decrease of 87% or EUR 1.6 million as compared to 2018. In 2018, EUR 522,800 was recorded in the sale of a facility with associated land. Receivables recovered and written off in the year 2019 decreased by EUR 827 thousand compared to 2018 due to higher repayment of receivables. In 2019, income under reversal of provisions resulting from legal obligations amounted to EUR 771 thousand, down EUR 1 million year-on-year.

9.1.4 Operating expenses

Operating expenses of the Luka Koper Group stood at EUR 188.4 million in 2019, which was an increase of 9% or EUR 14.8 million from 2018. All types of costs recorded under operating expenses, except for service and depreciation/amortisation expense, increased when compared to 2018.

In 2019, the costs of material of the Luka Koper Group amounted to EUR 17.6 million, which was an increase by 3% or EUR 486.1 thousand compared to 2018. The cost of spare parts increased and the costs of motor fuel decreased.

The costs of services of the Luka Koper Group amounted to EUR 54.8 million in 2019, remaining at the same level as in 2018. The costs of services rendered in connection with the core activity decreased in 2019 as activities were underway to establish a new business model for the provision of port services, which led to a change in the structure of costs in order to reduce the costs of services related to core activity. A public tender procedure was held to select external contract partners for individual services. The costs of maintenance services grew as a consequence of enhanced maintenance of port infrastructure under regular maintenance within the public utility service, as well as costs of other services – which included the transshipment fee costs of EUR 4.8 million for the period March–December, the Group having been paying the fee since 1 March 2019.

Labour costs of the Luka Koper Group amounted to EUR 77.1 million in 2019, and grew by 23% or EUR 14.4 million compared to 2018. Higher labour costs are a result of a higher number of employees, mainly resulting from the action plan for the implementation of the port service providers strategy. In 2019, activities were underway to establish a new business model for the provision of port services. The total number of employees increased by 37% or 461 from 2018, to 1,703 employees in 2019, which was due to the Group having continued to carry out the action plan for the implementation of the port service providers strategy. 488 new employees were hired by the Luka Koper Group in 2019, of which 286 were part of the action plan for the implementation of the port service providers strategy. Four agencies were selected in the procurement procedure, through which 304 employees were posted to Luka Koper, d. d., and were guaranteed the same rights as full-time employees. External service partners were selected for individual services in an open competition process.

In 2016, the depreciation/amortisation expense of the Luka Koper Group amounted to EUR 27.8 million in 2019, and decreased by 5% or EUR 1.6 million compared to 2018. The decrease was due to extending the useful life of the assets. In accordance with IAS 16, the management assesses the appropriateness of the useful life of assets on an annual basis. In 2019, the Company defined new useful lives of property, plant and equipment with the help of certified valuers and internal resources.

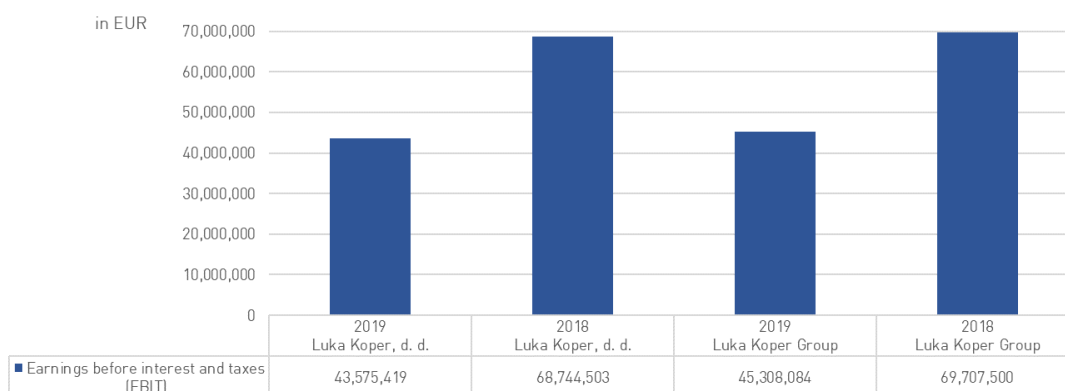
Other operating expenses of the Company amounted to EUR 11.1 million, which was an increase of 16% or EUR 1.5 million from 2018. In 2019, provisions for liabilities resulting from legal obligations amounted to EUR 2 million.

The share of operating expenses in net sales accounted for 82.4% in 2019, which was an increase of 5.7 percentage points from 2018. Comparatively, the share of labour costs and other operating expenses in net sales increased from 2018, whereas the shares of the costs of material and services remained at the same level, and the share of amortisation and depreciation expenses decreased.

9.1.5 Earnings before interest and taxes (EBIT)

In 2019, earnings before interest and taxes (EBIT) of the Luka Koper Group amounted to EUR 45 million, which was a decrease of 35% or EUR 24.4 million from 2018. Without capitalised own products and services from maintenance of the port infrastructure, which in 2018 amounted to EUR 1.3 million, and was mostly performed by the subsidiary Luka Koper INPO, d. o. o., and the compensation for the crane received in the amount of EUR 9.3 million in 2018, and EUR 0.4 million in 2019, and recorded under other income, the 2019 earnings before interest and taxes would be lower by 24% or EUR 13.9 million than the amount achieved in 2018. Earnings before interest and taxes (EBIT) being lower in 2019 than in 2018 were mostly affected by labour costs, which in 2019 were higher by EUR 14.4 million, transshipment fee costs amounting to EUR 4.8 million for the period March–December 2019, costs under provisions for legal costs amounting to EUR 2 million. However, the achieved earnings before interest and taxes were influenced positively by lower depreciation expenses from reassessment of useful lives amounting to EUR 2.1 million.

Figure 10: 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 73 million in 2019, which was a 26% or EUR 26 million decrease from 2018. Without the compensation for the crane received in 2018 and 2019, the 2019 earnings before interest, taxes, depreciation and amortisation (EBITDA) would be lower by 19% or EUR 16.8 million than the amount achieved in 2018.

The EBITDA margin of the Luka Koper Group in 2019 accounted for 32%, which was a decrease of 27% or 11.8 percentage points from 2018. Without the compensation for the crane received in 2018 and 2019, the 2019 EBITDA margin would be lower by 10% or 7.8 percentage points than the margin in 2018.

9.1.6 Profit or loss from financing activity and profit or loss before tax

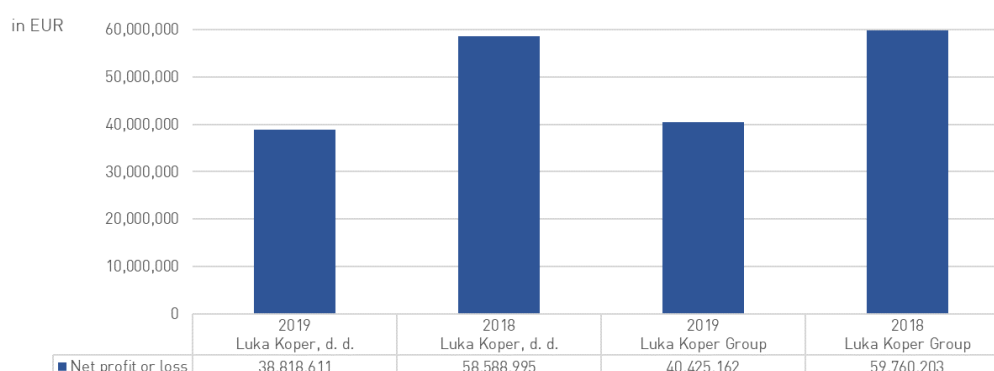
Profit or loss from financing activities in 2019 amounted to EUR 1.1 million, whereas in 2018 the Luka Koper Group achieved the financial result of EUR 624.3 thousand. The results of associated companies in 2019 increased the profit before tax of the Luka Koper Group by EUR 1.4 million, which was a decrease of 17% or EUR 283.4 thousand compared to 2018. In 2019, the profits of the following companies were added:

- Adria-Tow, d. o. o. in the amount of EUR 0.7 million,
- Adria Transport, d. o. o. in the amount of EUR 0.3 million,
- Avtoservis, d. o. o. in the amount of EUR 0.3 million,
- Adriaфин, d. o. o. in the amount of EUR 0.07 million.

9.1.7 Net profit or loss

Net profit or loss of the Luka Koper Group amounted to EUR 40 million in 2019, which was a decrease of 32% or EUR 19.3 million from 2018. Without the compensation for the crane received in 2018 and 2019, the 2019 net profit or loss would be lower by 23% or EUR 11.7 million than the amount achieved in 2018. Alongside previously explained influences on the earnings before interest and taxes (EBIT) in 2019 being lower than in 2018, the net profit or loss in 2019 was also affected by the lower effective corporate tax rate resulting from higher tax incentives due to increased investments.

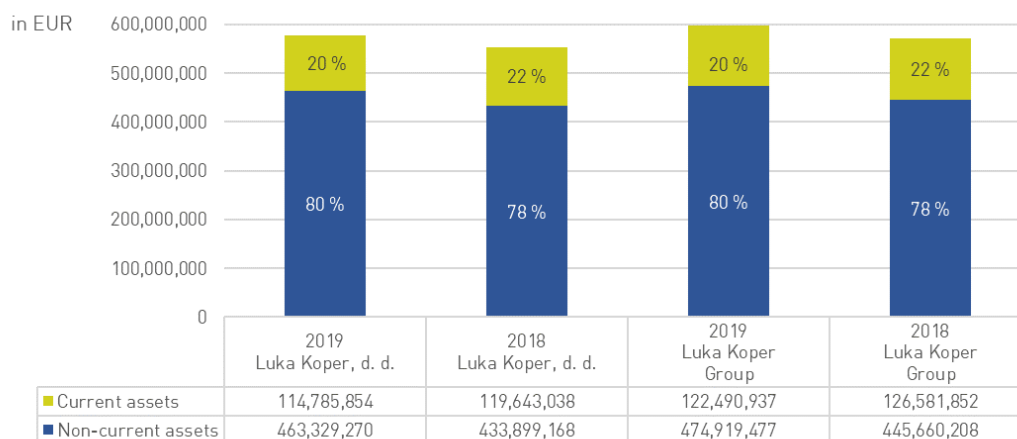
Figure 11: Net profit or loss of Luka Koper, d. d. and the Luka Koper Group



9.1.8 Financial position and financial management

As at 31 December 2019, the balance sheet total of the Luka Koper Group amounted to EUR 597.4 million, which was an increase of 4% or EUR 25.2 million when compared to 31 December 2018.

Figure 12: Asset structure of Luka Koper, d. d. and the Luka Koper Group as at 31 December



As at 31 December 2019, non-current assets accounted for 79.5% of the balance sheet total of the Luka Koper Group. Compared to the year-end of 2018, this was an increase of 7% or EUR 29.3 million. The value of property, plant and equipment increased by 3% or EUR 12.8 million due to higher investments. Advances for the acquisition of property, plant and equipment increased by EUR 13 million. Meanwhile, an increase in value by EUR 4.7 million 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.

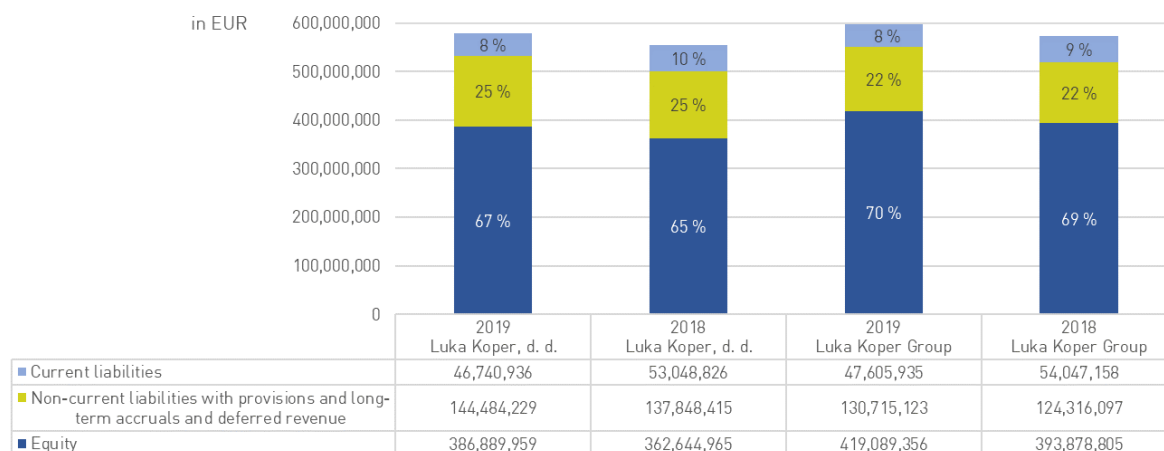
As at 31 December 2019, current assets of the Luka Koper Group were lower by 3% or EUR 4.1 million than the previous year-end. Trade and other receivables stood at EUR 43.8 million, which was a decrease of 4% or EUR 1.8 million from 2018. Trade receivables decreased. Cash and cash equivalents decreased by EUR 6.6 million due to a decrease in the sum of money in accounts.

The equity of the Luka Koper Group increased by 6% or EUR 25.2 million from 2018 to 2019. 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 2019, the equity accounted for 70.2% of the balance sheet total.

As at 31 December 2019, non-current liabilities including long-term provisions and long-term accrued costs and deferred revenue of the Luka Koper Group were 5% or EUR 6.4 million above the level from the previous year-end. Non-current loans increased as a result of the successfully completed refinancing of existing bank sources with new, more favourable bank loans with a 10-year maturity. In January 2019, Luka Koper, d. d., signed long-term loan agreements with Intesa Sanpolo, d. d., and SID, d. d., in the total amount of EUR 43.7 million, which consequently extends the maturity of funding sources. Both loan agreements are tied to a lower, fixed interest rate.

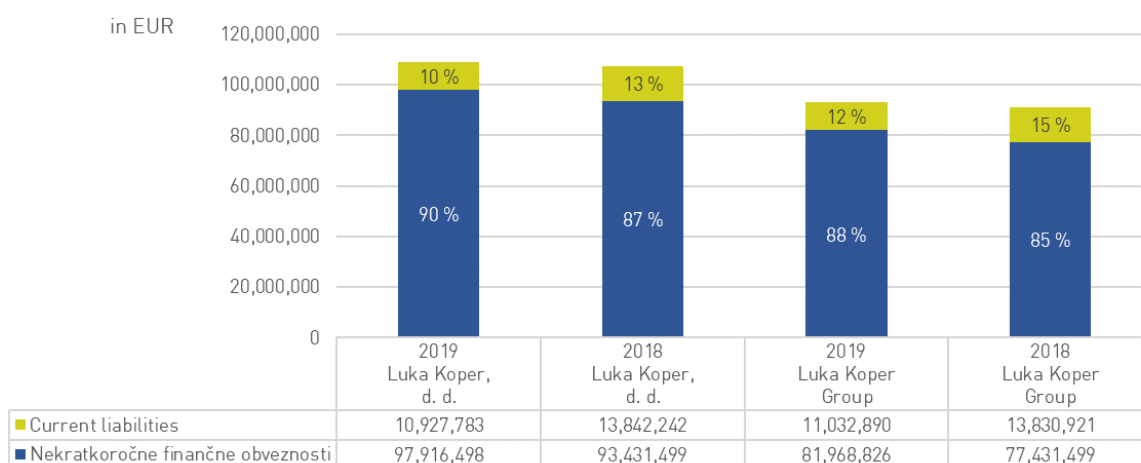
As at 31 December 2019, current liabilities of the Luka Koper Group were lower by 12% or EUR 6.4 million than the previous year-end. Short-term loans decreased by EUR 3.2 million, income tax liabilities decreased by EUR 9.2 million, trade payables increased by EUR 5.4 million.

Figure 13: Structure of liabilities of Luka Koper, d. d. and the Luka Koper Group as at 31 December



As at 31 December 2019, the financial liabilities of the Luka Koper Group amounted to EUR 93 million and grew by 2% or EUR 1.7 million from the previous year-end. The volume of loans obtained from banks in the country of origin increased.

Figure 14: Structure of financial liabilities of Luka Koper, d. d. and the Luka Koper Group as at 31 December by maturity



As at 31 December 2019, non-current financial liabilities to banks of the Luka Koper Group accounted for 87.9% of total financial liabilities. When compared to the balance of the previous year-end, their share decreased by 3 percentage points.

The two new long-term loans were granted at a fixed interest rate, which in 2019 reduced the exposure to interest rate risk considerably. Thus, as at 31 December 2019, the Luka Koper Group had as much as 46.1 percent of loans not exposed to interest rate risk, and the remaining 53.9 percent of loans are tied to a variable interest rate.

As at 31 December 2019, the share of financial liabilities in equity accounted for 22.2%, which was a decrease of 1 percentage compared to 31 December 2018. Further details on financial liabilities of the Luka Koper Group are provided in the consolidated accounting report.

9.1.9 Cash flows

Table 8: Cash flows of Luka Koper, d. d. and the Luka Koper Group

	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Net cash from operating activities	40,656,561	93,095,039	42,926,371	95,123,043
Net cash used in investing activities	-30,365,972	-5,066,395	-31,631,844	-5,059,039
Net cash used in financing activities	-17,820,303	-42,854,926	-17,847,500	-42,854,926
Net increase in cash and cash equivalents	-7,529,714	45,173,718	-6,552,973	47,209,078

In 2019, the Luka Koper Group generated EUR 52.2 million less net cash from operating activities than in 2018. Operating profit before changes in net current operating assets and taxes was down EUR 23.6 million in 2019 compared to 2018, also due to the impact of the extraordinary event of crane compensation received in 2018. Net cash from operating activities decreased by EUR 10.5 million from the transfer of advances from investing activities to operating activities.

Net cash from investing activities of the Luka Koper Group was negative in 2019 and amounted to EUR 31.6 million. In 2019, expenses for the purchase of property, plant and equipment and intangible assets were higher by EUR 25.2 million than in 2018.

Net cash from financing activities was negative in 2019 and down EUR 25 million compared to 2018. Expenditures for repayment of loans in 2019 amounted to EUR 42.6 million, while receipts from non-current borrowings amounted to EUR 43.7 million due to refinancing operations. In 2019, EUR 18.6 million was earmarked for the payment of dividends. The closing balance of cash and cash equivalents of the Luka Koper Group in 2019 amounted to EUR 73 million, which was a decrease of EUR 6.6 million from the year-end of 2018.

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

9.2.1 Comparison of the results achieved by Luka Koper, d. d. in 2019 and 2018 in relation to the plan

In 2019, net sales of Luka Koper, d. d. amounted to EUR 224.7 million, which was an increase of 1% or EUR 1.7 million compared to 2018. Net sales relating to market activity were lower than the net sales of the preceding year by 1% or EUR 2.2 million. However, the revenue from the performance of the public utility service of regular maintenance of the port infrastructure intended for public transport exceeded the result of the previous year by 91% or EUR 3.9 million.

Higher revenues relating to market activity were achieved from warehousing due to slower dispatch of goods, from container filling and emptying and from rents. Lower revenues as compared to 2018 were recorded in shipping which was due to lower transshipment.

In 2019, earnings before interest and taxes (EBIT) of Luka Koper, d. d. amounted to EUR 43.6 million, which was a decrease of 37% or EUR 25.2 million from 2018. Without the compensation for the crane received in the amount of EUR 9.3 million in 2018 and EUR 0.4 million in 2019, and recorded under other revenue, the 2019 earnings before interest and taxes (EBIT) would be lower by 27% or EUR 16.1 million than the amount achieved in 2018. Earnings before interest and taxes (EBIT) being lower in 2019 than in 2018 was mostly affected by labour costs, which in 2019 were higher by EUR 15.1 million, transshipment fee costs amounting to EUR 4.8 million for the period March–December 2019, costs under provisions for legal costs amounting to EUR 2 million. However, they were influenced positively by lower depreciation expenses from reassessment of useful lives amounting to EUR 2.1 million.

In 2019, net profit or loss of Luka Koper, d. d. amounted to EUR 38.8 million, which was a decrease of 34% or EUR 19.8 million from 2018. Without the compensation for the crane received in 2018 and 2019, the 2019 net profit or loss would be lower by 24% or EUR 12.2 million than the amount achieved in 2018. Alongside previously explained influences on the earnings before interest and taxes (EBIT) in 2019 being lower than in 2018, the net profit or loss in 2019 was also affected by the lower effective corporate tax rate resulting from higher tax incentives due to increased investments.



Strategically **focusing** on containers and cars

In our strategic business plan until 2025, containers and cars are defined as strategic cargoes. Even today, these two product groups account for 46% of the total transshipment, have higher added value and lower environmental impact. For the third time in a row, the German corporation Daimler has chosen Luka Koper as the most convenient port for transporting cars from Europe to the Far East.

10 Marketing and sales

10.1 Markets⁵⁹

The Port of Koper performs its core port activity of transshipment and warehousing for its hinterland. The Slovenian market amounts to less than a third of total throughput which has been increasing from year to year, in particular in the traditional and most important hinterland markets of Austria, Hungary, Slovakia, the Czech Republic, Italy, and also Croatia, Serbia and Romania, Germany and Poland. Luka Koper also offers its services to overseas markets, where marketing and promotional activities present the port as the ideal entry and exit point for the mentioned hinterland markets. Regular activities are mainly performed in countries of the Mediterranean, and the Middle and Far East.

10.2 Activity in 2019

2019 was a year of many challenges in marketing and sales. We witnessed a slowdown in many operations, which was also reflected in the volume of throughput. Luka Koper was most affected by economic downturn in the automotive, electronics and iron products industries. The reduction in input requirements for these industries has meant lower demand for iron ore and coal, for automotive components and also for the shipment of new cars, especially towards Turkey. 2019 was also marked by a decline in coal throughput for energy purposes, mainly due to a decline in the competitiveness of energy from thermal power plants.

10.3 A look ahead

Koper remains a multifunctional port, focusing on key product groups - containers and cars. Universality and cooperation between terminals enables synergies to be achieved in the limited area of the Slovenian coast. The Company has redefined its vision for the future in the 2020-2025 Strategic Business Plan, envisaging a moderate increase in throughput and accelerated investments in the modernization of handling and storage capacities for the period when the additional track to Koper is still being built. Luka Koper is a price leader among northern Adriatic ports in many segments, offering an above-average level of service, and will therefore focus its market-development efforts on maintaining and gaining development advantage over nearby ports, including environmental improvements.

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 of goods. Despite new railway connections being established from neighbouring ports to our hinterland markets, we have continued to establish railway connections to new centres of hinterland markets, which additionally expands the area in Central Europe that gravitates towards the Port of Koper. 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. In 2019, even larger container ships began arriving at the Port of Koper, as well as at other ports in the Northern Adriatic. A similar trend is occurring on all routes between Asia and Europe; the trend of an increase in ships with capacity > 23,000 TEUs introduced by shipping companies on routes between Northern Europe and Asia, resulting in the diversion of 'smaller' ships to routes between Asia and the Mediterranean and thus also the Adriatic. For the Port of Koper as for the whole of the Northern Adriatic, this means the possibility of increased capacities on routes from / to Asia, as well as more possibilities for obtaining additional cargo from existing and new back markets.

Luka Koper has been gradually strengthening its commercial presence in the hinterland markets. It continues to be a leading port for Slovenia, Austria, Hungary and Slovakia, wanting to advance primarily in the Czech, Bavarian and Polish markets, due to which these will receive additional attention. Activities are also stepping up in overseas markets. Alongside the already traditional activities in Egypt and Israel, the Company will pay the most attention to China, India and Turkey.

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,

⁵⁹ GRI GS 102-6

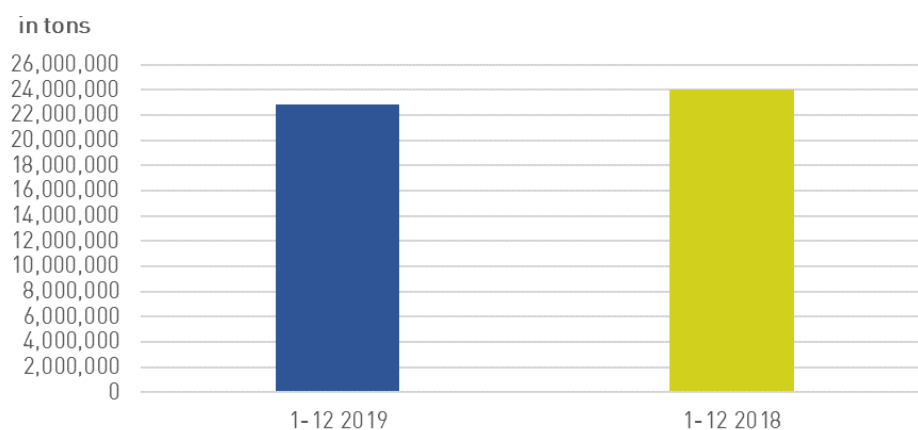
employees, owners and other stakeholders of Luka Koper. Only satisfied customers can ensure efficient long-term growth.

10.4 Maritime throughput

The maritime throughput of the Luka Koper Group in 2019 amounted to EUR 22.8 million tons of cargo, which is slightly less than in 2018. Compared to 2018, the throughput decreased in all product groups except for liquid cargoes, where growth can be mostly attributed to favourable trends in fuel transport and capacities of the liquid cargoes terminal. The passenger terminal recorded 115,581 passengers in 2019, which is a 14% increase from 2018.

In 2019, the Port observed a 5% decrease in cargoes unloaded from ships year-on-year, and a 7% decrease in cargoes loaded onto ships compared to 2018.

Figure 15: Maritime throughput



10.5 Throughput structure by cargo group

Containers prevail in the total throughput structure and their share increased by 2 percentage points from 2018. The share of liquid cargoes also increased, i.e. by 3 percentage points. The share of general cargoes and dry bulk and bulk cargoes decreased, and the share of the cars cargo group remained unchanged.

Table 9: Throughput in tons per cargo group in 2019 and 2018

Cargo groups (in tons)	1-12 2019	1-12 2018	Index 2019/2018
General cargoes	1,280,194	1,526,026	84
Containers	9,475,016	9,520,007	100
Cars	1,111,433	1,156,265	96
Liquid cargoes	4,307,388	3,855,247	112
Dry bulk and bulk cargoes	6,618,616	7,991,074	83
Total	22,792,646	24,048,618	95

Figure 16: Throughput per cargo group – in tons

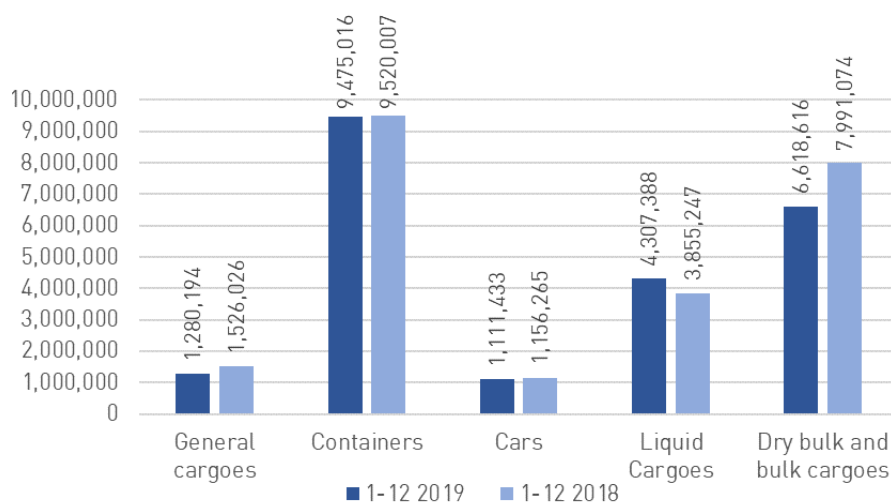
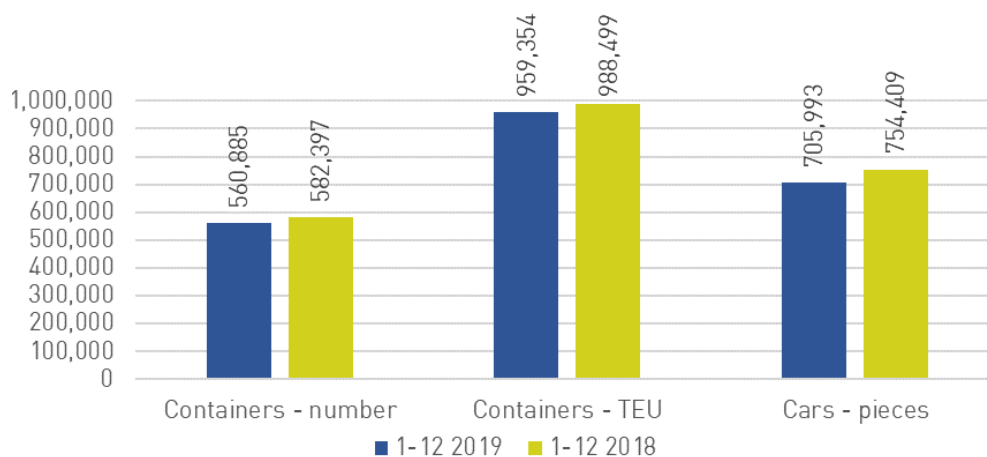


Table 10: Throughput of containers (number of containers and TEU) and cars (number) in 2018 and 2019

Cargo groups	1-12 2019	1-12 2018	Index 2019/2018
Containers – number	560,885	582,397	96
Containers – TEU	959,354	988,499	97
Cars – pieces	705,993	754,409	94

Figure 17: Throughput of containers and cars



10.5.1 General cargoes

The Luka Koper Group ended the year 2019 with a 16% decrease in the throughput of general cargoes compared to 2018. Within the general cargoes group, the maritime throughput was 23% lower due to the lower throughput of iron products.

The drop-in throughput occurred in the steel products segment, more specifically in import volumes intended for the production of cars in Central Europe. As the European Commission introduced provisional safeguard measures on imports of certain steel products, the situation on the market changed significantly since the quantities are limited by so-called quotas. On the other hand, exports of steel products from the European Union also declined due to volatile economic and political conditions, a cooling down of the global economy and significantly more competitive prices for products from non-European manufacturers (China, Russia, Japan...).

The timber throughput, however, saw a 4 percent decrease in exports, mainly due to the unstable political situation in the Algerian market.

10.5.2 Containers

The container terminal ended 2019 with a drop-in cargo throughput compared to 2018, the first in the last 10 years. The throughput in TUE was lower by 3% compared to 2018. The drop-in throughput was significantly higher for empty containers, while the throughput of full containers was 2% lower than in 2018.

In particular, container throughput in 2019 was significantly influenced by another fact. From the end of August 2017 to January 2019, with the increase of traffic and at the same time the reduced throughput of the Slovenian railway network, with many repairs and upgrades at that time, there were frequent delays or insufficient freight forwarding possibilities from the port of Koper, which was especially used to the advantage of nearby ports, where they managed to attract a number of new or development projects. This fact affected the container throughput of the Port of Koper especially in the first half of 2019.

10.5.3 Cars

In 2019, the throughput amounted to 705,993 cars, which was a decrease of 6% from 2018. 382 thousand cars were loaded on ships, and 324 thousand were unloaded.

2019 was marked by the economic downturn and fluctuations in vehicle sales in the European and global markets. The decline in vehicle production and sales was already noticeable in the last quarter of 2018 and continued in 2019, largely due to the impact of the introduction of the WLTP test⁶⁰ and the associated lack of suitable engines. While car sales in the European Union were up 1.2% in 2019 compared to the year before, certain markets relevant to Luka Koper saw a drop (Austria -3.4%, Czech Republic -4.4%, Spain -4.8%), which resulted in a drop-in transhipped cars. The decline in throughput in 2019 was greatly influenced by the drop-in sales of cars for the Turkish market and was even more affected by the Chinese market. The latter was under a lot of pressure in 2019, driven by factors such as China-US economic and trade friction, the adoption of stricter emission standards and the reduction of subsidies for hybrid/electric vehicles.

10.5.4 Liquid cargoes

The liquid cargoes terminal reached a new milestone in 2019, increasing its throughput by 23% compared to 2018, thus exceeding 1 million tons of maritime throughput. The increase in throughput was detected in all major product groups, among which the transshipment of gas oil with extremely increased shipments to the hinterland contributed the most to the achieved result.

In the field of throughput of petroleum products, the Luka Koper Group recorded 8% growth compared with 2018.

10.5.5 Dry bulk and bulk cargoes

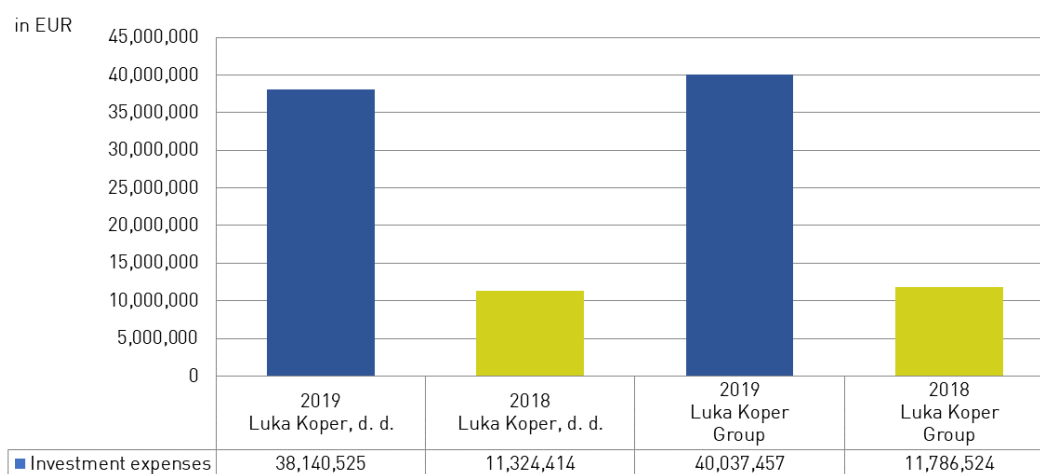
Dry bulk and bulk cargoes throughput decreased by 17% in 2019 compared to 2018, mainly as a result of the situation on the electricity generation market, which is also reflected in the consumption of thermal coal. High prices of raw material on the one hand, and increasingly competitive production with renewable resources on the other, as well as reduced use of coal and iron ore in the automotive industry, led to a lower realization of the throughput in 2019. Soybeans and cereals throughput also decreased.

⁶⁰ WLTP "Worldwide Harmonized Light Duty Test Procedure" - a globally harmonized test procedure for light-duty vehicles.

11 Investments in non-financial assets⁶¹

In 2019, the Luka Koper Group allocated EUR 40 million to investments in property, plant and equipment, investment property and intangible assets⁶², which is 240% more than in 2018. Luka Koper, d. d. allocated the amount of EUR 38.1 million to investments in 2018, which accounted for 95% of investments of the Luka Koper Group.

Figure 18: Investments in property, plant and equipment, investment property and intangible assets of Luka Koper, d. d. and the Luka Koper Group



Major investments included:

- Purchase of eight terminal tractors with trailers,
- Purchase of five E-RTG cranes for the container terminal,
- Completed construction of the road link to the new Sermin entrance,
- Continued construction of a RO-RO berth in Basin III,
- Continued construction of the 6th group of railway tracks,
- Completion of installation of a fire pump comprising two vertical pumps

Terminal tractors



E-RTG cranes



RO-RO berth



⁶¹ GRI GS 203-1

⁶² Without considering advances paid for the equipment.

Sermin entrance



6th group of railway tracks



Fire pump



All investments foreseen for the year 2019 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.

Impact of investments on the local community and the increase in security

In 2019, the Luka Koper Group also devoted part of its resources to current environmental and energy challenges. The activities focused on measures to mitigate and reduce the negative impacts on the environment and the immediate surroundings of the port, both in performing the port activity and in the execution of infrastructure works within the port. Charging stations for passenger electric cars were set up, and electrification for the machinery used at the port continued. The investments / activities carried out were mostly related to noise reduction from the port, which is shown further in this report.



Taking advantage of **multifunctionality**

Luka Koper is a multifunctional port, which is an important asset and just the right business model in times of turbulence in the global economy and logistics. The decline of one product group is easier and quicker to replace with another. Thus, we are better able to guarantee business stability in times of significant and sudden changes.

12 Risk control⁶³

12.1 Risk management system in the Luka Koper Group

Risk and opportunity management is an important element of the Luka Koper Group's strategy and business performance. The Group uses an advance risk management system, which ensures that the key risks the Group is exposed to are identified, evaluated, controlled, monitored and duly reported. Although a Risk Management Committee has been appointed, risk management is a concern of every employee of the Group within the scope of their duties and responsibilities. Risks are recognised 'bottom up', ensuring that all business processes are covered, while the methodology is defined 'top-down', providing for a consistent application of the risk management system across the entire Group.

The basis of the risk management system is the risk register, which contains a list of all identified risks, characteristics of particular risks, identified measures and control activities, and persons responsible (administrator) for monitoring individual risks. The register is kept centrally at the level of the Luka Koper Group in order to systematically monitor and analyse risks, and is updated regularly. A five-level methodology was worked out for the assessment of both risk likelihood and the related consequences. Five dimensions are taken into account in the assessment of consequences, including consequences for health and safety, finances, the environment, the Company's reputation, and compliance. The joint risk assessment is the product of the assessment of likelihood and highest possible assessment of consequences. Based on the joint risk assessment, all risks identified in the register are classified from irrelevant to material according to a five-level scale. The quantitative assessment system ensures that the focus is on the management of key risks (overall assessment 10 or above).

Quantitative Risk Assessment Matrix

Probability	Very High (5)	5	10	15	20	25
	High (4)	4	8	12	16	20
	Medium (3)	3	6	9	12	15
	Low (2)	2	4	6	8	10
	Very Low (1)	1	2	3	4	5
		Very Low (1)	Low (2)	Medium (3)	High (4)	Very High (5)
		Consequence				

- irrelevant risk (overall risk assessment = 1–2)
- less important risk (overall risk assessment = 3–4)
- moderate risk (overall risk assessment = 5–9)
- important risk (overall risk assessment = 10–16)
- material risk (overall risk assessment = 20–25)

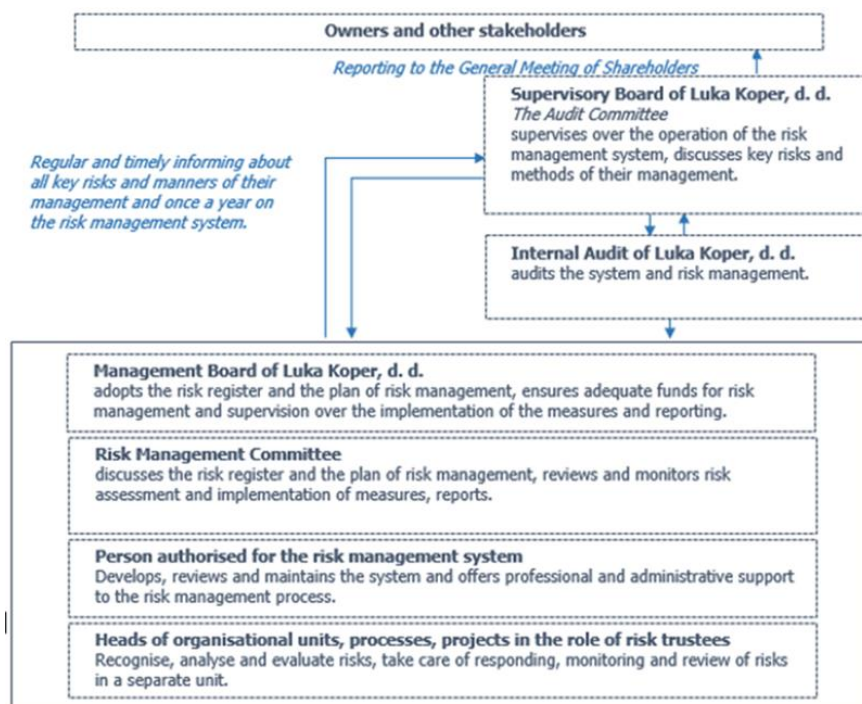
In the context of the risk management system, the Luka Koper Group regularly monitors exposure to all the perceived risks, and determines and implements the necessary measures to ensure an acceptable level of operational risk. In 2019, 5 risks out of a total of 354 risks identified were realised (1.4% risk realization rate), with an average risk score of 7.0 (moderate risk). Most of the realised risks are risks that cannot be managed by the Company even with the adopted measures, but the small percentage of the risks realised indicates a well-functioning risk management system. Progress in risk management was made with the completion of 74 measures, which was reflected in the satisfactory implementation of measures aiming at reducing key risks (79%). 13 new risks were identified as part of the annual risk review for the year 2020, which the Group will be reducing through different methods of response, thus successfully adapting to internal and external factors. In 2019, the Luka Koper Group acceded to devising a statement of risk appetite, which represents the total level of risk that the Luka Koper

⁶³ GRI 102-11

Group is prepared to take as part of its risk-taking capacity in order to achieve its strategic goals and fulfil its business plan.

12.2 Key roles and responsibilities in the risk management system

The key roles and responsibilities in the risk control system did not change in 2019 from the year before. Risk administrators assess risk on a quarterly basis and monitor the implementation of risk reduction methods. Based on their findings, the risk administrator reports to the Risk Management Committee, which meets quarterly, and additionally if necessary. Risks are also reported quarterly to the Management Board and the Audit Committee of the Supervisory Board.

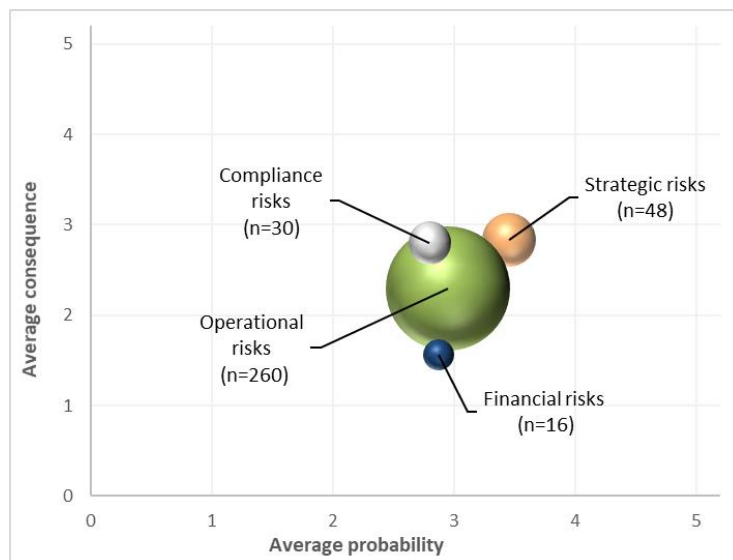


12.3 General risk assessment

Risks identified at the first level fall into four main groups. At the second level these are divided into individual topic-related sub-groups. Despite the implemented measures, 8 risks remain identified as material, of which a half are strategic risks.

The average risk assessment is the highest in the case of **strategic risks** (10.1) because there are certain risks that the Company cannot manage alone with its measures, as they originate from external factors (e.g. deterioration of the economic situation, disagreements between landowners, government-owned infrastructure). **Operational risks** with the average score of 6.1 are the largest group in terms of number, including a wide and diversified range of risks (e.g. safety at work, damage to cargo and equipment, information risk). **Compliance risks** have an average score of 7.7 and represent a smaller but significant set of risks and are largely related to compliance with the Labour Market Regulation Act, Employment Relationships Act, Environmental Protection Act and the risk of fraud and corruption. **Financial risks** (4.8) are currently evaluated as posing the smallest threat.

Figure 19: Risk chart of the Luka Koper Group



12.3.1 Strategic risks

Strategic risks result from the mutual incompatibility of strategic objectives, the business strategy adopted to reach them, the availability of funds for reaching the set objectives, the ownership structure, and the general economic situation. This group includes risks associated with the timely provision of the relevant land (delay in the modernisation of rail infrastructure to the port, construction of new entrances) and maritime connections to the port, risks associated with the successful implementation of key strategic investment projects, and commercial risks.

The main strategic risks arising from the external environment remain the uncertainty with regard to the construction of the second track of the Divača-Koper railway line, and the obsolete, insufficient capacity of the existing track, both of which represent a threat to the further growth of throughput also before the construction of the second track. In 2019, a working group was set up to mitigate these risks, which began to take measures to improve IT support, and implement infrastructural interventions and organizational change. In 2020, activities will continue to coordinate needs in the area of railway infrastructure. The closure of the Karavanke railway tunnel is planned for the third quarter of 2020. Due to the planned works and the closure of the Karavanke railway tunnel, customers are able to divert their logistics routes through other, especially northern European ports, with cars being the most exposed group. This external factor can only be reduced to a limited extent; the risk will be managed by operational coordination and notifications during the closure of the Karavanke railway tunnel.

Some activities related to the implementation of existing strategic investment projects are expected to be completed in 2020, which is why we expect the associated risks to be reduced. In July 2019, we began installing test piles for the extension of Pier I, and a public tender for the extension of the southern portion of the Pier to the west was published. The entire investment is expected to be completed in 2021. For the needs of the car terminal, we will complete the construction of a new RO-RO berth, a parking garage with the capacity of 6,000 vehicles and the 6th group of rails, whereas the Sermin entrance was already opened in 2019. The Company will manage the risks by implementing strategic investments, timely obtaining approvals for the next strategic investment set related to the 2021-2025 investment cycle, adequate information support for managing the investment portfolio and optimising procedures in the investment implementation process, and by finding solutions for marine sediment deposition.

The second half of 2019 was marked by the cooling of the global economy, which is most noticeable in individual industries, notably in the automotive, electronics, iron products and thermal coal markets, where the situation is uncertain as the EU is implementing the plan to fully abolish the use of coal in the production of energy and replace it with cleaner and renewable energy sources. In the area of commercial risks, the economic downturn, the forecast of declining market growth and other risks in the international environment will continue to pose a risk of lower throughput and consequently a shift in sales revenue. The types of commercial risks also on the increase are the risk related to developing competitive ports and the entry of major shipowners into the ownership of neighbouring ports (Trieste, Rijeka, Piraeus), which may lead to a reorientation of part of the throughput; furthermore,

neighbouring ports also pay close attention to enhancing competitiveness in the area of railway links. The strengthening of other North Adriatic ports, Koper's competition in major hinterland markets, also poses a significant risk. Risks are managed by marketing activities aimed at retaining existing and acquiring new business, and by introducing special storage conditions for product groups facing unfavourable (emergency) market conditions.

Coronavirus SARS-CoV-2 (COVID-19) outbreak

The coronavirus disease (COVID-19) outbreak in China at the end of 2019, and in Europe in February 2020, affected the global economy and logistics flows. In Slovenia, the government declared an epidemic on 12 March. The Luka Koper Group is currently seeking to minimize the impact of the materialisation of a global pandemic risk. In the changing context, the Group's established risk management system will need to ensure decision-making flexibility and readiness to respond as soon as new information becomes available. At the onset of the coronavirus-related crisis, the Group first took steps to protect people. The port of Koper is a facility of special importance for the defence and economy of the Republic of Slovenia and has the status of a critical infrastructure facility. Being the concession holder in the port of Koper, Luka Koper, d. d., has a crisis response plan, which includes epidemics. Even before the first case of coronavirus infection in Slovenia, Luka Koper, d. d., established a working group that takes measures to prevent the spread of the infection. The Company has also adopted a notification and action protocol for instances of suspected infection on the ship and ashore, which is coordinated with the National Institute of Public Health and all state bodies exercising their authority in the port area. In addition to these measures, the Company has taken a number of additional measures, which include adjusting work schedules and other processes to reduce direct contact between employees, organising work with a focus on remote access and remote meetings and tightening self-protection and hygiene measures. In addition, the port Civil Protection has been integrated in the control of the implementation of preventive measures and has formed partial Civil Protection headquarters to verify compliance with the measures and ensure additional disinfection in the port. The Company communicates all adopted measures and activities promptly to internal and external public, business partners and all interested stakeholders.

Fear of the effects of the virus and efforts to prevent it from spreading will also affect supply chains and logistics flows and, consequently, Luka Koper, where the effects of reduced throughput and increased volume of goods in storage may be felt. Depending on developments, the COVID-19 coronavirus epidemic may have a negative impact on the operations of the Luka Koper Group, the extent of which is difficult to predict due to the high level of uncertainty associated with the virus itself and our ability to control it. Therefore, at this time, the Group is unable to provide an assessment of impact on the achievement of financial results in 2020. The Group will closely monitor all events related to government interventions and ensure by taking relevant measures that it has access to a sufficient amount of liquid resources to overcome these impacts. Taking into account all currently known information, there are no risks that could jeopardize the continued existence of the Luka Koper Group companies.

12.3.2 Operational risks

Operational risks affect the implementation of processes at all levels. They include a wide variety of risks mostly arising from inadequate and unsuccessful internal processes, unsuitable or inefficient actions of employees, inappropriate or poor operation of the systems or equipment. Given our wide range of logistics services, the occurrence of these risks is most often reflected in injuries to people and/or impacts on the environment and property, and they can be affected by internal or external factors. This group of risks is managed by preventive measures based on risk assessments of workplaces, training and verification of knowledge, consistent use of personal protective equipment, defined and communicated technological procedures and working instructions that are regularly updated, development of suppliers, continual measurements of workplace conditions, regular medical examinations, and appropriate property and liability insurance. Other measures reducing risks of damage or injury include new investments in modern equipment, regular maintenance of work equipment and infrastructure, and regular measurements of impacts on the environment. In 2020, we will begin activities to build a new fire station in the heart of the port, with the aim of reducing emergency response times.

With cyber risks increasing globally, Luka Koper is also pursuing further activities in this field by establishing an information security department, introducing a system for managing security events and risks, and defining additional internal processes and rules in the field.

12.3.3 Financial risks

Financial risks are those that affect the viability of the planned financial categories, primarily planned future cash flows, and are usually controlled in the process of asset and liability management. Key risks include only one financial risk, i.e. the fair value risk. At the end of 2019, 6.7% of the Group's assets were financial investments measured at fair value. Given the unchanged structure of these investments, their fair value at the end of 2019 is 13% higher than at the previous year-end. Due to the strategic orientation of investing in the development of core business, the Group's portfolio management only involves managing the existing assets. The Group manages this risk by monitoring the situation in the financial markets and their impacts on the portfolio, while active management brings high return on investment and preserves investment value.

The control of fair value risk and other financial risks – which include interest rate risk, liquidity risk, foreign exchange risk, credit risk and risk of adequate capital structure, and have been assessed by the Group as moderate, less important or even irrelevant – is presented in detail in the accounting report of the Luka Koper Group, Note 32 'Financial instruments and financial risk management'.

12.3.4 Compliance risks

Compliance risks remain mainly associated with excessive noise, compliance with employment legislation (Labour Market Regulation Act, Employment Relationship Act), Environmental Protection Act and Public Procurement Act. In 2019, activities aimed at solving problems with port service providers were carried out. A new business model for the provision of port services entered into force on 16 January 2020, thereby reducing the risks of compliance for the future.

The risk of exceeding the statutory limit values for noise in the direction of Koper town centre may occur while piles are being driven during construction works in the extension of Pier I or due to excessive noise during regular activities in the port. The Group has already taken measures to limit the noise level, both in the stage of design and later in selecting a contractor, to an acceptable level. Other risks associated with excessive noise are managed by a gradual transition to electrically-powered technological equipment, and the Group is also actively involved in the Neptunes project, which is searching for solutions to reduce the noise of shipping.

12.3.5 Fraud and corruption risks⁶⁴

Luka Koper, d. d. manages fraud and corruption risks by having clearly defined rules for preparing and concluding transactions, for delegating powers and for approving invoices, and by applying the four-eyes principle and other controls integrated into processes.

The Luka Koper Group has rules that apply to the controlling company and five subsidiaries, and are defined in management system documents, in the Luka Koper Group Strategy of Corporate Integrity, Luka Koper Group Code of Ethics, and Luka Koper Group Rules on Accepting Gifts, and in the Rules of Procedure of the Corporate Integrity Officer and the Corporate Integrity Violations Committee.

In 2019, Corporate Integrity Officer and Compliance Officer were established as independent functions, with which the Company will further manage compliance risks and risks of fraud and corruption, including through the implementation of the Corruption Prevention Management System in accordance with ISO 37001:2016, which will begin in 2020.

Corporate integrity in Luka Koper is overseen by the Corporate Integrity Officer and the Corporate Integrity Violations Committee, who based on observed violations draw up reports that include recommendations and proposed measures. The Company identifies the risk of fraud and corruption in the risk register and controls it with appropriate measures and control activities.

⁶⁴ GRI GS 205-1

13 European projects

With regard to European projects, the most intense activities in 2019 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 of the following projects continued to be implemented: NAPA4CORE, GAIN4MOS, CarEsmatic, and Fresh Food Corridors, and the key part of the latter was to devise the report and subsequently to distribute the funds (Luka Koper was the coordinator of projects NAPA4CORE, Fresh Food Corridors and CarEsmatic).
- A tender for the CEF program was published in mid-October, which the Company will participate in with three submitted project proposals for the construction of port infrastructure and the preparation of studies and project documentation.

Within the Horizon 2020 programme, Luka Koper seeks to introduce new technologies and development systems. In 2019, activities were carried out under the SAURON project, which relates to information security, and the InfraStress project, which envisages a simulation of physical and cyber attacks on the Pier II tanker berth infrastructure. In addition, an application was submitted for the 5G Ready project to make Luka Koper a test area for the 5G network, but was already rejected.

In the field of territorial cooperation featuring issues of predominantly regional focus and somewhat softer cooperation, the emphasis being on partner projects, the following projects continued: the TalkNet, Comodalce, InterGreen-Nodes, REIF projects (Central Europe programme) and the SecNET (Slovenia-Italy programme), which also ended in 2019, as well as ADRIPASS, ISTEN, SUPAIR (ADRIAN programme). Within the mentioned territorial cooperation projects, applications were submitted for 7 new projects: Bio MED Coast, Clean Berth, Circular economy indicators for ports, DLT4PLT, Development of a green port sustainable growth model (ARRS programme), with the latter two projects already approved.

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.

The projects of the European territorial cooperation programmes are relevant as they position Luka 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. At the same time, regional policy is being developed and priorities are being set at the regional level through these programmes, which is why Luka Koper cooperates closely with the competent state services to pursue its own interests.

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, the MEDPort Association of Mediterranean ports and corridor forums (Baltic-Adriatic, Mediterranean and Motorways of the Sea) which were held by the European Commission. Activities in the NAPA association began to revive slowly in 2019. At the December Assembly, the Northern Adriatic port authority (Venice) took over the presidency. In October 2019, Luka Koper became a member of the TIC 4.0 (Terminal Industry Committee), which seeks to standardize the data of all machines in the terminal industry to facilitate the transition to Industry 4.0.

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.

14 Information technology⁶⁵

Being implemented in Luka Koper in recent years, digital transformation is on the priority list of the current strategy of information technology. Based on information technology and digital transformation, Luka Koper has been striving to optimise its business processes and increase their efficiency. In 2019, Luka Koper made over 300 different changes to its information systems, the overall aim being to optimise and digitise its processes. Contribution to development claims increased by 48% over 2018.

Luka Koper has been enabling its customers and partners to order services electronically for more than 20 years, while also putting considerable efforts in full digital transformation of the area. To this end, the Company in 2019 performed activities in four major areas:

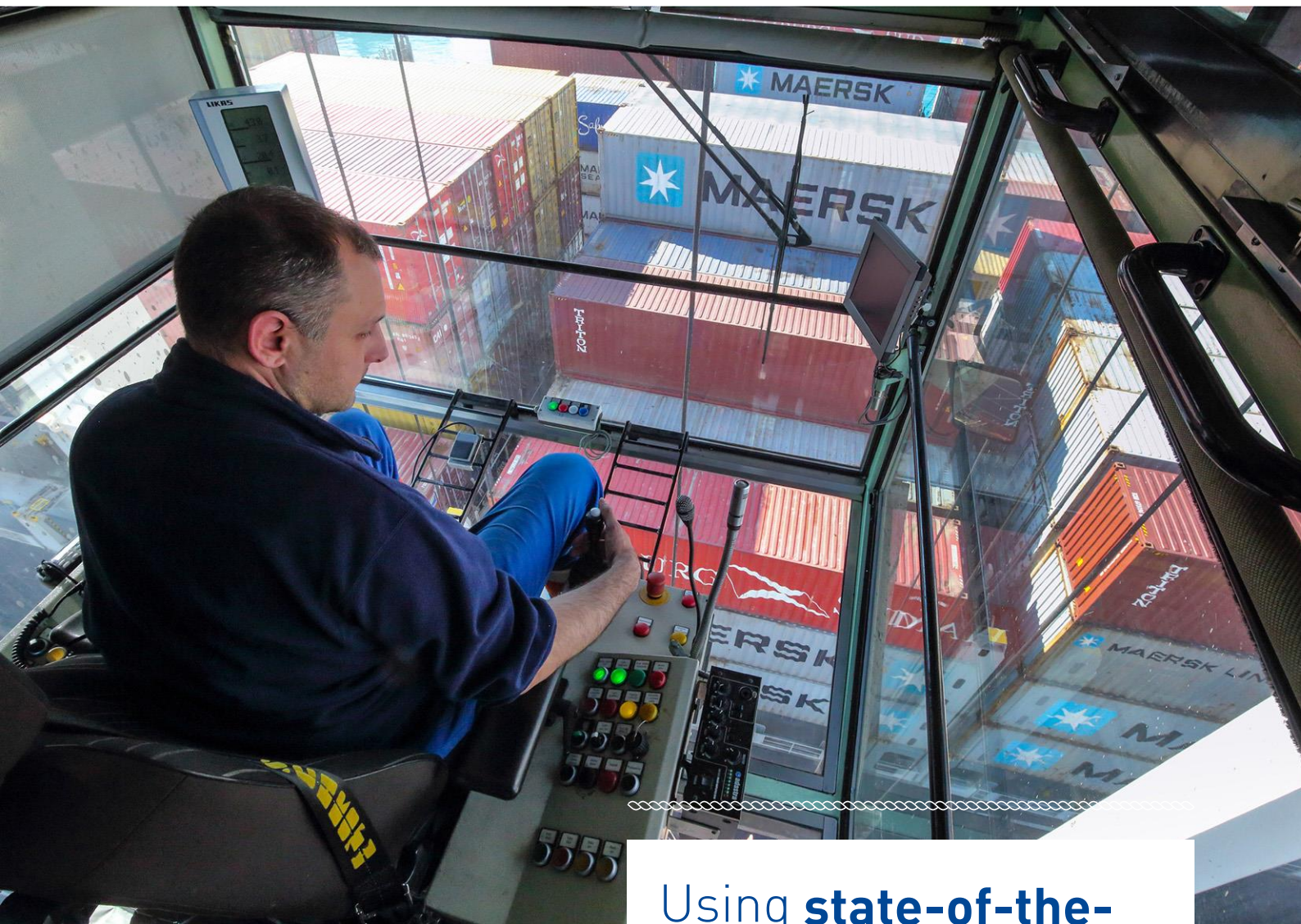
- EDI CENTER 2, which will introduce EDIFACT messages for container shipowners, thus making a substantial contribution to the methods and processes of communication and work in the port community,
- The truck announcement digitisation project was completed, the aim of which is to increase efficiency in truck transport and provide the preconditions to implement supervision and thereby increase safety,
- The introduction of the Clarity IT solution began to support the improvement of the efficiency and effectiveness of investment and project portfolio management,
- Adjustments to IT systems were completed for the integration of agency workers and external contractors in line with the port service provision strategy

Alongside the above, many other system upgrades and new functionalities were also introduced. Upgrades at the entry point and TinO (a marketing and operations app) were carried out on the infrastructure part. Updates to operating systems on server infrastructure and workstations were also performed. System stability and safety were thus improved.

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. The Information Security Department was established, which performs regular inspections of the information and communications technology (ICT), educates users and makes them aware of the correct and secure use of information resources, and raises awareness of the importance of information security. 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 2019, the reliability was 99.9%.

The development of information systems in Luka Koper will continue to focus on customers and operations 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.

⁶⁵ GRI GS 203-1



Using **state-of-the-art** technology

We need first-rate equipment to deliver first-rate services. We act strategically in purchasing state-of-the-art technology, including electrified rubber-tired gantry (RTG) cranes for containers, which are even more advanced and economical and, above all, more environmentally- and user friendly. They emit no noise and exhaust emissions in their operation.

15 The LKPG Share⁶⁶

The share of Luka Koper, d. d. is listed on the Ljubljana Stock Exchange, Prime market. At the end of 2019, the value of the share marked LKPG was lower than in 2018 by 13%. On the last trading day of 2019, the price per LKPG share was EUR 22.60.

The ownership structure of Luka Koper, d. d. experienced no major changes in 2019. As at 31 December 2019, 9,304 shareholders were entered in the shareholder register, which was 345 fewer than in 2018. The Republic of Slovenia remains the largest shareholder.

Table 11: Ten major shareholders as at 31 December

Shareholder	Number of shares as at 31 Dec 2019	Ownership interest as at 31 Dec 2019	Number of shares as at 31 Dec 2018	Ownership interest as at 31 Dec 2018
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	395,413	2.82%	345,804	2.47%
Hrvatska poštanska banka, d. d.	138,582	0.99%	130,582	0.93%
Raiffaisen Bank International AG	126,214	0.90%	12,805	0.09%
Zavarovalnica Triglav	113,568	0.81%	113,568	0.81%
NLB Funds – Multi-Asset Slovenia	112,024	0.80%	77,474	0.55%
Utilico Emerging Markets Limited	99,230	0.71%	98,400	0.70%
Total	10,818,626	77.28%	10,612,228	75.80%

Table 12: Ownership structure of Luka Koper, d. d. as at 31 December

Shareholder	Number of shares as at 31 Dec 2019	Ownership interest as at 31 Dec 2019	Number of shares as at 31 Dec 2018	Ownership interest as at 31 Dec 2018
Republic of Slovenia	7,140,000	51.00 %	7,140,000	51.00 %
Individuals	2,198,025	15.70%	2,199,284	15.71%
Slovenian Sovereign Holding	1,557,857	11.13 %	1,557,857	11.13 %
Foreign legal entities	1,266,196	9.04%	1,254,169	8.96%
Kapitalska družba, d. d.	696,579	4.98 %	696,579	4.98 %
Other legal entities	464,608	3.32%	493,186	3.52%
Municipality of Koper	439,159	3.14 %	439,159	3.14 %
Mutual and pension funds	180,445	1.29%	147,470	1.05%
Brokerage houses	33,608	0.24 %	33,173	0.24 %
Banks	16,556	0.12%	31,032	0.22%
Foreign banks	6,967	0.05%	8,091	0.06%
Total	14,000,000	100.00%	14,000,000	100.00%

⁶⁶ GRI GS 102-1, 102-5

15.1 Share trading

The average daily price of the Luka Koper, d. d. share amounted to EUR 26.32 in 2019. During the year, its value fluctuated between EUR 22.40 and EUR 28.90. The highest market price of the share was EUR 28.90 and the lowest EUR 22.40. Market cap of Luka Koper, d. d., shares as at 31 December 2019 was EUR 316,400,000.

In 2019, the total number of stock-exchange transactions and deals with lots for the LKPG share was 1,781. Total turnover in the period amounted to EUR 8,370,088; whereby 328,040 shares changed owners.

Figure 20: Changes in the SBI TOP index and the daily LKPG price in 2019

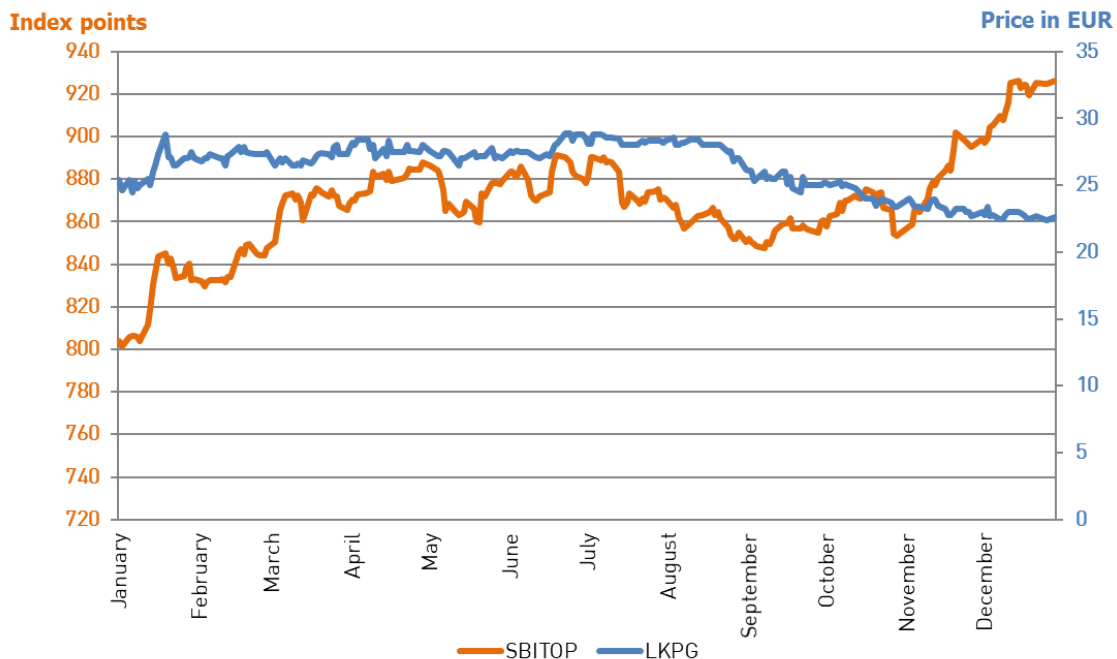


Figure 217: Changes in the daily LKPG share and daily turnover in 2019

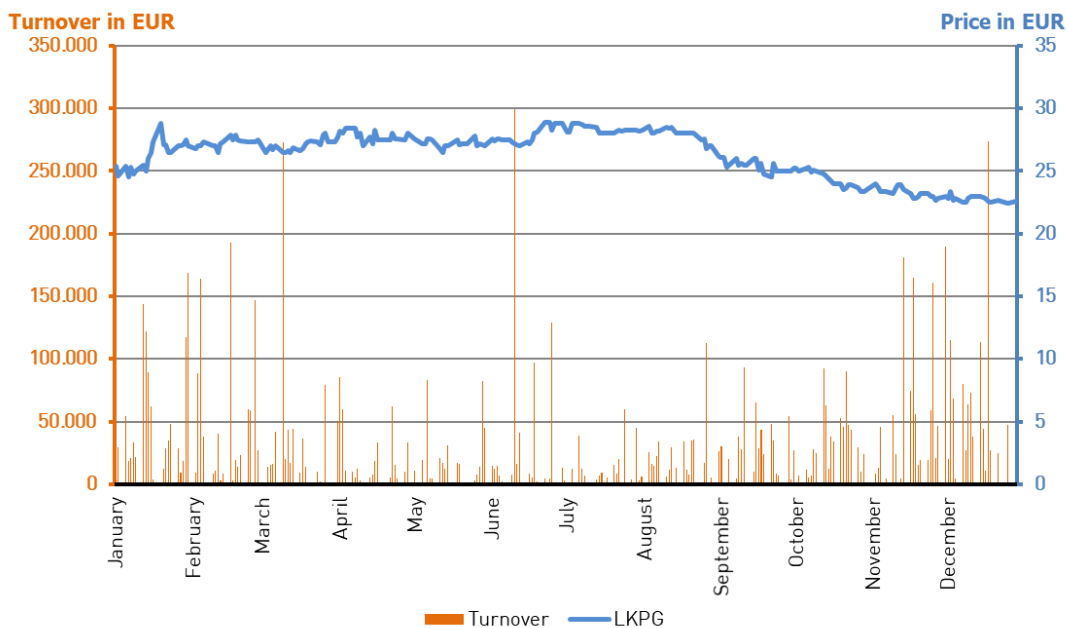


Table 13: Key data on the LKPG share

	2019	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)	22.60	26.00
Book value per share as at 31 Dec (in EUR) ⁶⁷	27.63	25.90
Price-To-Book (P/B Ratio) ⁶⁸	0.82	1.00
Average market price (in EUR) ⁶⁹	25.52	31.11
Average book value per share (in EUR) ⁷⁰	26.96	24.57
Average market price / average book value per share	0.95	1.27
Earnings per share (EPS) (in EUR) ⁷¹	2.77	4.18
Price-to-earnings ratio (P/E ratio) ⁷²	8.15	6.21
Market cap as at 31 Dec (in EUR million) ⁷³	316.40	364.0
Total share turnover (in EUR million)	8.37	18.6
Dividend per share (in EUR) ⁷⁴	1.33	1.23
Dividend yield (in %) ⁷⁵	5.88	4.73

15.2 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.

15.3 Cross-linkages with other companies

As at 31 December 2019, 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%).

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

	Shareholder	Ownership as at 31 Dec 2019
Supervisory Board	Uroš Ilić, Chair of the Supervisory Board	55
	Tamara Kozlovič, Member of the Supervisory Board	94
	Marko Grabljevec, Member of the Supervisory Board	10
	Rok Parovel, Member of the Supervisory Board	8

As at 31 December 2019, other Members of the Supervisory Board and the Management Board held no shares of the Company.

⁶⁷ Book value per share = equity / number of shares.

⁶⁸ Price-To-Book (P/B Ratio) = closing price / book value of the share.

⁶⁹ 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.

⁷⁰ The average bookkeeping value of a share is calculated on the basis of average monthly balances of the ratio of equity to the number of ordinary shares.

⁷¹ Earnings per share (EPS) = net earnings / number of shares.

⁷² Current share price to earnings per share (P / E) ratio = closing price / earnings per share (EPS).

⁷³ Market capitalization = closing price * number of shares.

⁷⁴ Dividend per share = balance sheet profit used to pay dividends / number of ordinary shares.

⁷⁵ Dividend yield = dividend per share / closing price

15.5 Own shares, authorised capital, conditional capital increase

As at 31 December 2019, 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.

15.6 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.

15.7 Communications with investors

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

15.7.1 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, an electronic media outlet of the Ljubljana stock exchange; whilst information is also provided to shareholders and investors through other communication channels.

15.7.2 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.

15.7.3 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.

15.7.4 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.

15.7.5 Meetings with investors

Each year, the Company participates in meetings with investors organised by the Ljubljana and Zagreb Stock Exchange, which take the form of individual meetings.

Information for investors is available at <https://luka-kp.si/eng/information-about-dividends>.

Contact person:

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

15.8 Calendar of relevant publications in 2020

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.

16 Management system

The introduction of internationally recognized standards from the ISO family more than twenty years ago was the result of a systematic approach to increasing added value and customer satisfaction.

Today, Luka Koper has an integrated management system, which means that it includes the requirements of five systems, which are quality, environmental protection, health and safety at work, food and feed safety and energy efficiency, as well as requirements under EMAS (Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organizations in a Community eco-management and audit scheme) and the SEVESO Directive (Directive 2012/18 / EU of the European Parliament and of the Council of 4 July 2012 on the control of major-accident hazards involving dangerous substances) and other commercial system requirements.

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, with the expected re-certification in 2020,
- Safety and health at work management system compliant with BS OHSAS 18001, with the transition to ISO 45001 foreseen in 2020,
- Food safety system compliant with ISO 22000, which also includes HACCP requirements, with the transition to a higher version of the standard foreseen in 2020,
- Non GMO – separate transshipment and storage of genetically unmodified soy,
- Seveso Directive on preventing major accidents and mitigating their consequences,
- ECO certificate for transshipment and storage of organic and conventional products of plant origin,
- ISCC EU certificate for biomass transshipment (Directive EC on the promotion of the use of energy from renewable sources),
- GMP+B3 standard, feed safety management system,
- Safe railway transport management;

and, following the successful completion of the certification assessment of the energy management system in 2020, also the following standards:

- Energy management compliant with ISO 50001, and

in the context of sustainability:

- GRI (Global Reporting Initiative) standards for the systematic reporting of CSR activities.

The aim of the energy management system is energy efficiency. As improvements in energy efficiency contribute significantly to security of energy supply and to reducing environmental impacts, action to reduce specific energy consumption in all port activities is a constant practice. The framework for integrated energy management and prudent use of energy products, with a commitment to setting energy targets and energy efficiency indicators, defining the energy baseline and conducting energy audits, will be further enhanced by obtaining a certificate.

In 2019, all established activities in the field of system auditing were carried out in accordance with the plan, which included twelve internal audits and an external audit, training of internal auditors, functioning of quality teams, identifying and introducing possible process and system improvements, updating the documents of the management system and a management review by which process owners monitor the efficiency and effectiveness of processes, and the achievement of set goals through business indicators, and introducing innovations into business through project work and the development of the project approach itself to effectively manage investments and projects in the company.

The management system is a constant driver of continuous improvement and progress of the company.

Sustainability Report



Luka Koper is committed to sustainable development, which serves as guarantee of its future development being friendly to employees, local residents and the natural environment.

17 On the **Sustainability** Report

17.1 Non-financial statement

The sustainability report of the Luka Koper Group meets all the criteria for the publication of the non-financial statement. In line with the amendments to the Companies Act (ZGD-1J, Official Gazette of the Republic of Slovenia 15/2017 as of 31 March 2017), the 2019 Sustainability Report takes into account the requirement to publish a non-financial statement as set out in amendments to articles 56, 57, 60a and 70c of the Companies Act. The said amendments to the Companies Act also comply with the requirements of the 'Guidelines on non-financial reporting (methodology for reporting non-financial information)', which were adopted and published in the Official Journal of the European Union in July 2017, and follow the provisions of the 'Directive on disclosure of non-financial and diversity information by certain large undertakings and groups'.

17.2 Sustainability report according to GRI Sustainability Reporting Standards⁷⁶

The Luka Koper Group 2019 Sustainability Report is its third such report in accordance with the international standards of sustainability reporting (GRI Sustainability Reporting Standards). The Group has thus enhanced its previous sustainability reports as embedded in its annual reports and environmental reports under the EU Eco-Management and Audit Scheme (EMAS). The report has been prepared at the basic level of reporting. In devising the report and defining the essential content, all six GRI standards were used:

- GRI 101: We took into consideration the reporting principles for defining report content and report quality.
- GRI 102: We reported on the organisation and its sustainability reporting practices, the organisation's profile, strategy, ethics and integrity, governance, stakeholder engagement practices, and reporting process.
- GRI 103: We used the management approach to reporting of how the organisation manages the material topics covered by topic-specific standards GRI 200, 300 and 400.
- GRI 200, 300 and 400: We used indicators for reporting on the organisation's impacts on economic, environmental and social issues.

Reporting refers to the Luka Koper Group. For certain issues that have not yet been implemented at Group level, it is stated specifically to which company or companies of the Group they apply. Data has not changed from previous reports. There were no major changes in the restrictions and limits of reporting in relation to previous reporting.

⁷⁶ GRI GS 102-46, 102-48, 102-49, 102-54

17.3 Reporting periods⁷⁷

The Luka Koper Group has been reporting on sustainable development on an annual basis since 2000. The last sustainability report, the second one under the GRI standards, was prepared for 2018 and made public on 26 April 2019. The 2019 report also follows the GRI standards. In the spirit of commitment to sustainable development, the Luka Koper Group will be upgrading the contents of the sustainability report on an annual basis.

17.4 Contact point⁷⁸

The Sustainability Report is part of the 2019 Annual Report of the Luka Koper Group and is available at:

<https://luka-kp.si/eng/annual-reports>

Additional information on sustainability activities is available at:

www.zivetispristaniscem.si

Contact person for information on the Sustainability Report:

T: +386 5 665 61 00

E: zsp@luka-kp.si

17.5 How to approach the Sustainability Report

The introductory sections provide background information on this report, and Section 2 'Presentation of the Luka Koper Group' provides information on the Luka Koper Group. Putting the Group in a wider sustainable framework, it presents its management of sustainable development. In subsequent sections, the Luka Koper Group reports on its operations in important areas of sustainable development in 2019 on the basis of the previously identified essential aspects. The GRI indicator number in the footer connects GRI indicators with the text.

17.6 Verification of sustainability report⁷⁹

The first sustainability report prepared by the Luka Koper Group under the GRI standards was for 2017, and was therefore submitted for an external assurance of GRI sustainability reporting to the Slovenian Institute of Quality and Metrology (SIQ). The 2018 report was not submitted for an external review. The 2019 Report was submitted for external assurance of reporting on the basis of GRI standards to the Slovenian Institute of Quality and Metrology (SIQ). The environmental verifier – the Slovenian Institute of Quality and Metrology (SIQ) – additionally reviewed the contents on environmental performance and reporting of the results, which are particularly marked.

⁷⁷ GRI GS 102-50, 102-51, 102-52

⁷⁸ GRI GS 102-53

⁷⁹ GRI GS 102-56



Sustainability report assurance statement

Objective and scope of assurance

On the basis of the 2016 GRI Sustainability Reporting Standards, SIQ was commissioned by **Luka Koper, d. d.**, Vojkovo nabrežje 38, 6000 Koper, Slovenia to perform external assurance of the Sustainability Report which is an integral part of the Annual Report of the Luka Koper Group and Luka Koper, d. d. for 2019. The company voluntarily submitted to the external assurance of its Sustainability Report. The objective of assurance was to assess whether the facts and data stated in the Sustainability Report are credible and reflect the current state of sustainable development at the company and the Group.

Limitations

The Sustainability Report relates to the Luka Koper Group and the parent company Luka Koper, d. d., to the extent and limitations set out in sections 2.2 and 17.2. of the Annual Report and in individual disclosures. Although the report was drawn up for the Group, certain disclosures relate solely to the parent company Luka Koper, d. d. or to Group Luka Koper. The stakeholders participated in the materiality analysis by means of a survey. Based on the results of 45 questionnaires, Luka Koper d.d. performed a materiality analysis and drew up a materiality matrix (Chapter 20) and made a review of the material content highlighted by the stakeholders (Chapter 20.1.). The methodology of determining material content in four steps is described in Chapter 20.2. As the graphic design of the report was in progress at the time of the assurance, only the accuracy of references to various chapters of the Report in the GRI table of contents (Chapter 28) was assured.

Assurance methodology

The stakeholders did not participate in the assurance process, as this was not requested by the contracting authority. The assurance process therefore involved a review of the Sustainability Report included in the Annual Report of the parent company Luka Koper d.d. and the Group, interviews with the responsible company representatives, and assurance with respect to documentation and other data at the company's registered office. The data in the audited financial statements were not re-audited.

Responsibility

The management of Luka Koper, d. d. and the Luka Koper Group is responsible for the data presented in the Sustainability Report and for setting assessment criteria. It is also responsible for collecting, classifying and certifying data, and for reporting. SIQ and its representatives were not involved in the processing and presentation of the reported data. The SIQ representatives are responsible for the independent assurance of the Sustainability Report's compliance with the GRI Standards and the actual situation, and for drawing up an opinion regarding the Sustainability Report.

Independence and impartiality

SIQ is a professional, independent and impartial institution that provides comprehensive solutions in the areas of product testing and certification, management systems assessment, metrology and training. Numerous accreditations and memberships in international certification schemes and associations are evidence of the international recognition and high professional level of the SIQ's work. The assessor who performed the assurance process is a registered auditor of quality management systems, environmental management systems and the Eco-Management and Audit Scheme (EMAS), energy management systems and occupational health and safety management systems.

Findings

The assessor carefully examined compliance with reporting guidelines and principles, and the mandatory disclosures for the basic level of reporting. Sustainable development is defined as an integral part of the strategy set out in the Luka Koper Group's Strategic Guidelines. The report states guidelines in the area of sustainable reporting and the strategy of sustainable development. In its report, the company presented 41 disclosures in 20 specific standard areas. Disclosures in the areas of management approaches and results of performance indicators confirm the sustainability-oriented nature of the parent company and the Luka Koper Group. Based on our findings, we hereby declare that the facts and data stated in the Sustainability Report are reliable and reflect the current state of management systems and the sustainable operations of Luka Koper, d. d. and Luka Koper Group. Taking into account the aforementioned limitations and assurance methodology, we hereby find that the Sustainability Report, which is an integral part of the Annual Report of the Luka Koper Group and Luka Koper, d. d. for 2019, meets the requirements of the 2016 GRI Sustainability Reporting Standards, basic level. With its decision to have external assurance of the Sustainability Report performed for the parent company and Luka Koper Group, the management of Luka Koper, d. d. raises awareness regarding the importance of sustainable development, and thus contributes to the establishment of internationally comparable best practices relating to sustainable development reporting.



Recommendations

Several opportunities were identified during the assurance process to improve operations and reporting in the area of sustainable development. These are noted in the assurance report. In that respect, and for the sustainability reporting to be more comprehensive, we highlight recommendations to minimize the scope of limitations in reporting and increase of number of disclosures.

In the name and on behalf of SIQ

Ljubljana, 10 April 2020

Miloš Seražin
Management Systems Assessment

A handwritten signature in blue ink, appearing to be 'M. Seražin', written over a horizontal line.



Igor Bizjak

A handwritten signature in blue ink, appearing to be 'I. Bizjak', written over a horizontal line.

17.7 Membership and initiatives⁸⁰

Luka Koper, d. d. is a member of the following organisations:

- GZS – Chamber of Commerce and Industry of Slovenia: member of the Chamber's assembly, and of the administrative board of the Transport Association,
- ESPO – European Sea Ports Organisation,
- FEPORT – Federation of European Private Port Companies and Terminals,
- NAPA – North Adriatic Ports Association,
- SBRA – Slovenian Business & Research Association,
- MedCruise – Mediterranean Cruise Port Association,
- MEDports – association of Mediterranean ports,
- ZRSZV – Slovenian Chamber for Private Security,
- ICS – Institute of Corporate Security Studies,
- SZKO – Slovenian Association for Quality and Excellence,
- ZNS – Slovenian Directors' Association,
- Slovenian-Croatian Friendship Association,
- Public Relations Society of Slovenia,
- Association of Mechanical Engineers of Slovenia,
- Association of Safety Advisers for the Transport of Dangerous Goods,
- Slovenian Workers Council Association,
- WISE – World Institute for Sustainability and Ethics in Rising Economies,
- TIC 4.0 – Terminal Industry Committee 4.0.

Luka Koper, d. d. is involved in the following initiatives:

- it is the signatory of Slovenian Corporate Integrity Guidelines.
- it is the signatory of Fair business Declaration.

Luka Koper INPO, d. o. o. is a member of the following organisations:

- Association of Employers of Slovenia,
- Alliance of Companies Employing Disabled People of Slovenia,
- EBA (European Boatmen's Association),
- IBLA (International Boatmen's Linesmen's Association),
- Fire Fighting Association of Slovenia,
- Slovenian Maintenance Society.

⁸⁰ GRI GS102-12, 102-13

LUKA KOPER AND SUSTAINABLE DEVELOPMENT

Luka Koper is a diligent institutional stakeholder in sustainable development

18 **Luka Koper** and sustainable development guidelines⁸¹

18.1 Business and quality policies

All Luka Koper employees strive for excellence in all areas and compliance with the requirements of the business policy. All key stakeholders are familiar with its business policy. The challenge of the policy is to meet the key objectives: satisfaction of customers, employees, and owners, and social responsibility toward the environment.

18.2 Business continuity policy

The established system of business continuity is essential for smooth implementation of the Mission, Vision, Strategy and achievement of the Company's objectives. In addition to defining processes, procedures and measures to enable such a system, it enables smooth and stable operations. The system also ensures for services of the Company to be available in the event of possible interruptions or a crisis situation, and for situation to be restored to normal.

18.3 Security Policy

In order to implement the Mission, Vision, Strategy and achievement of the Company's objectives, it is necessary to ensure its smooth and stable operation. The key factors to do so are safety of workers and property, a safe working environment and maintenance of competitive advantages of the company. Safety has been recognised as an integral part of all processes as well as the right and duty of all employees in the company.

18.4 Policy on health and safety in the port and energy efficiency

The policy of a safe and healthy port environment and energy management comprises the management's commitment to a healthy and safe working environment, reduction of all environmental impacts and efficient use of energy.

⁸¹ GRI GS 102-16, 103-1, 103-2, 103-3

18.5 Sustainable development strategy

The Luka Koper Group has always been concerned with improving the quality of life in the entire area in which the port is situated. Regarding development issues, principles of sustainable development and responsible environmental management are taken into account. Regarding its development, modern sustainable solutions are introduced to the greatest extent possible due to their importance for the local as well as the wider social community. The Group pursues sustainable development based on strategic orientations, the adopted 2016-2020 Human resource management strategy as well as the environmental strategy and energy policy.

18.6 Luka Koper Group is addressing SUSTAINABLE DEVELOPMENT GOALS

Being aware that the port is an important sustainable development stakeholder whose impacts on the environment and society may be both positive and negative, the Luka Koper Group has decided to accede to addressing global sustainable development goals in the context of comprehensive sustainability reporting. Sustainable Development Goals (SDG) have been adopted by all United Nations member states, their purpose being to pursue the development of the entire society, economy, science and civil society – which will play an important role in reaching the key objectives of the entire Company by 2030. Sustainable development goals have been published on the following website:

http://www.unis.unvienna.org/unis/sl/topics/sustainable_development_goals.html#MoreInfo



18.6.1 With its efforts, the Luka Koper Group is addressing 11 sustainable development goals

Sustainable development goal	Description of Luka Koper's activity	Links to essential content	Indicator example	Goals
 3 GOOD HEALTH AND WELL-BEING	<p>Managing the occupational health and safety system in accordance with the international OHSAS 18001 standard and its upgrading to include all novelties.</p> <p>Targeted training for safe work of employees and others in the area of the port with regard to anticipated injuries.</p> <p>Providing an efficient system of health promotion in the working environment.</p> <p>Managing concentrations of harmful substances under the statutory limits.</p> <p>Measuring impacts on employees and the environment.</p> <p>Reducing the noise level in the port and noise from ships by means of organisational and investment projects.</p> <p>Devising the strategy of fire protection development in the port.</p> <p>Modernising fire protection systems.</p>	<p>Provision of a safe working environment.</p> <p>Assessment of respect for human rights.</p> <p>Noise and light pollution.</p> <p>Customer health and safety.</p>	<p>The number of serious injuries at work.</p> <p>The number of injuries at work per million hours worked.</p> <p>The number of collisions per million hours worked.</p> <p>The number of patrols</p> <p>Noise levels at night in the direction of the towns/villages of Koper, Ankaran and Bertoki.</p> <p>Noise levels in day- and evening-time in the direction of the towns/villages of Koper, Ankaran and Bertoki.</p>	<p>A maximum of 16 injuries at work and 0 serious injuries per million hours worked.</p> <p>A maximum of 25 collisions per million hours worked.</p> <p>Reduce the noise level at night in the direction of the town of Koper to 48 dB.</p> <p>Maintain the noise level in front of the closest buildings outside the port at 58 dB during the day and 53 dB in the evening.</p> <p>Ensure an effective and adequate system of firewater supply in the entire port area, and appropriate firefighting interventions for specific facilities.</p>
 4 QUALITY EDUCATION	<p>Targeted execution of functional expert training. Including all employees in the training.</p> <p>Partly funding employees' studies to acquire higher levels of education.</p> <p>Improving knowledge transfer systems (mentoring, tutoring).</p> <p>Assessing employee competencies (annual interviews).</p>	<p>Educating and training of employees.</p> <p>High work efficiency of employees, and their satisfaction and commitment.</p>	<p>Average number of hours of training per employee.</p> <p>Share of staff involved in the training.</p> <p>Average competence assessment.</p>	<p>Having at least 80% of employees attend training.</p> <p>Competent employees.</p>
 5 GENDER EQUALITY	<p>Consistent implementation of the provisions of the Code of Ethics.</p> <p>The Diversity Policy sets out the target diversity that is pursued in relation to representation in the Supervisory Board and the Management Board based on gender, age, education level and other personal characteristics of members as appropriate for the Company.</p> <p>Respect for the rights of employees to freedom of association, membership in trade unions and the</p>	<p>Diversity and equal opportunities, and non-discrimination.</p>	<p>Share of employees on the basis of gender, age, education level, etc.</p>	<p>Absolute non-discrimination.</p> <p>Satisfied employees.</p> <p>Consistent respect of rights acquired by employees.</p>

workers' council, and other forms of association. Consistent implementation of rules on the protection of employee dignity.



Reducing drinking water losses.

Water use.

Specific water consumption.

Maintaining specific energy consumption on par with the year before despite increases in throughput and storage capacities – drinking water.



Introducing energy efficiency measures. Establishing an energy management system in profit centres and subsidiaries. Installing measuring equipment to capture energy consumption data for machinery, facilities and infrastructure. Acquiring the ISO 50001 standard certification – energy management. Transition of machinery and vehicles to electrical power. Establishing a central control system for port lighting. Actively introducing state-of-the-art and cleanest technologies to ensure energy efficiency in carrying out port activities. Generate electricity from renewable energy sources.

Energy efficiency. Commitment to sustainable development.

Specific fuel consumption. Specific electricity consumption.

Maintaining specific energy consumption on par with the year before despite increases in throughput and storage capacities – motor fuel and electricity. Constructing 1.25 MW of solar power plants, which means generation of up to 4% of electricity for own consumption.



Following strategic guidelines facilitating long-term business stability, we wish to contribute to high economic growth. Soliciting and keeping the best staff. Achieving the culture of high performance and excellent management. Executing management by objectives (annual interviews). Ensuring customer satisfaction and commitment. Implementing the system of human resource potentials and successors. New employee hires based on the principle of "competent staff – key positions". Optimum management of effective employee working time.

Stability and business performance. Indirect economic impacts. Importance of employment and concern for employees.

Financial ratios. Net sales. Share of annual interviews held. Assessment of work atmosphere and employee satisfaction. Assessment of employee commitment. Share of suitable managers (management competency assessment based on the 360 degree method). Share of unused compensatory hours and balance of working hours.

Completing development projects by 2020, such as extension of Pier I and rearrangement of additional storage areas. Reaching 100% realisation of HR plans each year. 2020: 98% share of annual interviews implemented, 98% share of suitable managers, Assessment of employee commitment 3.7, Less than 5% share of unused compensatory and balance working hours. Ensuring equal pay for equal work.



Creating integrated transport solutions by combining various links of the logistics chain. Stimulating employee creativity and making innovative activity part of the Company's strategic orientation. Providing new infrastructure capacities in due time.

Stability and business performance. Indirect economic impacts. Stakeholder engagement.

Number of inspection and internal measures in land development. Share of introduced improvements. Strategic programme.

No inspection and internal measures in land development. Acquiring new warehousing areas. Setting up additional berths. Improving road access. Establishing new track capacities.



Modernising equipment and dust emission reduction systems.

Climatic factors and air quality.

Concentration of particulate emissions up to 10 µm in the direction of Bertoki, Koper, Ankaran.

Maintaining PM₁₀ concentrations (particles up to 10 µm) across the entire port area below 30 µg/m³ (in the direction of Ankaran, Koper and Bertoki).



Establishing an adequate control system for the entire port water area. Alternative solutions for the handling of marine sediments.

Quality of the sea, deepening of seabed and management of marine sediments. Biodiversity.

Number of sea pollution instances outside the port water area

Preventing all instances of sea pollution outside the port water area.



Upgrading waste management systems and equipment. Reducing the impact of potentially contaminated precipitation water, process and waste water by upgrading treatment plants.

Use of land and water, and the formation of waste water. Waste management.

Maintaining the share of separately collected waste.

Maintaining the share of separately collected waste (excluding ship-generated waste) above 89%



Respect for the principles of the rule of law and measures to prevent corruption and bribery, thereby strengthening our integrity and reputation.

Respect for human rights. Corporate integrity. Luka Koper's reputation. Operations compliance. Operational transparency. Ensuring customer privacy.

Number of corruption cases.

Maintaining the number of corruption cases at 0 and implementing corporate integrity training.

The Sustainable development goals set out mostly refer to Luka Koper, d. d., followed by the remaining companies of the Luka Koper Group with regard to their areas of operation.



Building **cooperation** relationships

The whole is greater than the sum of its parts. As a green port, we strive to balance economic demand with environmental responsibility and social commitment. Our aim is to achieve economic success, high satisfaction of customers, employees, the social environment and other stakeholders, and maintain the natural balance.

19 Stakeholders of Luka Koper⁸²

Luka Koper is all the people in any way connected to the port.

With its activity, the port of Koper affects various groups of people who, in turn, themselves affect the port's operation. Stakeholders of Luka Koper are defined and recognized in the Policy of Managing Luka Koper, d. d., and in the framework of individual business processes of the Company.

Public authorities

(Financial Administration, Administration for Food Safety, Marine Police, inspectorates, ministries)

Shareholders

(owners, Slovenian Sovereign Holding, brokerage houses, Supervisory Board)

Environmental organisations

(DOPPS – BirdLife Slovenia, Marine Biology Station Piran, Institute for Nature Conservation Piran, civil protection service, NGOs)

Port community, customers

(carriers – truckers, rail operators, shipowners, agents, freight forwarders, tourist operators)

Local community and wider social environment

(Municipalities of Koper and Ankaran, civil initiative, local community)

Suppliers

(suppliers for investments, suppliers for technical services, suppliers for products, suppliers for port service providers, external contractors)

⁸² GRI GS 102-40

Employees

(Works Council, Trade Unions)

The media

Subsidiaries

Shareholders can exercise their governance rights at the General Meeting of Shareholders. Competencies of the General Meeting and other directly related matters are determined in the Companies Act, the Company's articles of association, and Rules of Procedure of the General Meeting of Shareholders. In communicating with shareholders, Luka Koper applies the following forms of communication:

- Annual General Meetings,
- SEOnet notification system of the Ljubljana Stock Exchange,
- Corporate website, subsection "Investors",
- Participation of Company representatives at investor conferences at home and abroad,
- Port Bulletin in-house monthly paper and its version adapted for the general public,
- Port Shareholder annual publication for all shareholders,
- Conferences for the press on the Company's performance,
- Meetings at Company headquarters.

19.1 Identification of stakeholders⁸³

Stakeholders of Luka Koper are defined and identified in the Corporate Governance Policy of Luka Koper, d. d.:

Shareholders can exercise their governance rights at the General Meeting of Shareholders. Competencies of the General Meeting and other directly related matters are determined in the Companies Act, the Company's articles of association, and Rules of Procedure of the General Meeting of Shareholders.

Customers dictate constant adaptation and introduction of changes and improvements in the Company's operation. Customer satisfaction is the basic guideline of all employees in their work. From the first contact with customers and performing services for them to settling any potential claims, we have to be aware that it is customer satisfaction that gives meaning to our work and serves as the basis for implementing the vision and mission of Luka Koper. Satisfaction of Luka Koper customers is monitored regularly. Customers are offered top quality services, quick responsiveness to demand, and effective communication and other necessary support. The existing model of port management serves as the basis for an equal treatment of all customers.

The port community participates in changes to functioning of the port system as a whole. The port community is an informal association of all the interested parties whose business activity is directly related to the provision of port services. It includes customers – freight forwarders, agents and carriers united in professional organisations – as well as representatives of controlling firms and inspection authorities, and government agencies, all of them forming expectations towards Luka Koper, aiming at operations being as coordinated as possible at the entry or exit point, which is the actual position of the port area in the entire logistic chain. Luka Koper responds to mentioned demands by coordinating them and communicating with the interested stakeholders.

⁸³ GRI GS 102-42

The Company's performance and reputation are also related to the work of **suppliers**. This is why the efforts of all business partners involved in the operation of the port system as suppliers of required products or services are highly respected and valued.

Employees are encouraged to excellent performance and are awarded if successful. The culture of partnership with employees is built on affiliation, cooperation, creativity, respect and responsibility of each individual. A great deal of attention is devoted to internal communication as the foundation of a comprehensive communication network. Employees are informed about news, internal acts and other information by e-mails and notice board notifications, the Port Bulletin in-house monthly paper and via intranet. Employees who have no computer access, can access the information using information terminals in the management premises. Special emphasis is also being placed on direct communication between employees in terms of working and operational meetings, quality teams, coordinations, annual interviews of managers with their workers, conferences and other forms of teamwork. Employees are encouraged to constant capacity building. Based on development plans, the career development and critical competencies of each employee are defined in accordance with the Company's long-term development needs.

Commitment to sustainable development is one of the fundamental strategic guidelines. It focuses particularly on establishing and maintaining partnerships with **the local community and wider social environment**. This at the same time ensures successful development of employees and strong support of the social environment, while also building on the care for the natural environment. Sponsorship and donations are intended to support education, sports, culture and humanitarian projects. Once a year, "the port opens its door widely", holding the Port Day to invite visitors from the local and wider environment to tour the port, piers, lifts, devices, and witness transshipment and other activities.

Public authorities: The Government is aware of the immense importance of Luka Koper as the only Slovenian port to the economy as a whole. In 2008, the Company was granted the concession for the provision of port services, management, development and regular maintenance of port infrastructure in the area of the port of Koper. Essential elements of the concession agreement are:

- Duration of the Concession Agreement,
- Determination of the method to calculate the concession fee,
- Agreement between the contracting parties on the method of investing in port infrastructure,
- Rules of governance, management and operation of the port facility,
- Maintenance of port openness,
- Rights and obligations of contracting parties upon suspension or termination of the concession relationship.

The duration of the concession is 35 years, as laid down in the Maritime Code. The agreed concession fee amounts to 3.5 percent of the Company's operating revenues reduced by the amount of the fees charged. With the payment of the concession fee, the Company being the concession holder also pays the rent and building title, while being exempt from the payment of a fee for the use of the port. The concession fee also includes the water right, water charges and other duties related to the use of the sea. Investments in port infrastructure are performed by the concession holder in agreement with the Republic of Slovenia and on the basis of a valid five-year port development programme. Concession provider and holder have divided among themselves port management, governance and operation, and agreed on ways of coordinated action to attain the concession objectives in the interests of both parties. It is a commitment and objective of both contracting parties to ensure port openness. It is a commitment to provide services to anybody interested and meeting the conditions in accordance with the principles of the European acquis. The Company's objective is for the port of Koper to become the primary and best port for the countries of Eastern and Central Europe.

The media: The public limited company is open to the general public. We respond to media questions in due time and promptly inform them of the Company's performance and innovations. Information is also published on the Company's website www.luka-kp.si/eng/, and on its sustainability portal www.zivetispristaniscem.si. The media also receive press releases, and invitations to attend press conferences and important business events and visits.

19.2 Stakeholder engagement, their expectations and needs⁸⁴

From the range of stakeholders with whom Luka Koper, d. d. cooperates and develops sustainable relations and who are defined in the Policy of Managing Luka Koper, d. d., and in the framework of individual business processes

⁸⁴ GRI GS 102-43, 102-44

of the Company, we have identified key stakeholders based on strategic guidelines, and defined their expectations and ways of involvement in the operation of the Luka Koper Group.

Key stakeholders	Communication tools	Participation in preparation of sustainability report	Stakeholders' expectations and needs
SHAREHOLDERS	<ul style="list-style-type: none"> - Website - SEOnet - Gatherings - General Meeting - Annual report - Investor conferences - Port Bulletin - Port Shareholder - Press conferences 	<ul style="list-style-type: none"> - YES - Ten questionnaires completed 	<ul style="list-style-type: none"> - Information on the operations of the Company - Financial performance - Business strategy and plans - Dividend policy <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Stability and business performance - Corporate integrity - Transparency and operations compliance - Provision of a safe working environment
CUSTOMERS	<ul style="list-style-type: none"> - Website - Tin0 (marketing and operations app) - Notifications and other service messages - Telephone contacts - Personal contacts - Fairs and conferences - Organisation of target business events - Customer satisfaction survey - Port Bulletin - LinkedIn - Port Days - Gatherings 	<ul style="list-style-type: none"> - YES - Ten questionnaires completed 	<ul style="list-style-type: none"> - High-quality and timely services performed based on customer orders - Appropriate treatment of complaints - Systematic notifying of ordinary and extraordinary customer-related activities - Ability to adapt to customer requirements - Stability of operations - Provision of adequate facilities and equipment - Computerisation of operations - Compliance with safety and technical standards - Competitiveness of conditions <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Stability and business performance - Corporate integrity - Operations compliance - Provision of a safe working environment
PUBLIC AUTHORITIES	<ul style="list-style-type: none"> - Web portals - Reports 	<ul style="list-style-type: none"> - YES - Four questionnaires completed 	<ul style="list-style-type: none"> - Operations in accordance with the Concession Agreement - Operations in accordance with legislative and executive acts - Strategic and spatial plans of the Company - Appropriate communication (reports, responses, etc.) <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Corporate integrity and operations compliance

Key stakeholders	Communication tools	Participation in preparation of sustainability report	Stakeholders' expectations and needs
SUBSIDIARIES	<ul style="list-style-type: none"> - 'Best Supplier' event 	<ul style="list-style-type: none"> - YES - Four questionnaires completed 	<ul style="list-style-type: none"> - Reliability of payments - Long-term cooperation - Award for successful cooperation - Fair cooperation and communication <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Stability and business performance - Corporate integrity - Provision of a safe working environment - Assessment of respect for human rights - High work efficiency and satisfaction of employees
SUPPLIERS	<ul style="list-style-type: none"> - 'Best Supplier' event - PSP portal 	<ul style="list-style-type: none"> - YES - Three questionnaires completed 	<ul style="list-style-type: none"> - Reliability of payments - Long-term cooperation - Award for successful cooperation - Fair cooperation and communication - Providing timely information on changes in the Company <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Purchases by local suppliers - Stability and business performance - Indirect economic impacts - Operational transparency
EMPLOYEES	<ul style="list-style-type: none"> - Survey on employee satisfaction - Port Bulletin - Quality teams - Chat room - Intranet - Meetings - Gatherings - Evaluation of managers - Annual interviews - Assessment of mutual cooperation between units 	<ul style="list-style-type: none"> - YES - Two questionnaires completed by the Works Council and Port Workers' Trade Union 	<ul style="list-style-type: none"> - Regular training and education - Appropriate communication with employees - Career development and competences - Occupational health and safety - Wage system - Relations between employees <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Occupational health and safety - Stability and business performance - New hires, and concern for employees - Assessment of respect for human rights

Key stakeholders	Communication tools	Participation in preparation of sustainability report	Stakeholders' expectations and needs
LOCAL COMMUNITY AND WIDER SOCIAL ENVIRONMENT	<ul style="list-style-type: none"> - Port Day - "Living with the Port" portal - Meetings with representatives of local communities - Facebook - Port Bulletin 	<ul style="list-style-type: none"> - YES - Three questionnaires completed 	<ul style="list-style-type: none"> - Observance of environmental regulations - Co-financing cultural, sports and humanitarian organisations - New employee hires - Contribution to the development of the economic environment - Spatial plans of the port - Transparent communications with the public <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Indirect economic impacts - Climatic factors and air quality - Involvement of local communities
ENVIRONMENTAL ORGANISATIONS	<ul style="list-style-type: none"> - "Living with the Port" portal - Environmental reports - Expert councils 	<ul style="list-style-type: none"> - YES - Three questionnaires completed 	<ul style="list-style-type: none"> - Observance of environmental regulations <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Quality of the sea, deepening of seabed and management of marine sediments - Climatic factors and air quality - Noise and light pollution - Fire safety - Energy efficiency
MEDIA	<ul style="list-style-type: none"> - Press conferences - Press releases - Answers to the press - Website 	<ul style="list-style-type: none"> - YES - Four questionnaires completed 	<ul style="list-style-type: none"> - Up-to-date information about events, business operations and changes in the Company <p>Contents of particular importance in the process of devising the Sustainability Report</p> <ul style="list-style-type: none"> - Provision of a safe working environment - Stability and business performance - Indirect economic impacts



Listening to **nature**

We are aware of the wisdom that reads: "Man's heart away from nature becomes hard." Therefore, we listen carefully to the natural environment of special value (Natura 2000) with which we are surrounded on two sides, and to the sensitive marine ecosystem. For a number of years, we have been seeking to improve the quality of life in the entire area in which the port is situated.

20 Materiality matrix⁸⁵

Open relations with stakeholders are of utmost importance to link the goals of sustainable development with social responsibility. Since interests and objectives of individual stakeholders differ, it is important to obtain stakeholders' feedback regarding their expectations from individual companies or groups. The Luka Koper Group has therefore identified the key topics of sustainable development and assessed their importance for the Luka Koper Group and for key stakeholders. Based on both aspects, the following matrix of material issues for Luka Koper has been devised.

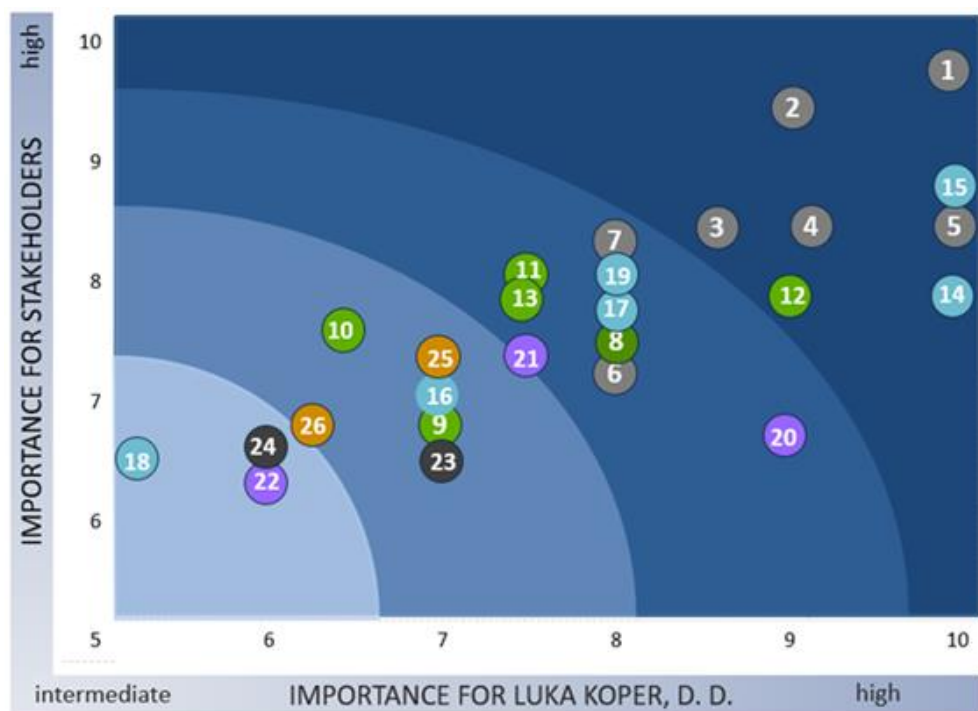
Materiality matrix

All content was highly rated (mark 5 or above) both by stakeholders and the Company. They both recognised the stability and business performance, and provision of a safe working environment, as the most important. Luka Koper, d. d. also emphasised the following as important: operations compliance, care for the environment, particularly the reduction of noise and light pollution, care for employees, including high-performance and satisfaction of employees. The reputation of Luka Koper was also emphasised as content of essential importance.

Stakeholders, on the other hand, emphasised the importance of indirect economic impacts and operational transparency. Being a group of stakeholders, employees gave the highest rating in terms of importance to provision of a safe working environment, whereas environmental organisations highlighted the quality of the sea, deepening of seabed and management of marine sediments as content of major importance.

Luka Koper followed the determined materiality matrix for three years, in the period 2017–2019, and a re-assessment of materiality is planned for 2020.

⁸⁵ GRI GS 102-47



Corporate governance and economic operation
1. Stability and business performance
2. Indirect economic impacts
3. Corporate integrity
4. Operational transparency
5. Operations compliance
6. Stakeholder engagement
7. Commitment to sustainable development
Natural environment
8. Energy efficiency
9. Use of land and water, and formation of waste water
10. Quality of the sea, deepening of seabed and management of marine sediments
11. Climatic factors and air quality
12. Noise and light pollution
13. Waste management
Employees

Employees
14. Recruitment and concern for employees
15. Provision of a safe working environment
16. Education and training of employees
17. High work efficiency in employees, their satisfaction and commitment
18. Diversity, equal opportunities, and non-discrimination
19. Assessment of respect for human rights
Social environment
20. Reputation of Luka Koper
21. Involvement of local communities
22. Donorships and sponsorships
Responsibility to suppliers
23. Assessment of suppliers in terms of impact on society and the environment
24. Purchases by local suppliers
Customers/users
25. Customer health and safety
26. Customer/user privacy

20.1 Material contents highlighted by particular stakeholders⁸⁶

The darker the hue of the box, the more important the content.

	CORPORATE GOVERNANCE AND ECONOMIC OPERATION	NATURAL ENVIRONMENT	EMPLOYEES	SOCIAL ENVIRONMENT	RESPONSIBILITY TO SUPPLIERS	CUSTOMERS/
SHAREHOLDERS	Stability and business performance	Energy efficiency	Provision of a safe working environment	Reputation of Luka Koper		Customer health and safety
CUSTOMERS	Stability and business performance	Waste management	Provision of a safe working environment	Reputation of Luka Koper	Assessment of suppliers in terms of impact on society and the environment	Customer health and safety
PUBLIC AUTHORITIES	Stability and business performance	Waste management	Assessment of respect for human rights			Customer health and safety
CONTRACTING PARTIES (external port service providers)	Stability and business performance	Waste management	Provision of a safe working environment, high work efficiency and satisfaction, and assessment of respect for human rights			Customer health and safety
SUPPLIERS	Stability and business performance	Climatic factors and air quality, and noise and light pollution	Provision of a safe working environment		Purchases by local suppliers	Customer/user privacy
EMPLOYEES	Stability and business performance	Quality of the sea, noise pollution and waste management	Provision of a safe working environment	Involvement of local communities		
LOCAL COMMUNITY AND WIDER SOCIAL ENVIRONMENT	Indirect economic impacts	Climatic factors and air quality	Assessment of respect for human rights	Involvement of local communities	Purchases by local suppliers	Customer health and safety
ENVIRONMENTAL ORGANISATIONS	Commitment to sustainable development	Quality of the sea	Assessment of respect for human rights	Donations and sponsorship	Purchases by local suppliers	Customer health and safety
MEDIA	Stability and business performance, and indirect economic impacts	Climatic factors and noise pollution	Provision of a safe working environment	Involvement of local communities		Customer health and safety

⁸⁶ GRI GS 102-44

20.2 Methodology for determining materiality⁸⁷

In determining the contents of this report, Luka Koper followed the principles of materiality, stakeholder engagement and integrity. According to the materiality principle, the report should reflect the organisation's major environmental, economic and social impacts. In addition, it should include the contents that influence stakeholders' decisions significantly. Our materiality analysis is therefore based on steps that are presented below.

STEP 1

Identification and determination of essential contents of the sustainability report

Based on the proposed essential elements of Global Reporting Initiative Global Standards (GRI) and based on Luka Koper, d. d. strategy and activities, we have identified the essential elements that are relevant and important for our operation. These elements are divided into sections:

1. Corporate governance and economic operation
2. Natural environment
3. Employees
4. Social environment
5. Suppliers
6. Customer/users

STEP 2

Determination of importance by the Company

Importance as determined by the Company is shown on the horizontal axis of the importance graph, elements ranked in importance from right to left. Importance of identified essential elements has been assessed by the Management Board and members of the project team.

STEP 3

Determination of importance by stakeholders

Importance as determined by stakeholders is shown on the vertical axis of the importance graph, elements ranked in importance from top to bottom. Stakeholders' assessment was obtained using a questionnaire sent out to key stakeholders. 45 questionnaires were completed. The stakeholders included as well as their expectations can be seen in the table "Stakeholder engagement, their expectations and needs".

STEP 4

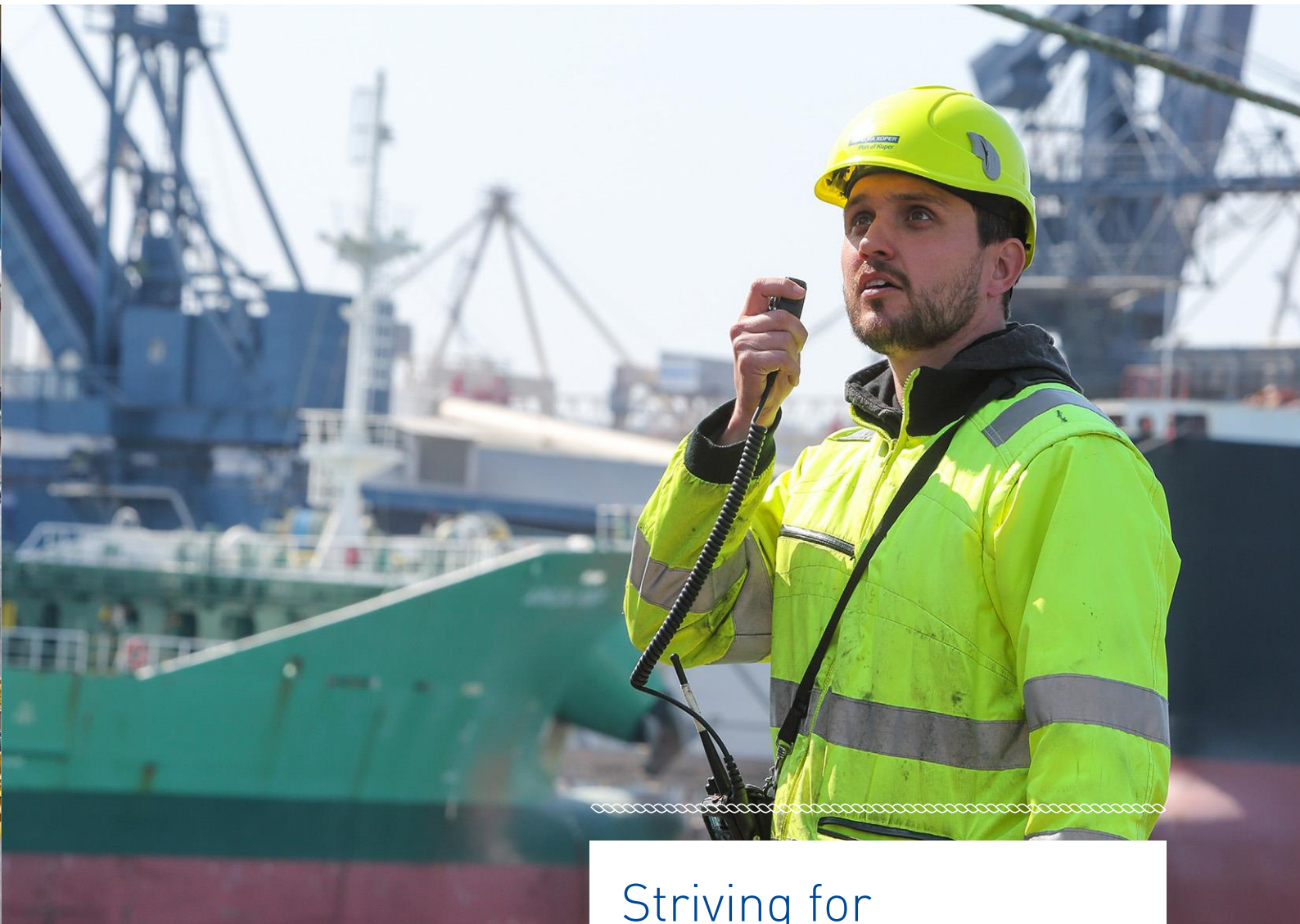
Determination of materiality

The materiality matrix was devised based on the answers received. It shows synergies between the objectives and interests of the Company and stakeholders. We will continue to strengthen the areas which show related interest, and to bring objectives close together in areas of dissent. The selected essential elements and disclosures of the sustainability report are evident from the GRI index, and the conceptual design of this Sustainability Report is based on established materiality.

In collecting data and writing the Sustainability Report, the report quality principles were taken into account, which include principles of:

- Balance,
- Accuracy,
- Timeliness,
- Comparability,
- Clarity,
- Reliability.

⁸⁷ GRI GS 102-46



Striving for excellence

Excellence is never a coincidence. It is always the result of firm intention, sincere effort and intelligent execution. Only satisfied, talented, focused and motivated employees can be the heart of long-term port development. Therefore, we strive to retain and recruit the right employees and to support their career and personal development. We are becoming an increasingly learning organisation from day to day.

21 Corporate integrity, human rights and operations compliance⁸⁸

It is a welcome business practice of recent years that in their operations, companies have been oriented increasingly towards the respect and strengthening of corporate integrity. Such an approach ensures for business operation to be compliant with legislation, good business practices and ethical principles.

Compliance with legislation and ethical conduct in its broadest sense are ensured by following the concept of social responsibility, which has been increasingly prominent and becoming an indispensable part of companies' day-to-day operation. The aim of companies of the Luka Koper Group is long-term successful performance, which refers to long-term development of the Luka Koper Company and Group, and includes commitment to sustainable development, i.e. a socially responsible attitude toward the social community and natural environment. This commitment is ingrained in our values and corporate culture.

21.1 Corporate integrity and human rights⁸⁹

The Luka Koper Group was among the first entities to have acceded to the Slovenian corporate integrity guidelines already in 2014. We became an ambassador of corporate integrity, which we consider a crucial factor in responsible commercial practice and our sustainable development. In 2019, we amended the three key documents from the field, i.e. the Strategy of Corporate Integrity of the Luka Koper Group, the Code of Ethics of the Luka Koper Group, and the Rules of Procedure of the Corporate Integrity Officer and the Committee addressing reported violations of corporate integrity of the Luka Koper Group. In Luka Koper, the area of corporate integrity is overseen by the Corporate Integrity Officer and the Committee addressing reported violations of corporate integrity, who based on observed violations make reports with recommendations or proposed measures.

Since the Company is oriented towards creating the conditions for a highly ethical and responsible business conduct, protecting the interests of all stakeholders and minimising risk that might arise due to non-compliant conduct of employees, contracting partners or third parties, in 2019 we introduced the positions of Corporate Integrity Officer and Operations Compliance Officer, who are autonomous in terms of organisation, and reporting directly to the Company management bodies as well as the Supervisory Board. It is the role of the Corporate Integrity Officer and Operations Compliance Officer to provide advice and warn against the existence of compliance risk with regard to the legislation, internal rules and other current Company's acts within all business processes, and particularly against the risk of insider dealing and disclosure of protected data.

This is how we ensure the performance of the corporate integrity programme; managing risk with regard to corporate compliance and integrity; establishing a relevant procedure and methodology for assessing compliance and corporate integrity risk; managing risk to do with conflict of interests, lobbying, corruption and breaches of ethics and integrity based on the Code of Ethics; record-keeping; due care for the corporate integrity system to be rooted in the internal management system, and strengthening the culture of operations compliance and integrity.

Corporate Integrity Officer also ensures that all the necessary declarations of the members of the Management Board are collected regarding conflict of interests, autonomy and protection of inside information as provided for and required by positive law.

Each natural or legal person may address to the Corporate Integrity Officer a report of violations for which the Officer is responsible. The Officer and the Committee process all the reports and notifications, even if submitted anonymously. Any violation of corporate integrity may be reported through the Company website <https://www.luka-kp.si/slo/prijava-nepravilnosti> or directly with the Corporate Integrity Officer. The Officer and the Committee have to protect the identity of bona-fide notifiers and handle their data confidentially. In the event of illicit retaliatory measures against the notifier, appropriate procedures may be instituted against employees who carried out the illicit retaliation in accordance with the work code in force, of which the company management has to be informed. In case of an anonymous report, the identity of the bona-fide notifier should not be established. The report can be

⁸⁸ GRI GS 102-16, 102-17

⁸⁹ GRI GS 102-17, 102-1, 102-2, 102-3

submitted in writing, orally on the record, using the form of the Luka Koper website, or using other electronic means. Each received report is recorded in the register of reported violations.

Reports on reported violations are discussed regularly by the Audit Committee of the Supervisory Board, and also by the Supervisory Board once a year.

Serving to the Company as a guide, and providing it with guidelines and rules, the Code of Ethics is based on our values and objectives. It summarises potential ethical dilemmas and situations in which an employee might find themselves as part of the expected or required conduct of employees working in the Luka Koper Group.

The electronic Code of Ethics is available to all employees on the Luka Koper online portal, and to business partners and other interested parties on the Luka Koper website. All new employees receive a printed copy of the Code of Ethics upon being recruited, and commit to respecting it by means of a statement. All employees, and particularly the executives, are expected to display a high level of professionalism and integrity in relation to other employees and also to customers, owners, the media, suppliers, public authorities and other partners.

Leaders have the role to direct the employees in their involvement towards achieving the Company's shared goals by setting an example, assuming responsibility for the results and staff development, translating organisational objectives into individual ones, providing employees with regular feedback on work efficiency, i.e. being able to define the employees' disadvantages and advantages.

In making decisions, they are guided by responsibility, commitment, respect, cooperation and creativity.

Companies of the Luka Koper Group seek to protect its property against fraud and corrupt practices by establishing a relevant internal control system. Employees at positions exposed to such risks have been asked to sign statements on related parties and avoidance of conflicts of interests. Rules on accepting gifts in the companies of the Luka Koper Group are also in force in said companies.

In 2019, the Corporate Integrity Officer of the Luka Koper Group dealt with 10 reports of alleged violations of corporate integrity filed by both external and internal players. The management implemented the recommendations given by the Officer and newly adopted the Conflict of Interest Management Policy and the Practical Guide to Ethical Conduct.

21.2 Discrimination⁹⁰

The employer is under a legal obligation to ensure the working environment in which no worker is subjected to sexual and other harassment or mobbing, either verbal, non-verbal or physical, by the employer, the superiors or co-workers. For this purpose, the employer must take appropriate measures to protect workers against sexual and other harassment or mobbing at their workplace. Since 2014, the Company has had the Policy for Protection of the Dignity of Employees, which regulates the protection of employees from any forms of harassment and mobbing at the workplace, while also setting the procedures, methods of reporting and measures to protect the dignity of employees.

In 2019, one case of suspected harassment and ill-treatment at work was discussed and solved informally, as no formal complaint was filed.

Luka Koper ensures its employees and others in the port area a safe and stimulating working environment by means of:

- Consistent respect of rights acquired by employees,
- Provision of the necessary working and other premises, equipment and information required to work and stay in the Company,
- Training and competence development for employees and encouragement of their personal and professional development,
- Sufficient and regular remuneration,
- Concern for the health of employees (with measures for safe work protecting the health of employees, and by promoting their participation in sports),
- Protection of employees and others in the port area (with measures and rules of conduct for the port area, including prohibition of work in Luka Koper while under the influence of alcohol and illegal psychoactive substances).

⁹⁰ GRI GS 406-1, 102-1, 102-2, 102-3

Luka Koper does not permit the following in human relations:

- Any form of discrimination on the basis of nationality, race, gender, sexual orientation, health status, religion, age, trade union membership, political orientation and other personal traits (except for where there is relevant basis in the profession or regulations),
- Any sexual or other harassment at the workplace or mobbing, which is regulated in detail in the Policy for Protection of the Dignity of Employees,
- Any intolerant or disrespectful attitude toward colleagues, business partners and other persons performing their work in the Company,
- Other forms of unethical behaviour.

We respect the rights of employees to freedom of association, membership in trade unions and the Works Council, and other forms of association. Communication should be open and respectful, without any misrepresentation of facts or misleading and unauthorised transfer of information at all levels and in all areas of conduct in the Company, both in formal and informal communication. Work criticism is part of open communication and should be directed towards activities rather than the person.

The method of protecting the confidentiality of business secrets and inside information, and mechanisms to prevent abuse of these are set out in internal rules.

21.3 Human rights identified as most relevant for Luka Koper, d. d.⁹¹

Luka Koper, d. d. is aware that in its operations there are also certain risks of human rights violations. Respect for human rights applies to the entire Luka Koper and to all employees.

The table below states the human rights that were recognised within the employee working group responsible for implementing sustainable reporting under GRI standards as most relevant to all employees of Luka Koper, d. d.

Human rights	Employees	Importance 1-4 ⁹²	KPI
FUNDAMENTAL RIGHTS AND FREEDOMS			
The right to life	X	1	No of deaths
Prohibition of forced labour	X	4	No of hours of work
Freedom of expression – in connection with the right to organised trade union movement; smearing by the media	X	2	No of publications No of actions to mute someone
Inviolability of private life (data protection)	X	1	No of cases of data misuse (reported)
ECONOMIC, SOCIAL AND CULTURAL RIGHTS			
Right to work	X	1	No of on-going actions for unlawful dismissal
Right to education	X	4	Average No of hours of training No of certifications (external port services providers)
Right to dignity at work	X	1	No of reports (detection mechanism for external port services providers)
Right to form trade unions, to participate and strike	X	1	No of strikes, conventions No of representative trade unions Agreement with trade unions
Right to equal pay for equal work	X	1	Salary levels for the same position
Right to social security (payment of contributions)	X	1	Payment of contribution

⁹¹ GRI GS 412-1

⁹² 1- very important, 4-not important

Right to family life	X	2	No of overtime hours beyond the regulatory limit
Right to health	X	1	Measures for the promotion of health No of injuries at work No of medical examinations
Right to non-discrimination	X	2	No of complaints due to discriminatory treatment
Right to rest and leisure time	X	1	Use of annual leave Pay for annual leave

HUMAN RIGHTS OF THIRD GENERATION

Right to a healthy living environment	X	1	Noise level Concentration of dust particles No of pollution incidents Quality of drinking water
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21.4 Corruption and bribery⁹³

In January 2016, the Rules on Accepting Gifts in Relation to the Provision of Services were adopted and the Register of Accepted Gifts was established.

The Luka Koper Group is at the stage of adopting the principles for suppliers, and has also decided to initiate the implementation of the management system for the prevention of corruption in accordance with the standard ISO 37001:2016. Stage one comprising a thorough analysis of the situation, was completed in late 2019. The Luka Koper Group will also be strengthening the process of promoting ethical values and internalizing them, and will ensure the management of the risks of corrupt practices and the consequent reduction of operating losses. It will pursue the highest level of professionalism, loyalty and integrity in relation to employees, customers, owners, media, suppliers, state and local authorities and other stakeholders, and conclude business relations in a transparent manner, respecting competitiveness and good business practices and with zero tolerance of any corrupt or ethically objectionable conduct or unfair business practices.

With the principles for suppliers, i.e. the rules of business ethics, the Luka Koper Group seeks to establish the conditions in which its suppliers, customers, as well as their employees and contractors, and other stakeholders will be working with the Luka Koper Group in the spirit of the ethical rules of conduct that apply to the Luka Koper Group.

It is an established practice that upon recruitment each new employee is given the Code of Ethics that also defines corruption risk, and presented port safety which includes integrity issues (how to behave at the workplace, protection of business secret, etc.). In 2019, all employees were informed of the above.

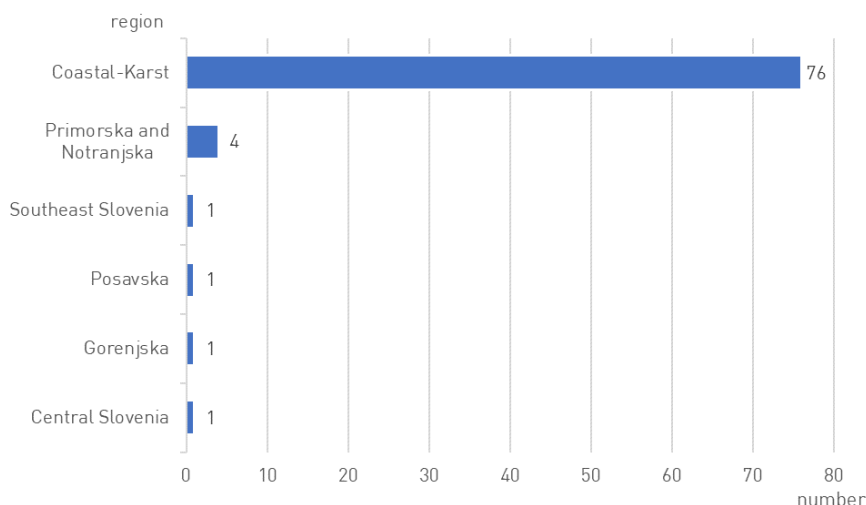
In order to be aware that corruption risks have been and will continue to be present, and in order to learn to recognize them and respond to them, training in the field of identifying corruption risks in a corporate environment was conducted for the employees of Luka Koper, d. d. in 2019, focusing on the following issues: definitions and characterisations of corruption risks, facts and effects of corruption risks, perpetrator profile, management of corruption risk, preventive activities, OECD corporate governance policies, guidelines and recommendations of the Commission for the Prevention of Corruption. Three workshops were organized:

- Workshop (2 hours) dedicated to strategic management of the company (11 employees).
- Workshop (3 hours) dedicated to middle management and responsible persons who carry out processes exposed to corruption risks (14 employees).
- Workshop (3 hours) dedicated to employees of organizational units specifically exposed to corruption risks (57 employees).

In addition, training was organized as part of the Corporate Security Days conference (6 hours, 1 employee) and the Corporate Governance Conference (5 hours, 4 employees) was held.

⁹³ GRI GS 205-2, 205-3, 103-1, 103-2, 103-3

Figure 28: Number of employees in 2019 included in the presentation of the Code of Ethics which also addresses anti-corruption issues – by region of permanent residence



In 2019, there were no confirmed cases of corruption in the Luka Koper Group.

21.5 Diversity Policy⁹⁴

In 2018, the Supervisory Board adopted the Diversity Policy of the Management Board and the Supervisory Board of Luka Koper, d. d.

The Diversity Policy sets out the target diversity that is pursued in relation to representation in the Supervisory Board and the Management Board based on gender, age, education level and other personal characteristics of members as appropriate for the Company.

With the Diversity Policy of the Management Board and the Supervisory Board, the Company has set the framework to enable for the composition of the two bodies to include appropriate representation of both sexes (female and male) and varying age groups with a diverse range of relevant knowledge, skills and experience, which given optimum management, and risk control and management ensures the long-term success of the Company in meeting its objectives and implementing its strategy.

As well as on legislative acts and the Company's articles of association, the Diversity Policy is based on the Management Policy of Luka Koper, d. d., and the Code of Ethics of the Luka Koper Group.

Taking into consideration the company's core business, gender balance is considered in the composition of the Management Board and the Supervisory Board. It has to be ensured that the Management Board combined and the Supervisory Board combined possess all the required knowledge, skills and experience, whereby individual members are complementing each other with their knowledge, skills and experience to be able to manage or supervise the company limited by shares in accordance with its objectives, strategy, policies and ethical standards. In this regard, the Supervisory Board has adopted the competence profile of the members of the Supervisory Board, and the Company will additionally tackle the amendments to the Diversity Policy by defining its goals and other aspects.

21.6 Protection of personal data

Luka Koper, d. d., has concluded a contract with an external contractor to carry out the functions of a Data Protection Officer. In the context of measures for the implementation of the EU General Data Protection Regulation (GDPR), the final version of the Regulation on the Protection of Personal Data has been devised; having been adopted by the Management Board, it is now available on the Company's Intranet site.

In compliance with the European and Slovenian personal data protection legislation, Mikrocop as a legal entity performs the function of a Data Protection Officer: with their relevant professional merit and particularly with expert knowledge of legislation and actual experience in personal data protection and comparable areas, the

⁹⁴ GRI GS 103-1, 103-2, 103-3

company assists Luka Koper, d. d. in an independent manner in ensuring that their processing of personal data is in compliance with the regulations governing the protection of personal data.

21.7 Compliance with the legislation and internal requirements⁹⁵

Regarding compliance, Luka Koper has been implementing preventive checks based on its internal rules to ensure the compliance of operations, and ensuring a systematic procedure of recording, solving and analysing all types of non-compliance with the aim of introducing suitable improvement measures, which results in constant improvement of the quality of operations.

With the purpose of effective implementation of operations compliance, the Company introduced the Operations Compliance Officer as an independent function as of 4 November 2019. Upon taking office, the Operations Compliance Officer prepared a programme of work for 2020, which was approved in December 2019. The program is aimed not only at checking the compliance of the Company's internal regulations with the external ones, but also at checking how the Company and the Group actually follow the implementation of the provisions of external and internal regulations.

In 2019, quarterly reviews of the compliance of internal regulations with external regulations were carried out, touching in particular on the following areas: protection of personal data, public procurement, occupational safety, and employment relations. Monitoring of new legislation and changes to existing legislation was also carried out and, where necessary, adaptation of internal regulations to external ones.

In 2019, 33 inspections were carried out in the area of cargo port of Koper, of which 10 were related to Luka Koper, d. d. The inspectors issued three infringement decisions that led to the implementation of appropriate measures. In 2019, the Company paid two fines of small value, one for the 2017 excessive noise and one for a procurement offence.

The internal regulations of Luka Koper, d. d., touch upon all its fields of activity, i.e. operations, sales of services, relationships with suppliers, shareholders, finance, accounting, security, ecology, occupational safety, protection of personal data and business secrets, etc. The Company adopts various policies, strategies and codes, such as the Company's Business Continuity Policy, Safe and Healthy Port Environment Policy, Luka Koper Group Corporate Integrity Strategy, Purchasing Policy, Corporate Governance Policy, Business and Quality Policy, Sales Policy, Safe and Healthy Port Environment and Energy Efficiency Policy; and the Code of Ethics of the Company and the Luka Koper Group, which regulate the company's appearance on the market both in relation to customers requesting its services, as well as suppliers and relationships with various stakeholders. All the mentioned policies, strategies and codes aim to ensure the smooth operation of the Company and the Group, thereby achieving financial as well as non-financial objectives.

The internal regulations are being constantly refined in view of the challenges the Company is facing in the market and in relation to its stakeholders, while also laying down the control mechanisms that ensure performance transparency and integrity.

⁹⁵ GRI GS 307-1, 419-1, 103-1, 103-2, 103-3



Always **on standby**

Port is a dynamic system that never sleeps. We are always on standby should an unpleasant event occur. We have the most up-to-date equipment and skilled people who can make the right decisions at any time. Health and safety always come first in the port.

22 Safe and healthy port environment

22.1 Occupational safety system⁹⁶

The policy of a safe and healthy work environment is implemented in the Luka Koper Group by ensuring that work processes are in accordance with the occupational health and safety management system. The management system is formed by Luka Koper, d. d., holder of the BS OHSAS 18001:2007 certification. The major starting points in implementing the system are continuous improvement, hazard identification and prevention of injuries before they occur at all. The existing system is being adapted to the new ISO 45001 standard, which came into force in 2018. To this end, training has been organised for internal auditors of the health and safety at work system in accordance with the ISO 45001:2018 standard.

The occupational health and safety system has been devised to include in the framework of the annual planning the examination of risk related to occupational health and safety based on risk assessment and risk register. Risks are identified with an assessment of work-related risks and analysis of accidents at work and other exceptional events. Based on identified significant risks, annual targets are set and improvement programmes devised, including the activities required to achieve the objectives set. The implementation of the improvement programme is monitored in quarterly reports and work programmes, and in the annual report on occupational health and safety. Suitability of the established system is verified and assessed in the framework of regular internal and external audits and based on management reviews.

In the framework of occupational health, Luka Koper has been planning and implementing the promotion of health in the workplace, while also providing the required resources and method of monitoring. Health promotion activities are determined by means of medical assessment of the needs, which is based on data on the most frequent causes of sick leave under ICD-10 and recommendations of an authorised occupational medicine specialist.

22.2 Occupational health and safety⁹⁷

Organisation

At the highest level, the person responsible for occupational health and safety is the Member of the Management Board - Worker Director. 25 employees are authorised to perform tasks related to occupational safety in Luka Koper. A working group for the promotion of health has also been appointed, which is presented in greater detail at the end of this section. All the important issues of occupational health and safety involve the Works Council and the trade union, which represent all employees. A sports club operates in the framework of Luka Koper, having 888 members (61% of all employees) and enabling participation in various sports.

Occupational safety objectives for 2019

The most important occupational safety objectives in 2019 were as follows:

- To prevent serious injuries entirely,
- A maximum of 16 injuries at work per million hours worked,
- To improve the security of internal transport to less than 25 exceptional occurrences per million hours worked.



⁹⁶ GRI GS 103-1, 103-2, 103-3

⁹⁷ GRI GS 403-1, 403-2

Occupational safety objectives for 2019

PLANNED	ACHIEVED
0 serious injuries	1 serious injury
A maximum of 16 injuries per million hours worked (employees + external port services providers)	9.2 injuries / million hours worked
A maximum of 25 collisions in internal transport per million hours worked	27.7 collisions / million hours worked

Key:

Objective attained	
Objective not attained	

Occupational safety objectives for 2020

- 0 serious injuries,
- A maximum of 15 injuries at work per million hours worked,
- To improve the security of internal transport to less than 25 collisions per million hours worked.

22.3 Compliance with occupational safety legislation⁹⁸

Compliance with legislative requirements is verified by means of permanent internal control, internal and external audits and on the basis of inspections.

In 2019, five inspections were performed in Luka Koper, d. d., of which three inspections were carried out to examine a work accident, one was carried out to verify operations at a joint site where work was performed by employees of two companies, Slovenske železnice d. o. o. and Luka Koper, d. d., and one inspection of the situation with regard to obtaining certificates in relation to explosion hazard studies. Two regulatory decisions were issued for Luka Koper, d. d. The requirements of one regulatory decision were remedied within the prescribed deadline, and the deadline for elimination of the identified deficiencies from the second decision was extended to 31 December 2020.

22.4 Injuries at work⁹⁹

22.4.1 Number of injuries at work

For the purposes of injury statistics and the calculation of various indices, injuries at work are taken into account when requiring at least one day of sick leave. In addition to those listed, 17 other injuries in employees of Luka Koper, d. d. were recorded in 2019, and 10 injuries in external port services providers, but required no sick leave.

Table 11: Number of injuries at work¹⁰⁰

	2019	2018	2017	2016	2015
Luka Koper, d. d.	22	12	8	11	12 (1)
Port service providers	19 (1)	36	59 (2)	45 (4)	32 (1)
External contractors	11	16	19	9	8 (2)
Subsidiaries	6	5	10	11	4
Recruitment agencies ¹⁰¹	2	/	/	/	/

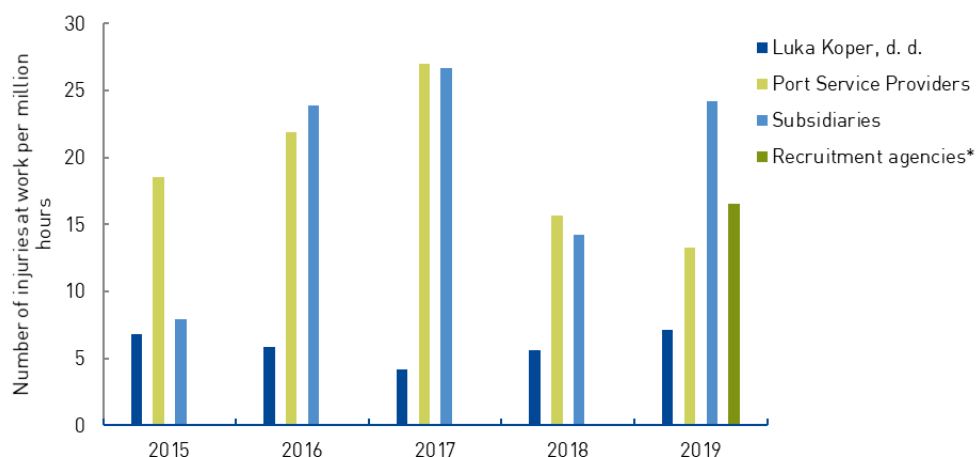
⁹⁸ GRI GS 419-1, 102-1, 102-2, 102-3

⁹⁹ GRI GS 403-2

¹⁰⁰ The number of serious injuries in brackets, the total number outside of the brackets.

¹⁰¹ Recruitment agencies started to provide services in Luka Koper d. d. in September 2019.

Figure 29: Number of injuries at work per million hours worked



From year to year, the number of injuries varies significantly. In 2019, the incidence of injuries is slightly higher than in the previous year, and one serious injury was recorded. In November, a serious fatal work accident occurred at the general cargoes terminal. An employee fell off a ladder while exiting a ship's hold and sustained fatal injuries. Following this event, a working group was set up to improve existing safety measures for shipboard work. As work is being transferred port service providers to Luka Koper, so are injuries at work. The latter mostly include minor injuries in manual work, or while descending or walking, etc., which can be attributed to a moment of carelessness, disregard for the occupational safety and health rules, or loss of control over the objects handled.

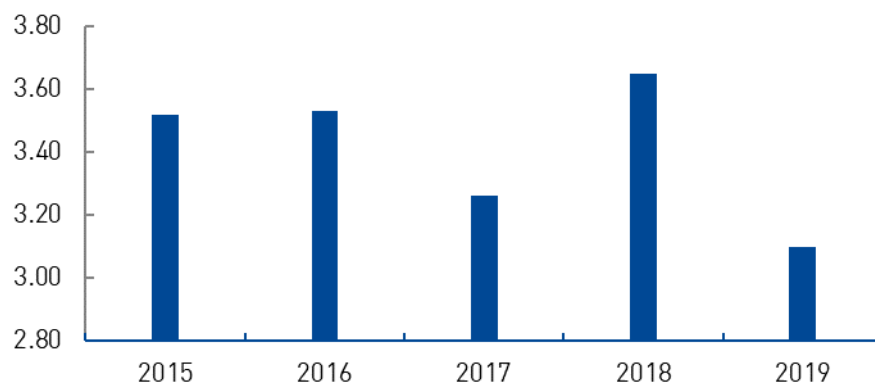
22.4.2 Summary of collective injuries

In 2019, no collective injuries at work were recorded among the employees of Luka Koper, d. d., agency workers, external port services providers and employees in subsidiaries. In the last five years, two collective accidents were registered, which took place in 2016.

22.4.3 Summary of sick leave¹⁰²

Sick leave comprises absence of employees which is a result of sickness, injuries, nursing care and accompaniment. The figure below illustrates the share of sick leave, which specifies the share of working days lost due to sick leave. In 2019, sick leave amounted to 3.07%, which does not deviate from the average of recent years. There are no confirmed occupational diseases in Luka Koper.

Figure 30: Share of working days lost due to sick leave per employee



¹⁰² GRI GS 403-2

22.5 Loss events

Loss events that are the subject of analysis are the events which resulted in pecuniary loss or material damage; however, there were no injured people.

Of all the loss events recorded in the Port, occurrences that stand out in their numbers are the events where the loss was due to collision. The number of collisions has increased over the years, mainly due to handling and storage areas as well as roads being overloaded as a result of the constant growth of port throughput, while transshipment operations are also increasingly being carried out on traffic routes. In 2019, the number of collisions decreased, which can be attributed to the new port entrance, the redesigned internal public transport system and the adoption of a protocol for the safe handling of transshipment operations on the main road (the artery). In order to improve road safety, together with the Slovenian Traffic Safety Agency, we conducted a workshop on the topic of road safety and, through promotional material (posters), reiterated the importance of adhering to safety measures such as: use of seat belts, prohibition of the use of multimedia devices, reduced speed, and drink and drug driving bans. However, significant improvements in internal logistics and traffic security are expected with the full operation of the new port entrance and the withdrawal of private vehicles from the port.

22.6 Summary of activities performed in the area of occupational health and safety in 2019

Several major activities were carried out in 2019 with the aim of ensuring occupational health and safety more efficiently.

A final report on the review of technological procedures and related safety work studies was prepared, with the findings, comments and amendments proposed, on the basis of which most of the revisions of these documents have already been completed.

The action plan continued to be implemented. Most of the activities were aimed at training agency workers for implementing the port service provision strategy. The reform of the safe and healthy working training system and the project initiative for setting up a training centre were continued.

A working group has been set up to achieve a concrete improvement in respecting the security measures in the port area. The current regime does not allow for effective rewarding, sanctioning or limiting the rewarding of violators, which would significantly contribute to raising the overall security culture.

We began to look for ways to upgrade the information system for logging and handling emergency events in the port, which would allow further processing of events by experts in individual fields, event research, action, statistical processing and monitoring of indicators.

On the basis of the terms of reference for an overhaul of difficult working conditions and the plan of implementing a revision of risk assessment for all jobs, the implementation of more concrete investigations of the harmfulness of the working environment for the posts of Luka Koper, d. d. and Luka Koper INPO, d. o. o. has begun and will continue in 2020.

We have upgraded our alert and response system for extreme weather conditions. In 2019, we expanded the network of wind speed measuring sites in the port with six new measuring points and established an information portal for reviewing measurement data and forecasts. The forecast of wind speed and tidal currents for the port of Koper is updated every hour by the Environmental Agency of the Republic of Slovenia. The Information Portal facilitates the planning of appropriate actions in work processes.

We have begun to unify and choose more comfortable personal protective equipment to be used by employees and agency workers at work.

In order to encourage fluid intake, we have ordered for all employees and agency workers a bottle or a thermal flask that can be attached on work clothes, which is important especially for workers performing outdoor work.

For greater security at the port, we purchased two 2 x 5 metre LED screens and installed them above the main artery of Luka Koper, where most people enter the port. The purpose of the screens is to inform and alert people of rules, restrictions, prohibitions and other developments in the port.

As a collaboration among specialised departments and Profit Centres or terminals, activities are carried out with regard to control of and providing information on risk related to abuse of alcohol and other banned psychoactive substances.

Awareness-raising on occupational safety is being carried out. The Lukec mascot has been included in promotional materials to increase awareness in the field. In 2019, we designed a 2D Lukec mascot to keep workers informed with various warnings about safety at work.



22.7 Health promotion¹⁰³

The health promotion programme is being devised by representatives of all major organisational units, human resources, health protection and ecology department, and senior management. Priority tasks within health promotion are: control of musculoskeletal disorders, respiratory diseases, alcohol abuse related disorders, and improvement of interpersonal relations. Musculoskeletal disorders mostly affect operational workers and office workers, which is particularly due to extreme posture. The following activities were implemented with the purpose of maintaining and improving employee psychophysical abilities:

Six employees took part in two 90-day body transformation challenges.



In order to make managers aware of the responsibility of providing a work environment free of psychoactive substances, we invited to Luka Koper Ms Janja Milic, Head of the Addiction Treatment Unit at the Idrija Psychiatric Hospital. In seven short lectures, she presented to the executives important insights into addiction, the most commonly abused substances and other recent addictions of modern times. Particular emphasis was placed on identifying individuals with difficulties and the importance of prompt action by the employer.

¹⁰³ GRI GS 403-1, 403-3



Each year, new employees are invited to attend the workshop 'How to control workplace mobbing'.

Every third month, fresh fruit and warm tea were distributed among our employees, other workers and visitors.



At the initiative of the Works Council, we have prepared a proposal for measures to reduce the negative effects of night work.

On Health Day, we were visited by Dr Leja Dolenc Grošelj who informed the meeting participants about the importance of sleep for shift workers.



Workshops on balanced nutrition were organized for groups of up to 20 participants, focusing on practical guidelines for food choices.

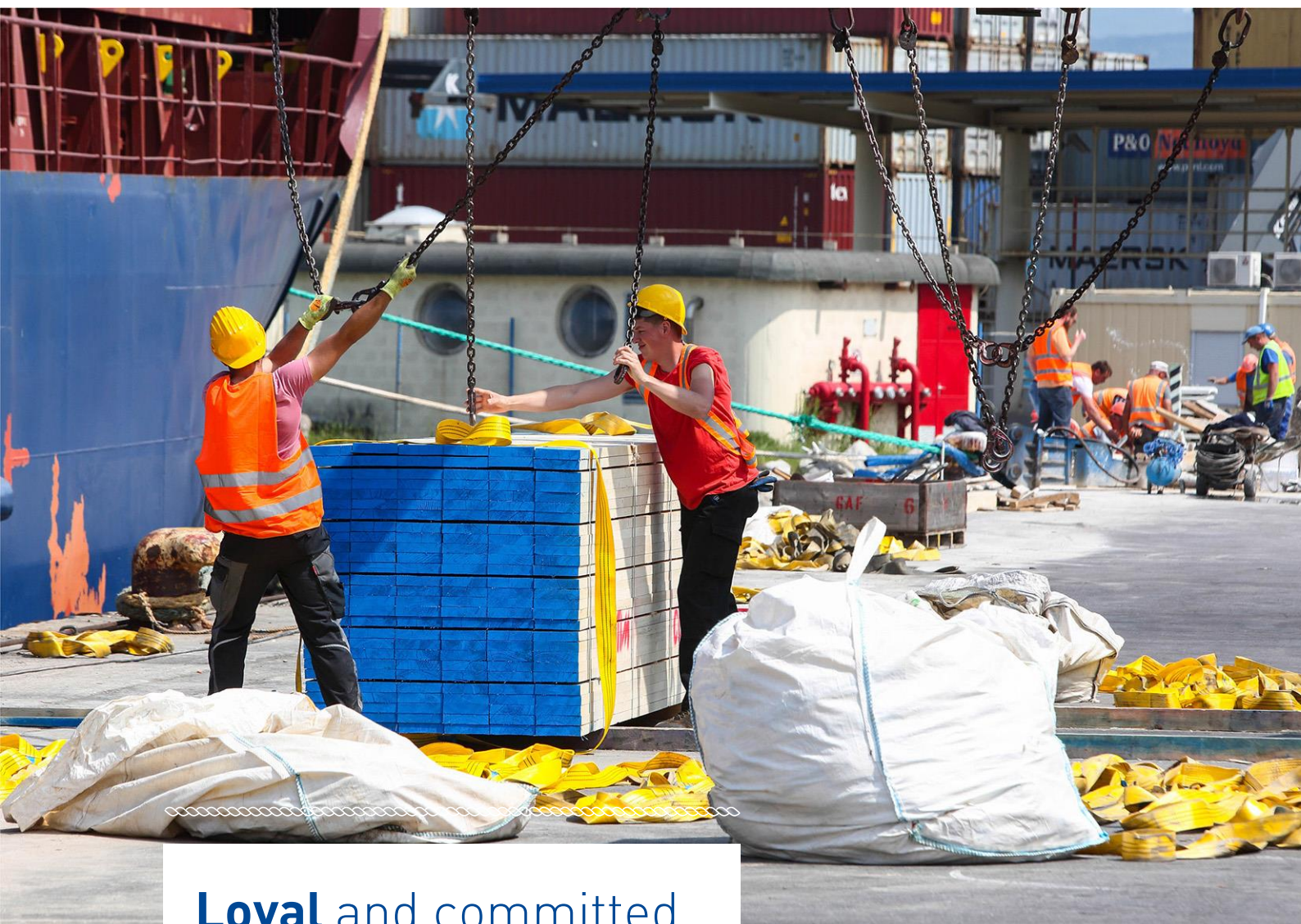


Again, we checked among our employees what their burden was due to experiencing stress.

We have completed the campaign '10 recommendations for health promotion'.

22.8 Planned occupational health and safety activities in 2020

- Carrying out more concrete investigations of harm in the work environment – ecological measurements (noise, dust, vibration, etc.) based on the terms of reference for the overhaul of difficult working conditions and the plan of implementing a revision of risk assessment for all jobs.
- Unification and selection of more comfortable personal protective equipment to be used by employees and agency workers at work.
- Continuation of activities related to upgrading the information system for recording and handling of emergency events in the port, which will enable further processing of events by experts in individual fields, event research, action, statistical processing and monitoring of indicators.
- Preparation of a model for efficient and consistent action in events of non-compliance with safety requirements.
- Continuation of activities to set up a training centre.
- Continued reform of the job-related training system, i.e. the safe and healthy working training system.
- Purchase of personnel baskets for transfer of people and for safe work at a height.
- Introduction of systems to prevent collisions on cranes.
- Integration of reversing safety devices for forklifts and mobile machinery.
- Establish the traffic system – barriers and a parking lot for goods vehicles, parking spaces and access routes.
- Introduction of video surveillance to increase security during shipment and during standstill of loading points at the liquid cargo terminal.
- Purchase of equipment to ensure safety in Ex zones (radiotelephones, maintenance tools and equipment, vacuum cleaners, etc.) to apply for certification in terms of explosion hazard studies.
- Purchase of personal dosimeters for measuring noise in the work area.
- Purchase of meters for measuring gases in the work area.
- Promotion of safety at work (awareness raising with the help of the Lukec mascot).
- Ergonomic improvements (exercise area with accessories).
- Promotion of occupational health (Health day, health promotion activities – workshops, challenges).



Loyal and committed

In compliance with the Port Service Provision Strategy, the Luka Koper Group ended the financial year 2019 with 30 percent more employees than the previous year. We strive for new employees to co-create the future of the company with their knowledge, energy and work zeal. Cooperation, responsibility, respect, affiliation and creativity on the part of each individual are our shared values.

23 Care for employees

With their knowledge, energy and eagerness to work, employees in the Luka Koper Group display their devotion to the collective and help create the company's future in the spirit of partnership.

Port activity demands a flexible approach to the organisation of work, which results in employees having to adapt to the needs of the business and social environment.

Competent and motivated workers are strategic assets and the condition that has to be fulfilled in order for development plans of Luka Koper to be realised. Cooperation, responsibility, respect, affiliation and creativity on the part of each individual are the values implemented by the Group in its practice.

23.1 Employee management system¹⁰⁴

Recruitment and concern for employees, including high work efficiency and employee satisfaction, were recognised by stakeholders as areas of high importance in the materiality matrix.

The guideline in human resource management is the 2016-2020 Human resource management strategy, which has set out strategic objectives and activities to be realised through human resources and education annual plans in the framework of the Company's operational plans. Human resource management policies and practices are set out in the Company's internal documents. Recruitment procedures are run in a transparent and non-discriminatory manner. All employees have the possibility for further development by being included in annual interviews and training programmes. Efficiency of human resource management is monitored by means of a bi-annual assessment of organisational climate, employee satisfaction and commitment, and by means of assessing all management functions based on the 360 degree method. The last employee survey was conducted in October 2019, and agency workers were also included. Following the evaluation analysis, presentations of results to the employees will follow in 2020. A set of measures will be set out at workshops to improve or maintain the results achieved in the area of organisational climate, employee satisfaction and commitment. Luka Koper also participates in the Zlata nit (Golden Thread) project, run by Dnevnik, družba medijskih vsebin, d. d. and its partners, comprising a survey of the growth and development of employees in Slovenia with the aim of finding the best employer. In 2018, Luka was one of the finalists among big companies. The results of the 2019 survey will be known in February 2020. Every two years, we also evaluate the interaction between the units, which aims at working together to achieve common goals and is an indicator of performance from the perspective of working with users of services.

Luka Koper, d. d. has a significantly lower employee turnover rate than the entire logistics industry. In 2019, the fluctuation was 1.6% in the Luka Koper Group, 1.5% in Luka Koper d. d., and 20% in the industry.

On the last day of 2019, the Luka Koper Group had 1,703 employees, which is an increase of 461 from 2018 and means employment growth for the fifth consecutive year, this time more intense, with an index of 137, which is mainly due to the change in the business model at Luka Koper, d. d. The restructuring process reached its highest

¹⁰⁴ GRI GS 103-1, 103-2, 103-3

implementation intensity in 2019. The Luka Koper, d. d. business model, i.e. the so-called three-tier model is based on regular employment 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). Under the Action Plan for the implementation of the port service providers strategy alone, 286 jobs were realized in 2019, which represents 60 percent of total employment. Four agencies were selected in the procurement process, through which 305 employees were posted to Luka Koper, d. d. External service partners were selected for individual services in an open competition process.

23.1.1 Number of employees by company and in the Luka Koper Group¹⁰⁵

	31 Dec 2019	31 Dec 2018	31 Dec 2017
Luka Koper, d. d.	1,541	1,089	926
Luka Koper INPO, d. o. o.	130	122	153
Luka Koper Pristan, d. o. o.,	4	4	4
Adria Terminali, d. o. o.	24	23	21
TOC, d. o. o.	4	4	4
Luka Koper Group*	1,703	1,242	1,108

* 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.

23.1.2 Number of employees in Luka Koper, d. d. with regard to the type of contract (indefinite, temporary)¹⁰⁶

	31 Dec 2019		31 Dec 2018		31 Dec 2017	
	Number	Share	Number	Share	Number	Share
Indefinite	1,374	89.1	944	86.7	864	93.3
Fixed-term	167	10.8	145	13.3	62	6.7
TOTAL	1,541	100	1,089	100	926	100

Workers employed in Luka Koper, d. d. have employment contracts of indefinite duration, except for new recruitment when the reasons for fixed-term employment include training for various types of machinery, technological improvements to the work process for optimal and uninterrupted implementation of work processes and increased work.

23.1.3 Number of employees in Luka Koper, d. d. as at 31 December by gender¹⁰⁷

	31 Dec 2019		31 Dec 2018		31 Dec 2017	
	Number	Share	Number	Share	Number	Share
Men	1,396	90.6	977	89.7	816	88.1
Women	145	9.4	112	10.3	110	11.9
TOTAL	1,541	100	1,089	100	926	100

Due to the nature of work, the company employs far more men than women. Increased employment in the basic transshipment process has been reducing the proportion of women in the structure of employees despite the fact that more and more women are also in jobs that have traditionally been associated with the male workforce, e.g. elevator operator, port machinery operator, truck driver, foreman, warehousekeeper, security guard. New jobs are dominated by the male population at 92.4 percent.

¹⁰⁵ GRI GS 102-7

¹⁰⁶ GRI GS 102-8

¹⁰⁷ GRI GS 102-8

23.1.4 Share of employees in Luka Koper, d. d. by region of residence¹⁰⁸

Statistical regions of Slovenia	31 Dec 2019	31 Dec 2018	31 Dec 2017
Coastal and Karst Region	89.4	92.2	91.7
Primorska and Notranjska Region	9.3	6.2	7.0
Central Slovenia	0.9	0.6	0.5
Goriška	0.1	0.6	0.5
Southeast Slovenia	0	0	0.1
Gorenjska	0.1	0.1	0
Posavska	0	0.1	0
Other country (Italy, Croatia)	0.2	0.3	0.2
TOTAL	100.0	100.0	100.0

Displaying the highest share, i.e. 89.4% to originate in the Coastal and Karst Region, the structure of employees by region of residence reflects the nature of transshipment and the flexibility of our services – based on shiftwork we ensure the continuous provision of services throughout the year.

23.1.5 Number of employees by type of employment (full working time, part-time)¹⁰⁹

	31 Dec 2019		31 Dec 2018		31 Dec 2017	
	Number	Share	Number	Share	Number	Share
Part-time employment (All)	13	0.8	16	1.5	9	1.0
Of which women as part-time employees	4		6		4	
Full working time	1,528		1,073		843	

Less than one percent of the employees of Luka Koper d. d. work part-time, of which the same proportion is due to health reasons (4 employees), disability (5 employees) and parenthood (4 employees).

23.1.6 Share of employees in Luka Koper, d. d. covered by collective agreement¹¹⁰

	31 Dec 2019	31 Dec 2018	31 Dec 2017
Employees covered by collective agreement	97.9	97.2	97.1
Employees outside the collective agreement framework	2.1	2.8	2.9
TOTAL	100.0	100.0	100.0

In 2019, most of the recruitment was done for the basic transshipment and storage process, also as a result of the changed business model, the result of which was replacement of previous port service providers with full-time employees and hired agency workers, and to a lesser extent with external contractors to provide services. The new employees include one company scholarship holder.

The fluctuation of employees is particularly low due to intensive employment. New hires mitigate the aging workforce, or reduce the relatively high average age of employees to 41.5 years, despite the preference for candidates with port work experience (from among port service providers) in 2019 recruitment processes. The reasons for leaving or termination of employment are dominated by retirement age, followed by consensual termination of employment. There were also two regular dismissals due to unsuccessful probation and one death of a worker.

¹⁰⁸ GRI GS 102-8

¹⁰⁹ GRI GS 102-8

¹¹⁰ GRI GS 102-41

23.1.7 Employee structure in Luka Koper, d. d. by age groups¹¹¹

Age groups (years)	31 Dec 2019		31 Dec 2018		31 Dec 2017	
	Number	Share	Number	Share	Number	Share
18–30	239	15.5	129	11.8	85	9.2
31–40	541	35.1	368	33.8	313	33.8
41–50	513	33.3	377	34.6	320	34.6
51–60	220	14.3	190	17.4	182	19.7
Over 61	28	1.8	25	2.3	26	2.8
Total number of employees	1,541	100.0	1,089	100.0	926	100.0
Average age of employees	41.5		41.9		42.8	

23.1.8 New employee hires in Luka Koper, d. d. by age groups¹¹²

Age groups (years)	31 Dec 2019		31 Dec 2018		31 Dec 2017	
	New employments	Contract terminations	New employments	Contract terminations	New employments	Contract terminations
18–30	139	3	64	2	34	2
31–40	209	3	87	2	26	1
41–50	105	1	30	4	5	2
51–60	22	9	14	15		8
Over 61		7		9		9
TOTAL	475	23	195	32	65	22

23.1.9 New employee hires in Luka Koper, d. d. by gender¹¹³

	31 Dec 2019		31 Dec 2018		31 Dec 2017	
	New employments	Contract terminations	New employments	Contract terminations	New employments	Contract terminations
Men	439	22	187	26	56	20
Women	36	1	8	6	9	5
TOTAL	475	23	195	32	65	25

23.1.10 Comparison of recruitment, departures and fluctuation rate¹¹⁴

	Number of new employments			Number of departures			FLUCTUATION RATE (in %)*		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Luka Koper, d. d.	475	195	65	23	32	25	1.5	2.9	2.6
Luka Koper Group	488	213	76	27	79	44	1.6	5.9	3.8

*Fluctuation calculation method = No of departures/(previous No of employees + new employments) x100

¹¹¹ GRI GS 102-8

¹¹² GRI GS 401-1

¹¹³ GRI GS 401-1

¹¹⁴ GRI GS 401-1

23.1.11 Employee benefits¹¹⁵

When it comes to employee benefits in Luka Koper, d. d., there is no division among those employed for a fixed-term or part-time, and those employed for an indefinite period or full working hours, and there is no gender pay gap.

All of them are equally involved in all approaches to human resource management. Having met the relevant conditions and criteria, all employees are included in financial employee motivation tools (opportunities for promotion; individual or collective performance or company performance bonuses; taking out accident insurance at favourable conditions) and non-financial tools (public recognitions and awards to best employees, participation in social events, promotion of employees who have successfully completed off-the-job studies, employees who retired in the current year, jubilants; activities related to employee health promotion, informal sports meetings, visits of cultural and sports events, and holiday facilities available to employees). The only difference is related to the voluntary supplementary pension insurance, in case of which temporary employees are paying their monthly premiums themselves, whereas others are co-financed different shares of the legal premium depending on the age of the employee: up to and including 30 years of age, the employer contributes 70% of the premium, from 30 up to and including 40 years, the employer contributes 80%, and over 40, 90% of the premium.

In 2019, employees were receiving the monthly payment of salary regularly, which in August increased in line with the 6-month growth of the inflation index in compliance with the provisions of the collective bargaining agreement. The average salary in the Port of Koper is higher than the Slovenian average salary. Employees also received the holiday pay and 13th salary based on the achieved operational performance. In accordance with the criteria of the enterprise collective agreement, group merit is awarded quarterly. A great majority of employees participates in the voluntary supplementary pension insurance. Based on negotiations and the agreement with the social partners, the employees are paid a monthly amount of value added growth. Since 2018, employees have been receiving additional termination benefit from the post-employment fund upon retirement.

23.1.12 Number of Luka Koper, d. d. employees who took parental leave and returned to their workplace by gender¹¹⁶

	2019	2018	2017
Men	98	61	64
Women	6	5	9
TOTAL	104	66	73

Employees who are entitled to parental leave normally exercise their right, and all of them return to their workplace after the conclusion of their parental leave.

¹¹⁵ GRI GS 201-3, 202-1, 401-2

¹¹⁶ GRI GS 401-3

23.1.13 Education structure of employees

Level of education	Luka Koper, d. d.				Luka Koper Group			
	No of employees 31 Dec 2019	Share (%) 31 Dec 2019	No of employees 31 Dec 2018	Share (%) 31 Dec 2018	No of employees 31 Dec 2019	Share (%) 31 Dec 2019	No of employees 31 Dec 2018	Share (%) 31 Dec 2018
VIII/2	1	0.1	1	0.1	1	0.1	1	0.1
VIII/1	25	1.6	24	2.2	27	1.6	26	2.0
VII	121	7.9	112	10.3	130	7.6	120	9.6
VI/2	207	13.4	176	16.2	211	12.4	180	14.5
VI/1	106	6.9	90	8.3	112	6.6	96	8.6
V	485	31.5	336	30.9	519	30.5	367	29.4
IV	444	28.8	293	26.9	505	29.7	347	27.8
III	24	1.6	14	1.3	35	2.1	24	1.8
I-II	128	8.3	43	3.9	163	9.6	81	6.4
TOTAL	1,541	100.0	1,089	100.0	1,703	100.0	1,242	100.0

The intense recruitment implemented for operating positions in the basic transshipment process and warehousing for lower levels of education from I to V has been changing the education structure of the Company and the Group. Based on education agreements, somewhat more than one percent of employees are being financed their studies to achieve a higher level of education.

23.2 Educating and training of employees

In the Materiality matrix, educating and training of employees was recognised as of importance to stakeholders.

23.2.1 Employee training system¹¹⁷

Targeted implementation of functional training of employees is a strategic activity of the Company. The approach/policies are set out in the Company's documents on HR training and education, knowledge transfer systems and approaches to financing off-the-job studies. Training objectives, programmes and funds are included in the Company's annual plans. Training grounds include work process requirements, the required and desired knowledge for particular workplaces, and poorly developed competencies as established in annual interviews and assessment of managerial staff. Success of the chosen approach is monitored by measuring satisfaction after the completed training, by means of exams, promotions of employees to higher level of qualification and workplace flexibility based on acquiring, transferring and using knowledge, and assessing tutors.

In 2019, 83% of employees of Luka Koper, d. d. were involved in training. The average of 20.4 hour of training per employee was achieved, which was a result of systematic training plans, numerous internally organised training forms, and, above all, machinery handling training for new employees.

¹¹⁷ GRI GS 103-1, 103-2, 103-3, 404-1

Figure 31: Average number of hours of training and share of employees involved in education in Luka Koper, d. d.

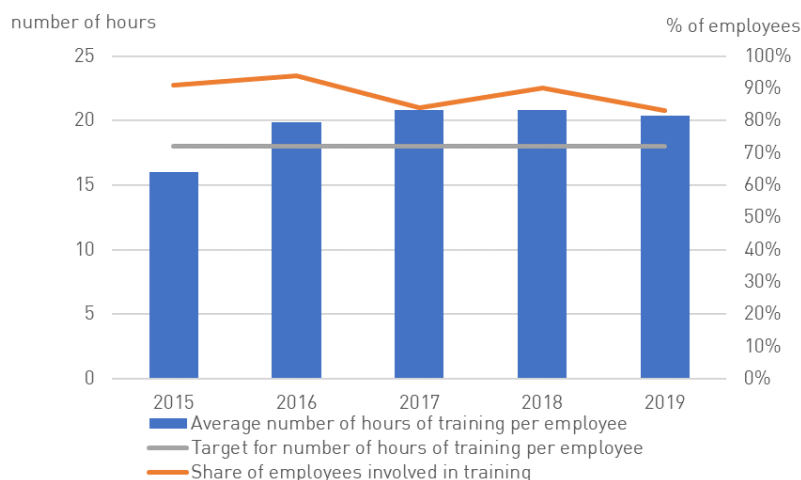


Table 12: Share of employees involved in training by gender and by workplace category

	2019	2018
Employees involved in training	83%	90%
Women involved in training	82%	90%
Men involved in training	84%	90%
Management	100%	50%
Senior management	86%	100%
Middle management	95%	95%
Junior management	91%	95%
Professional staff	70%	95%
Operating staff	84%	87%

23.2.2 Introduced programmes¹¹⁸

The majority share of internally held training programmes were realised within the instructor system as part of training to operate various machinery upon being employed or reallocated to another unit. Each new employee is involved in an induction programme, whereby the mentor is entitled to a 10% mentorship allowance, and the instructor of new employee practical training is also remunerated (40% allowance for hours of practical training). Over the past two years, work induction programmes have been overhauled, especially in terms of safe work. In 2019, 84% of training programmes in Luka Koper, d. d. were organised in the Company and included the above-mentioned new employee training to operate machinery, also with regard to issues related to work processes, and contents that represent the desired knowledge in various positions.

Training was organized for the development of leadership and communication competences (charismatic leadership, introduction of changes, respect for diversity and system, mobbing), project and investment project management, handling of classified information, information security, quality standards, communication in a foreign language and in Slovenian, training in marketing, corruption risks, risk management, pedagogical-andragogical training of instructors, and training for high-level work, in the areas of signalling, construction legislation and procurement.

Based on internal training programmes held at least twice a week and positive employee response to numerous training programmes in external educational organisations, Luka Koper, d. d. has been implementing the lifelong education concept, being aware of the importance of employees' continued education and retraining. We also prepare health promotion programmes (addiction management, safe work in the sun, balanced nutrition, the impact of shift work). Luka Koper, d. d. is involved in the Logins Human Resources Development Competence

¹¹⁸ GRI GS 404-2

Centre, which enables the integration of companies in the industry and a 50% reimbursement of training costs for employees.

23.2.3 Promotion and internal mobility of employees¹¹⁹

Luka Koper, d. d. enables its employees personal and professional development with horizontal and vertical promotion, and classification of employees into higher levels of qualification and flexibility at the workplace. In 2019, each fifth employee enjoyed a form of career development. The share of internal mobility is lower due to the large number of new employments, but remains roughly the same in absolute numbers. The internal mobility of employees was also influenced by the optimization of business processes (formation of departments, classification system for new jobs).

Table 13: Promotion and internal mobility of employees

	Vertical and horizontal promotion			Classification into a higher level of qualifications and flexibility			Total internal employee mobility		
	2019	2018	2017	2019	2018	2017	2019	2018	2017
Number	135	128	102	166	169	201	301	297	303
Share	9	12	11	11	16	22	20	27	33

Based on provisions of the collective bargaining agreement, all employees are entitled to remuneration based on the Company's performance.

The existing system for identifying and developing staff potentials and successors for key jobs based on numerous tools will be updated in 2020, with the aim of reducing the subjectivism of leaders and identifying young prospective staff early.

Following the assessment of management staff at all levels of the organizational structure using the 360° method, training was organized in 2019 in the areas of poorly assessed competencies and changes were introduced. The assessment showed an 86% share of eligible leaders.

Measurement of organizational climate, employee satisfaction and commitment is conducted every second year using the short OCS (Organizational Climate Survey) method questionnaire, which enables comparison of organizational climate and satisfaction ratings in Slovenia and measurement of commitment according to the internationally comparable Gallup questionnaire. Ambitious targets were achieved. Luka Koper maintains high ratings in all three categories and is well above the Slovenian average. There was a slight improvement in climate and satisfaction (from 3.91 in 2017 to 3.93 in 2019), an increase in satisfaction with remuneration systems (from 3.62 to 3.7) and a slight decrease in employee engagement (with ratings 3.82 to 3.79).

Table 14: Measuring organizational climate

Indicator	Realization 2015	Realization 2017	Plan 2019	Realization 2019	Target achieved 2019	Comparative analysis
Assessment of atmosphere and employee satisfaction	3.6	3.91	≥3.91	3.93 (without agency workers 3.92)	✓	Slo: 3.51
Assessment of commitment	3.5	3.82	≥3.7	3.79	✓	Slo: 13% Ger: 15%
% committed		60%		57%		71%
% non-committed		33%		30%		70%
% actively non-committed		7%		13%		16%
Assessment of satisfaction with remuneration systems	3.23	3.62	≥3.62	3.7	✓	Slo: 3.1
Participation	52%	44%	50%	46%	✗	

¹¹⁹ GRI GS 404-3

The plan of improvement measures/activities will be established at company and unit level at the beginning of 2020.

For the purpose of comparative analysis of existing employee management practices, Luka Koper, d. d. is also included in the Zlata nit (Golden Thread) project. The results will be obtained in early 2020.

Assessment of mutual cooperation between units, which is an indicator of service customers, is also carried out in Luka Koper, d. d. every second year. The attained average cooperation rating in 2019 was 3.56 on a 5-point scale.

23.3 Ensuring safety of employment and social security of employees

The disability issue was dealt with by an established pattern of past practice by employing a share of disabled employees in the Luka Koper Group, in the disability company Luka Koper INPO, d. o. o. The share of employees with the disability status in Luka Koper, d. d. decreased to 1.2% due to intense recruitment.

Table 15: Disability – Number of disabled employees and their share in Luka Koper, d. d.

	31 Dec 2019	31 Dec 2018	31 Dec 2017
Number of disabled employees	18	19	19
Share (%)	1.2	1.7	2

Table 16: Number of disabled employees and their share in Luka Koper, INPO, d. o. o.

	31 Dec 2019	31 Dec 2018	31 Dec 2017
Number of disabled employees	72	70	78
Share (%)	55	57	52

23.4 Cooperation with educational institutions

Luka Koper, d. d., operates as a socially responsible company in the field of development and education in the local and wider community. It cooperates with many educational institutions in ensuring the mentorship of essays and diploma papers, providing students with compulsory on-the-job trainings and expert excursions. Luka Koper, d. d., and its examples of good HR management practice were often presented to the professional and other interested public. In 2019, the company had two scholarships students and co-financed the acquisition of a higher level of education by one and a half percent of employees.

23.5 Internal communication with the employees

Due to the nature of work in the port, which is mostly performed on the ground, and the fact that almost half of employees have no access to a computer at work, the classical printed communication with the employees is still the most useful tool.

Luka Koper communicates with the employees mostly through two key communication channels:

- Short information that is received by all employees via e-mail or is posted on bulletin boards by secretarial services,
- Luški glasnik, the Port bulletin monthly, which is issued in printed form. This year marks the 50th anniversary of continuous publication of Luški glasnik, due to which we have began its redesign and reform of contents. The new design is based on contemporary guidelines for graphic design of internal papers and magazines. The contents were upgraded and merged into overhauled sections. However, the mission of Luški glasnik remains unchanged: to inform all employees and the wider port community about what is happening in Luka Koper, as well as to bring employees together and take care of their continued growth and development.

The Company has an Intranet site, Lukanet, where general information, all internal documents of the company, platforms and instructions are available to the employees if they need them for the performance of work.

23.6 Human resource management strategy

The 2016–2020 HR management strategy supports the 2016–2020 Business strategy of the Luka Koper Group and the Company that highlights the increase in productivity, efficiency and competitiveness of services among its development priorities.

In order to support the achievement of strategic operational objectives, activities in the framework of human resource management focus on:


- Provision of a safe working environment,
- Introduction of the culture of high work efficiency,
- Provision of excellent management and mutual relations,
- Soliciting and maintenance of the best staff,
- Improvement of the system of developing future leaders and employee potentials,
- Targeted acquisition of functional expertise.

In 2019, a new strategy for the period up to 2025 began to be devised.

24 Long-term sustainability of the natural environment



Luka Koper pursues the goal of achieving the highest environmental standards under the EU ECO Management and Audit Scheme – EMAS and reducing its carbon footprint by implementing energy efficiency measures.

The environmental part of the sustainability report covers the data of Luka Koper, d. d., operating at the site of the port of Koper for the period from 1 January 2019 to 31 December 2019. It also contains annual comparisons of environmental indicators with the aim of demonstrating environmental performance. The chapters in the report that provide verified environmental management information are indicated by ; the information is credible and reflects the actual and state of the environment management system in the company.

In 2019, Luka Koper, d. d. adjusted its operations to EMAS requirements in accordance with EU Regulation No 1221/2009 (EMAS Regulation) and its amendments. The functioning of the environmental system was assessed by the SIQ Slovenian Institute of Quality and Metrology in March 2020, which established that the system meets the requirements of the regulation. Next, a request will be submitted to the Environmental Agency of the Republic of Slovenia for issuing a decision on the organization's registration in the EMAS system.

Previous sustainable reports are available in the following links: <https://www.zivetispristaniscem.si/porocila-in-dokumenti/> and <https://www.luka-kp.si/eng/environmental-friendly-policy>.

In 2019, the environmental management system was further upgraded with the establishment of an efficient energy management system in accordance with the requirements of ISO 50001. By optimizing energy use, we expect an additional reduction in environmental impacts.

The area of the port 



24.1 About the environmental management system ¹²⁰

Professional support to the Company's Management Board and Profit Centres is provided by specialised departments organised according to basic management functions and specific needs of the activities (Section 2.6.2. 'Organisation chart of Luka Koper, d. d.'). Individual organizational units are responsible for the implementation of programmes and the achievement of environmental protection goals, while the programmes involving several units and a common infrastructure are the responsibility of the health and ecology protection department. The department performs an advisory, supervisory, development and operational role. In accordance with the requirements of ISO 14001 and EMAS and the Company's strategy, a representative of the Management Board for the environment and occupational health and safety and an environmental protection officer are appointed.

The environmental management system has been designed in a way that environmental aspects are reviewed and evaluated as part of the annual planning process. Environmental aspects are elements of activities, products and services with significant impacts on the environment. The criteria for evaluating the significance of environmental aspects include year-on-year progress, compliance with the law and compliance with the adopted internal standards, cost increase, and public opinion. To indicate significance in the evaluation process, a colour scale is used (red, yellow, green). An environmental aspect is considered significant when any of its criteria is evaluated red or at least three criteria are evaluated yellow. In analysing environmental aspects, all our activities are considered (in terms of indirect and direct impacts on the environment). The environmental aspects evaluated as significant are shown below. The Environmental report also discusses other identified environmental aspects, with the aim of providing a complete overview of the Company's environmental activity.

For the environmental aspects evaluated as significant, annual quantifiable targets are set and improvement programmes are developed to facilitate the process of meeting the targets and make it more efficient. The implementation of improvement programmes is reviewed annually and reported on in the Environmental report. The adequacy of the established environmental management system is examined and evaluated also as part of regular internal assessments and management reviews.

24.2 Living in harmony with the environment ¹²¹

Luka Koper, d. d., has always been concerned for improving the quality of life in the entire area in which the port is situated, and has been aware of the vulnerability of the natural environment. Being aware of the port's impact on the environment, Luka Koper has committed in its policies to sound management of the environment in order to preserve it for future generations. The processes of monitoring and reducing environmental impacts are part of regular activities. To this end, Luka Koper, d. d. works with competent specialised institutions. Coexisting with the port in its immediate vicinity is the natural reserve known as Škocjanski zatok (extending over 122 ha). It is classified as a Natura 2000 site. The largest brackish wetland in Slovenia, the reserve is of vital importance for its remarkable profusion of flora and fauna, giving home to many species that are otherwise rare or endangered in the territory of Slovenia. Around the port, another two Natura 2000 protected areas can be found: a coastal marsh at Sv. Nikolaj (extending over 728 ares), rare for its brackish marsh plants, and a unique *Posidonia oceanica* seagrass meadow (extending over 719 ares) in Žusterna. While *Posidonia oceanica* is a common seagrass species in the Mediterranean, the small area (1 km) off the Slovenian coast between Koper and Izola is its only habitat in the Gulf of Trieste. At a greater distance from the port is the Debeli Rtič Park (340 ha), which also belongs to the Natura 2000 area. The port water area is located in an ecologically important area, a sensitive area affected by eutrophication and a sensitive area of bathing water.

The Rižana River flows into the port water area with a high content of suspended particles, which contributes to the siltation of the seabed in port basin II. Sea currents also contribute considerably to continuous application of the material to all port basins. In port waters, a certain depth has to be maintained on a regular basis to allow safe navigation of ships. Deepening of the seabed is carried out as necessary, and the material pumped out is deposited in boxes provided for this purpose on land, where capacities are not sufficient.

Koper city centre and part of the settlements Ankaran and Bertoki are also situated in the immediate vicinity of the port.

¹²⁰ GRI GS 103-1, 103-2, 103-3

¹²¹ GRI GS 304-3

24.2.1 Strategic orientations of Luka Koper by environmental aspect

In 2019, a new Strategic Business Plan 2020-2025 was devised and a summary is published at <https://www.luka-kp.si/eng/mission-vision-strategy>. The Strategic orientations for the development of Luka Koper, d. d. in the field of environmental management until 2030 have also been updated but not yet discussed at the Management Board.

The table shows the environmental aspects evaluated as significant. In order to reduce the impacts of the identified environmental aspects, this year we again organised the traditional environmental workshop of Luka Koper to decide on annual activities (improvement programmes) and review the progress made towards achieving the environmental targets listed below. We have identified an additional environmental aspect of fire safety, which is considered important.

24.2.2 Significant environmental aspects in 2019

Environmental aspects evaluated as significant		Explanation of the nature of impacts	
WATER CONSUMPTION / WASTE WATER / SEA	<ul style="list-style-type: none"> - Drinking water consumption - Marine pollution from the handling of coal dust and iron ore - Generation of waste water in livestock truck washing 	<ul style="list-style-type: none"> - Use of drinking water affects the already limited amount of drinking water in the coastal region. - The handling of coal dust and iron ore, which are otherwise inert materials, can result in accidental spillage into the sea. - Waste water from the washing of the inside of trucks transporting livestock must be properly treated, otherwise it will overburden the Koper Central Wastewater Treatment Plant. 	
ATMOSPHERIC EMISSIONS	<ul style="list-style-type: none"> - Dust emissions/immissions from services 	<ul style="list-style-type: none"> - Handling of the bulk material can result in dust, causing some of the pollutants in the air to increase. 	
ENERGY / INTERNAL TRANSPORT	<ul style="list-style-type: none"> - Internal transport powered by diesel engines - Electricity and fuel consumption 	<ul style="list-style-type: none"> - The use of fuel in the transport process results in the release of greenhouse gases into the air. - Electricity use indirectly affects generation of pollutant, but this refers to locations where electricity is generated from non-renewable energy sources. 	
NOISE / ODOUR	<ul style="list-style-type: none"> - Generation of noise in the port - Noise emissions from freight and passenger ships 	<ul style="list-style-type: none"> - Almost every activity results in some noise, which spreads into the environment and causes disturbance. 	
OTHER ENVIRONMENTAL ASPECTS	<ul style="list-style-type: none"> - Deepening of seabed and disposal of marine sediments 	<ul style="list-style-type: none"> - To ensure the safety of navigation and in the event of certain interventions, the seabed has to be deepened, whereby the sediment excavated is deposited ashore. Due to the salinity of the material, the surfaces are no longer suitable for the same flora and fauna, and the deposited marine sediment has poor load carrying capacity and tends to sink. 	
OTHER ENVIRONMENTAL ASPECTS	<ul style="list-style-type: none"> - Fire safety 	<ul style="list-style-type: none"> - An effective and appropriate fire safety system means that, in the event of a fire, environmental impacts are minimal, since action procedures are rapid owing to the availability of systems that minimize environmental impacts. 	

The Regulation (EC) on the voluntary participation by organizations in the Community eco-management and audit scheme (EMAS) states that significant direct and indirect environmental aspects have to be reported together with the main performance indicators for the following environmental areas:

- Energy,
- Materials,
- Water,
- Waste,
- Land use related to biodiversity,
- Emissions.

Energy, water, emissions, waste and land use related to biodiversity are reported later in this report. The material indicator is not shown because it is estimated as not crucial and important in storage and transshipment activities.

There are approximately 200 companies operating in the port area, performing various activities (office activities, warehousing, maintenance, servicing, etc.). Their work, too, can affect the quality and condition of the port environment. Therefore, we have concluded contracts with all of the above, which define requirements for compliance with legal and internal regulations in the field of environmental protection and occupational health. Some companies have obtained the ISO 9001 certification for the quality management system and ISO 14001 for the environmental management system. We have agreements with stakeholders in port processes to provide security measures that include occupational safety, fire safety and emergency events.

The health protection and ecology department performs regular patrols to verify whether the users performing activities in the port area and port operators comply with their contractual obligations regarding the protection of the environment and occupational health.

24.2.3 Environmental objectives in 2020




The most important environmental objectives:

- Pass the verification of compliance with the EMAS directive,
- Obtain the SIST ISO 50001 certification,
- Reduce total dust emissions on all ten port locations to 200 mg/m² per day, and limit the deviations to no more than 5 of the 120 measurements taken throughout the year,
- Maintain PM₁₀ concentrations (particles up to 10 µm) across the entire port area below 30 µg/m³ (in the direction of Ankarán, Koper and Bertoki).
- Increase the share of separately collected waste, excluding waste from vessels, to 91%,
- Reduce the night-time noise level in the direction of Koper to 48 dBA,
- Maintain the noise level in front of the closest buildings outside the port at 58 dB during the day and 53 dB in the evening,
- complete the projects of modernising the drainage on the shore of the bulk cargo terminal and the installation of a wastewater treatment plant at the livestock terminal,
- Maintain specific consumption of energy sources at the levels of the preceding year despite the growing throughput and warehousing capacities: fuel at 0.23 l/t, electricity at 1.27 kWh/t, and drinking water at 6.4 l/t,
- Ensure that no (inspection or internal) measures will be required for the developments,
- Prevent all instances of sea pollution outside the port water area,
- Ensure an effective and adequate system of firewater supply in the entire port area, and appropriate firefighting interventions for specific facilities.

24.2.4 Realisation of environmental objectives in the period 2017-2019



Section No	Important environmental aspect	OBJECTIVE	Target value by 2019	Values for 2017 - 2019	Realisation 2019												
24.7.1-24.8.2	Dust emissions/immissions from services	Reduce total dust immissions for each measurement	200 mg/m ² day up to 5 exceedances	<table><tr><td>2019</td><td>2018*</td><td>2017*</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>104 1 exceedance</td><td>113 1 exceedance</td><td>93 1 exceedance</td></tr></table>	2019	2018*	2017*	Values achieved:			104 1 exceedance	113 1 exceedance	93 1 exceedance	<div></div>			
2019	2018*	2017*															
Values achieved:																	
104 1 exceedance	113 1 exceedance	93 1 exceedance															
24.7.1-24.8.2	Dust emissions/immissions from services	Maintain immission particle size below 10 µm in the entire port area	< 30 µg/m ³	<table><tr><td>2019</td><td>2018</td><td>2017</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>Bertoki-18 Ankaran-15 Koper-18</td><td>Bertoki-21 Ankaran-17 Koper-14</td><td>Bertoki-21 Ankaran-17 Koper-16</td></tr></table>	2019	2018	2017	Values achieved:			Bertoki-18 Ankaran-15 Koper-18	Bertoki-21 Ankaran-17 Koper-14	Bertoki-21 Ankaran-17 Koper-16	<div></div>			
2019	2018	2017															
Values achieved:																	
Bertoki-18 Ankaran-15 Koper-18	Bertoki-21 Ankaran-17 Koper-14	Bertoki-21 Ankaran-17 Koper-16															
24.9		Maintain the percentage of waste collected separately excluding ship-generated waste	> 89%	<table><tr><td>2019</td><td>2018</td><td>2017</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>91</td><td>89</td><td>92</td></tr></table>	2019	2018	2017	Values achieved:			91	89	92	<div></div>			
2019	2018	2017															
Values achieved:																	
91	89	92															
24.10	Noise generation in port, noise emitted by cargo and passenger ships	Reduce the noise level at night in the direction of the city of Koper	Night 48 dB	<table><tr><td>2019</td><td>2018</td><td>2017</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>54</td><td>57</td><td>56</td></tr></table>	2019	2018	2017	Values achieved:			54	57	56	<div></div>			
2019	2018	2017															
Values achieved:																	
54	57	56															
24.10	Noise generation in port, noise emitted by cargo and passenger ships	Maintain the noise level in front of the closest buildings outside the port at 58 dB during the day and 53 dB in the evening.	Evening 53 dB	<table><tr><td>2019</td><td>2018</td><td>2017</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>Bertoki-37 Ankaran-43 Koper-54</td><td>Bertoki-38 Ankaran-44 Koper-57</td><td>Bertoki-39 Ankaran-44 Koper-57</td></tr></table>	2019	2018	2017	Values achieved:			Bertoki-37 Ankaran-43 Koper-54	Bertoki-38 Ankaran-44 Koper-57	Bertoki-39 Ankaran-44 Koper-57	<div></div>			
2019	2018	2017															
Values achieved:																	
Bertoki-37 Ankaran-43 Koper-54	Bertoki-38 Ankaran-44 Koper-57	Bertoki-39 Ankaran-44 Koper-57															
24.10	Noise generation in port, noise emitted by cargo and passenger ships	Maintain the noise level in front of the closest buildings outside the port at 58 dB during the day and 53 dB in the evening.	Day 58 dB	<table><tr><td>2019</td><td>2018</td><td>2017</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>Bertoki-40 Ankaran-46 Koper-55</td><td>Bertoki-40 Ankaran-46 Koper-57</td><td>Bertoki-40 Ankaran-46 Koper-57</td></tr></table>	2019	2018	2017	Values achieved:			Bertoki-40 Ankaran-46 Koper-55	Bertoki-40 Ankaran-46 Koper-57	Bertoki-40 Ankaran-46 Koper-57	<div></div>			
2019	2018	2017															
Values achieved:																	
Bertoki-40 Ankaran-46 Koper-55	Bertoki-40 Ankaran-46 Koper-57	Bertoki-40 Ankaran-46 Koper-57															
24.11	Electricity and fuel consumption	Maintain specific energy consumption on par with the year before despite increases in throughput and storage capacities	1.27 kWh/t	<table><tr><td>2019</td><td>2018**</td><td>2017**</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>1.31</td><td>1.22</td><td>1.17</td></tr></table>	2019	2018**	2017**	Values achieved:			1.31	1.22	1.17	<div></div>			
2019	2018**	2017**															
Values achieved:																	
1.31	1.22	1.17															
24.12	Drinking water consumption	Maintain specific energy consumption on par with the year before despite increases in throughput and storage capacities	6.4 l/t	<table><tr><td>2019</td><td>2018</td><td>2017</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>7.41</td><td>6.11</td><td>5.72</td></tr></table>	2019	2018	2017	Values achieved:			7.41	6.11	5.72	<div></div>			
2019	2018	2017															
Values achieved:																	
7.41	6.11	5.72															
24.11	Internal transport powered by diesel engines	Maintain specific energy consumption on par with the year before despite increases in throughput and storage capacities	0.245 l/t	<table><tr><td>2019</td><td>2018**</td><td>2017**</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>0.226</td><td>0.228</td><td>0.246</td></tr></table>	2019	2018**	2017**	Values achieved:			0.226	0.228	0.246	<div></div>			
2019	2018**	2017**															
Values achieved:																	
0.226	0.228	0.246															
24.13 and 24.16	Marine pollution from the handling of coal dust and iron ore	Update drainage on the shore of the bulk cargo terminal	100% Modernisation	<table><tr><td>2019</td><td>2018</td><td>2017</td></tr><tr><td colspan="3">Values achieved:</td></tr><tr><td>33</td><td>33</td><td>33</td></tr><tr><td>80</td><td>30</td><td>10</td></tr></table>	2019	2018	2017	Values achieved:			33	33	33	80	30	10	<div></div>
2019	2018	2017															
Values achieved:																	
33	33	33															
80	30	10															
	Generation of wastewater in livestock truck washing	Modernisation of the wastewater treatment plant at the livestock terminal and replacement of some oil interceptors															

Section No	Important environmental aspect	OBJECTIVE	Target value by 2019	Values for 2017 - 2019			Realisation 2019
24.17	Deepening of seabed and disposal of marine sediments	Developments	0 actions	2019 0	2018 0	2017 0	
24.16		Prevent all instances of sea pollution outside the port water area	0 contaminations	2019 0	2018 0	2017 0	
24.6-	Fire safety	Ensure an effective and adequate system of firewater supply in the entire port area, and appropriate firefighting interventions for specific facilities	100% ensured	2019 70	2018 66	2017 55	

Key:



Objective not attained compared to the previous year



Objective attained



Objective partly attained



Objective is new

NOTE:

*The target value for 2017 and 2018 was 250 mg/m2 per day

**In 2017 and 2018, the target for electricity was 1.17 kwh/t and for fuel 0.25l/t

24.3 Policy on health and safety in the port and energy efficiency

An environmental policy is in place at company level, and its adequacy is regularly reviewed. In March 2019 it was updated and revised as the Policy on health and safety in the port and energy efficiency, which is published at <https://www.luka-kp.si/slo/pomembni-dokumenti-208>.

24.4 Compliance with environmental protection laws

24.4.1 Compliance with the law

In demonstrating compliance, we primarily refer to the Environmental Protection Act, on the basis of which we have been granted environmental permits.

We have to meet the requirements set out in the environmental permits that have been granted to us with regard to emissions into water and into the air, storage of waste, noise emissions, and have been granted to us as a facility of increased risk of accidents. We review the fulfilment of the requirements of the granted environmental permits annually, and find that we meet the prescribed requirements.

This year, we have begun the developments for which we have obtained environmental consent and are obliged to comply with the stated provisions. During the implementation, we monitored compliance with the environmental consent requirements.

To address light pollution, modernisation of all lights was completed in early 2017 so that they were made to comply with legal provisions in the field of light pollution. A new lighting plan was created for 2019 with the inventory of lamps, which replaces the 2017 plan and is published at <https://luka-kp.si/slo/zakonodaja-in-okolje-200>.

Results of the measurements taken on the devices causing air emissions indicate compliance with the law and with the obtained environmental permit.

PM₁₀ and PM_{2.5} concentrations in the air of the port area, as well as the number of exceedances, are below the limit values stipulated by law. The measured emissions of combustion plants are compliant with legal requirements.

¹²² GRI GS 307-1, 419-1, 103-1, 103-2, 103-3

The noise level is in accordance with the requirements of the granted environmental permit regarding the limit values of the noise indicators in the environment, which applies to areas in front of the first buildings in Koper, Ankaran and Bertoki.

Analyses of industrial wastewater and municipal wastewater from treatment plants are in compliance with legal and environmental requirements.

Luka Koper has a valid environmental permit as a high-risk facility, an environmental permit for noise emissions (with the process of obtaining a new one under way), an environmental permit for air emissions, wastewater emissions, an environmental permit for the warehousing (transshipment) of some categories of waste (scrap iron, paper, plastics, mill scale), and an environmental permit for the use of paper sludge to manage dusting in the coal and iron ore deposit area. In 2019, there was no transshipment of the categories of waste mentioned above, however, paper sludge was used to reduce dusting in the coal and iron ore deposit area.

In 2019, we received no inspection decisions in the field of environmental protection. Five inspections were carried out.

In accordance with the prescribed deadlines, the Plan for collecting ship-generated waste and cargo residues in the port of Koper was revised, the suitability of which was confirmed by the Environmental Agency of the Republic of Slovenia.

24.4.2 Compliance with internal requirements¹²³

In monitoring total dust, we achieved the target for the port, the average annual value having been slightly lower than in the previous year and below the target value. Only one exceedance was recorded in 110 measurements, which is also in line with the target.

In energy management, the targets for specific fossil fuel consumption for the port's activity were met, whereas the internal target for electricity and drinking water consumption was not.

The sea water protection system is being maintained and upgraded in a way to help us meet the set target without contaminations outside the port water area.

The internal target for night-time noise in the direction of Koper (next to the first houses) has not been met. It is exceeded by 6 dB, the average calculated annual night-time noise level resulting from port operation being 54 dB. The calculation also includes ships. The night-time noise values in the direction of Ankaran and Bertoki are lower and below the target value.

The evening noise target has been met only partially, since the value in the direction of Koper exceeds the target by 1 dB. The calculation also includes ships. Evening noise levels in the direction of Bertoki and Ankaran are within the set target.

The daily noise values in the direction of Ankaran, Bertoki and Koper are within the set target.

The wastewater treatment system at the livestock terminal has not yet been updated, however, a contractor has been selected to install the mobile plant by spring 2020.

As part of reducing the impact of potentially polluted rainwater, we replaced the oil interceptors that did not have the EN 858-1,2 certificate of conformity.

Drainage modernisation on the shore of the Bulk Terminal has not yet been completed.

The target of more than 89% share of waste collected separately excluding ship-generated waste is being met.

The internal target to ensure an adequate supply system and a sufficient quantity of water for fire extinguishing throughout the port area, and ensure proper firefighter intervention for specific objects has not yet been fully achieved.

An agreement was signed with the Municipality of Koper on the implementation of mitigation measures to reduce emissions from the port, especially noise. We have already contributed € 200,000 in this regard and the funds will be allocated to improve the noise insulation of residential buildings in Koper.

¹²³ GRI GS 307-1, 419-1

24.5 Public communication

24.5.1 Results of a public opinion poll

Each year, a public opinion poll is carried out among the local population on the perception of Luka Koper, its relationship to the environment, and the company performance. Most of the respondents are from the local communities of Smedela or Zusterne (43%), Koper central (26%), Bertoki or Hrvatini (19%), and the municipality of Ankaran (12%). The sample has remained the same throughout the years and included all age groups and equally both sexes. The majority of respondents (83.6%) found Luka Koper to be a successful/very successful enterprise.

Respondents perceive the port activity (28.8%; 2018: 26.8%), road transport (27.5%; 2018: 26.1%), and industry in Trieste (20.9%; 2018: 26.7%) to be the biggest sources of pollution in the local environment. There are no other sources of industrial pollution in Slovenian Istria and are therefore not mentioned.

According to 33.3% of the respondents (2018: 42.1%), Luka Koper's environmental protection programme is good (rating it a 3 on a scale from 1 to 5); 26.3% (2018: 22.8%) believe it is very good (rating it a 4), while 19.6% (2018: 14.7%) have rated the Company's environmental protection programme as excellent (5). 10.2% (2018: 11%) of the respondents deem the Company's performance in this area poor or fair. With regard to efforts of Luka Koper in environmental protection, data show that, on average, residents of Ankaran assess the environmental concern of Luka Koper with a lower average rating. It is encouraging that the proportion of respondents who believe Luka Koper to be having good or very good environmental protection (grade 4 or 5) has risen from 37.5% in 2018 to 45.9% in 2019. The average rating (on a scale of 1 to 5) rose from 3.41 to 3.59.

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
public assessment of the environmental impact of the port	3.4	3.7	3.85	3.75	3.65	3.2	3.1	3.06	3.12	3.16	3.45	3.37	3.25	3.43	3.41	3.59

24.5.2 Important public communication events

The Company has identified the following stakeholders in the broader business and reference environment:

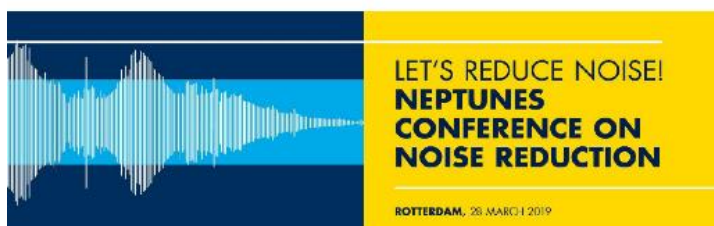
- General public;
- Institutions, societies, associations, chambers;
- Local community;
- Media (foreign and Slovenian);
- Employees;
- Shareholders;
- External contracting companies;
- Other ports.

Considering the results of the opinion poll, we believe that we should continue to work closely with local communities and strengthen the interaction with and gain trust of the local population.



Throughout the year, we cooperated intensively with the Municipality of Koper to harmonise and sign the Agreement on the implementation of mitigation measures to reduce the environmental impact of port activities, within which we will contribute € 200,000 annually. Through public tenders of the Municipality of Koper, the funds will be granted to local people for window replacement, facade restoration, etc. to improve the noise insulation of residential buildings. The first call for proposals will be launched in early 2020.

WELCOME



We have completed the first part of our cooperation in the association of 11 ports (NEPTUNES, <https://www.neptunes.pro/>), where we looked for solutions to the common problem of noisy ships. The ultimate objective of the activity is to establish a voluntary scheme to offer lower shipping fees to less noisy ships, thereby encouraging shipowners to invest in noise reduction measures and to attract less noisy ships. The Neptunes 1.0 Project - Noise Exploration Program To Understand Noise Emissions from Sea-Going Ships was completed in the first part of 2019. Within the project we performed an analysis of the ship noise situation and legislation, devised the ship noise assessment methodology, designed and approved the ship noise measurement protocol and listed various solutions for reducing ship noise. We have assessed our participation in the Neptunes 1.0 project as very successful in terms of the exchange of experience and good practices between ports, the result of which is a monograph publication (Best practice guide version 1.0 - Mitigation of noise from ships at berth), co-authored by Luka Koper, d. d.; in terms of the Finance Newspaper International Environmental Partnership Award and the 2020 IAPH / WPSP Sustainability Awards nomination. All this is the result of intensive work and active involvement of all ports, which we can be very proud of. We received an initiative from the project coordinator to continue the project with Neptune 2.0, which would be aimed at developing a system of calculating the financial incentive, which should be made according to different noise targets of different countries, type and size of ships, different financial capacities of ports, and ports management. However, the common goal is to provide a financial incentive for less noisy ships to be designated as a voluntary scheme. We wish to continue to be actively involved in the continuation of the project and to participate in the development of a financial model for the valuation of concessions for less noisy ships. This would also prove to the local community and beyond our aspirations and efforts to address the issue of noisy ships when berthed in port. At the same time, we would always be up-to-date on how they deal with related issues in Europe's largest ports, co-designing the preparation of international maritime noise legislation and creating sustainable environmental changes. Slovenian Maritime Administration was briefed about the

contents of the project and will be involved in the process of familiarisation with the project results. The results of constructive co-operation between ports with the common objective of noise reduction was presented to the general public at an environmental meeting in Ljubljana.

In 2019, we recruited a large number of people, including agency workers, putting a lot of effort into training in environmental protection and energy efficiency. To this end, we have decided to produce short animated films to facilitate the presentation and understanding of each individual's role in appropriate environmental management.



During the current year, a lot of activities related to ship noise were addressed at shipowners and their representatives and included suggestions of possible solutions. The issue was presented to them at meetings, through emails, at a joint annual meeting and in a letter.

In the case of noisy ships, they are informed about the noise level and called to action, and then also informed of the results of the analysis of effectiveness of noise reduction measures.

At the end of the year, in collaboration with an external institution, we prepared two animations showing appropriate environmental management, pointing to safe work, and indicating ways to save energy. Intended for everyone moving in the port area, the films will be released in 2020.

24.5.3 Registered and processed environmental complaints

Environmental complaints are accepted by telephone, through a web application and the media. A total of 18 complaints were recorded, 15 of which were related to excessive noise, one to unpleasant odours from a facility for generating compost from biodegradable waste, one to inhumane conditions for the transport of livestock, and one to black smoke from the port. The number of noise complaints is higher than in the previous year.

Of the 15 complaints about excessive noise, eight were related to the noise of ships and two to pile driving in construction. Ship complaints are mostly from the Koper area and the rest are from the Ankaran area. In the case of noisy ships, we try to form an agreement with the command of the ship or the shipowner's agent to take action. Since the source of ship noise may vary (e. g. pumps, ventilation, cranes, engine), the measures taken by the shipowner are also diverse and of varying effectiveness. Some ships can be claimed to have made improvements based on noise measurements. This year we also received two complaints about the noise of ships anchored at anchorage (outside the port, in the middle of the Bay of Koper), and therefore asked to be notified in the future of disturbing noise at a time when the ship is in port so that we can ask the shipowner to take action. In the case of pile driving, however, we restricted the pile contractor to only two hours per day on working days. We requested the use of noise protection, which in practice has not proven to be very effective. However, most of the pile driving was done with a noise-free vibration, whereas classical pile driving, which was disturbing, was performed to a lesser extent. We also measured vibrations, which were limited to the pile driving area in the port.

One complaint was about unpleasant odour spreading from the port. Unpleasant smells are occasionally detected in the composting plant, where biodegradable organic waste is processed into compost (whereby a small portion of the waste is generated by Luka Koper, and the rest is from Marjetica Koper, d. o. o.). The odour is produced when the waste is stirred and mixed in order to facilitate composting. By turning the compost more often, we try to prevent a more intense odour from occurring.

When analysing the event related to black smoke from the port, we found that it was caused by a ship turning the main engine on when leaving the port. Such discharges may be associated with a lack of maintenance on board. This is under the competence of the port State control, but in the specific case, they could no longer act as the ship was already leaving the port. A regulation imposing a further reduction in the sulphur content of marine fuel will enter into force in 2020, which will help reduce pollutant emissions into the air.

24.5.4 Inspections¹²⁴

Inspectorate	Start date, notification of the process	Subject matter	Findings
Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning	30 Jun 2017, 7 Mar 2019	Control of port noise emission	The Port of Koper exceeded the permitted noise level and paid the fine imposed for the offence, however, its operations were harmonised with the new requirements of the legislation on noise emissions. Noise emissions no longer exceed the limit values and the procedure has concluded.
Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning	19 Jun 2019	Inspection of a facility with a high risk of accidents	No violations were found.
Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning	18 Oct 2019	Water use for technological purposes	Additional documents were provided: a report on wastewater measurements, certificates of compliance for water meters and the environmental permit for water use. The procedure has not yet concluded.
Inspectorate of the Republic of Slovenia for Protection against Natural and Other Disasters	29 Jul 2019	Supervision of compliance with the prescribed measures for the implementation of fire safety measures	No violations were found.
Inspectorate of the Republic of Slovenia for the Environment and Spatial Planning	27 Dec 2019	Control of the use of facilities: <ul style="list-style-type: none"> - Wastewater treatment plant at the container depot cleaning facility - JET fuel tanks 	No violations were found.

24.6 Environmental risk management and emergency response¹²⁵

An important step in environmental preservation and improvement is to reduce the risk of emergencies and improve emergency response procedures. At the level of the port, lists of potential environmental risks are drawn up and maintained annually. The port has an emergency management and response system in place, not only for emergencies involving dangerous substances. The Section 24.6.1 'Statistics for environmental incidents from 2011 to 2019' lists and summarises the identified environmental incidents, all small-scale and with impacts limited to the site of the event (e.g. immediate vicinity of a vehicle). The complaints lodged by the local community are discussed in the Section 24.5.3 'Registered and processed environmental complaints', while incidents at sea are discussed in the Section 24.16.1 'Statistics for interventions at sea'.

As part of its activities, Luka Koper uses, transports and warehouses dangerous substances, oil and petroleum products, and manages work equipment and assets that carry a risk of accidents. An important step in environmental preservation and improvement is to reduce the risk of emergencies and improve emergency response procedures by means of annual activities.

The protection and rescue plan and risk assessments were revised in 2017 and will be updated in 2020. The protection and rescue system in Luka Koper involves players from various areas of expertise, organisations and

¹²⁴ GRI GS 307-1

¹²⁵ GRI GS 306-3, GRI GS 102-11

undertakings. In the event of interventions in emergency situations in the port area, the Luka Koper Professional Fire Brigade and Port Security Department are always involved, and if required, also the sea protection unit, Luka Koper INPO, d. o. o., Luka Koper Industry Volunteer Firemen Society, Luka Koper Civil Protection Unit, and other units in accordance with the protection and rescue plan. The Port's professional fire brigade has 30 trained firefighters.

Our fire safety target is to ensure an adequate supply system and a sufficient quantity of water for fire extinguishing throughout the port area, and ensure proper firefighter intervention for specific objects. In 2018, the Investments Department devised the 2018–2023 Plan for the maintenance and repair of the water and hydrant network. In 2019, the following activities were carried out in the hydrant network:

- Reconstruction of the pipeline between warehouses 16–19,
- Reconstruction of the pipeline between warehouses 13–17,
- Reconstruction of the pipeline alongside warehouses 20, 22, 26,
- Installation of a more powerful hydrant for filling fire trucks with water,
- Reconstruction of the drinking water pipeline in the northern part of the silo facility,
- Installation of sectional valves around TH 1 and 2 hall,
- Preparation of project documents for the reconstruction of the Nas5-Nas9 network (bulk cargo terminal),
- Preparation of a fire safety plan for the parking garage and the areas where the cars are stored,
- Preparation of a fire safety plan for the silo facility,
- Replacement of the existing pumping station with a more efficient fire pumping station for the liquid cargo terminal on Pier II,



Photo: Kristjan Stojaković

- Other regular maintenance and intervention repairs to the water and hydrant network.

The Professional Fire Brigade currently employs 30 people who ensure a 24-hour on-call service and has six firefighting vehicles in its fleet. The Fire Brigade provides operational and preventive fire safety work. Operational firefighting operations include fire-fighting and rescue in all types of accidents, providing first aid to the sick and injured, and education and training with firefighting equipment. In 2019, the Professional Fire Brigade intervened in 417 events, the more important ones are shown in Table 24.6.1. The number of interventions decreased slightly compared to 2018.

Preventive firefighting work, which is carried out on a daily basis throughout the port, is crucial to maintaining an adequate level of fire safety and to preventing the circumstances that can cause a fire.

The Professional Fire Brigade members receive regular training and firefighting exercises in order to be prepared and successful in both operational and preventive work. The training is carried out at various locations within the port and in external institutions (Firefighting School, Training Centre for Civil Protection and Disaster Relief of the Republic of Slovenia, Slovenian Fire Protection Association). They also attend other fire safety related lectures and trainings. In April 2019, they conducted an exercise in the parking garage with the assumption that a passenger car had caught fire. The purpose of the exercise was to verify the notification procedures and actions of employees in the event of a car fire in a parking garage. After the exercise, proposals were made to improve the state of fire protection. The vast majority of improvements were realized by the end of 2019.



Photo: Tomaž Primožič

24.6.1 Statistics for environmental incidents from 2011 to 2019¹²⁶

No in 2019	No in 2018	No in 2017	No in 2016	No in 2015	No in 2014	No in 2013	No in 2012	No in 2011	Description of events	Measures taken
76	71	60	47	59	41	49	30	50	Cracks in vehicle hydraulic systems (external vehicles and port machinery) or oil slicks detected on the asphalt surface.	Remediation by using absorbents and a machine / hand-held sweeper. Eco-points have been built in key areas, where substances for quick remediation are available together with bins for spent absorbent disposal.
2	10	11	5	8	6	5	8	4	Leakage in the port's water supply system.	Repair of the leaking pipes.
4	16	11	10	12	10	3	4	8	Leakage and spillage of a small amount of petroleum products.	Remediation by using absorbents and a machine / hand-held sweeper on the site.
2	1	11	6	4	3	4	2	4	Inadequate waste management within the port.	Adequate management of the collected waste in future.
1	1	10	2	5	2	1	0	0	Minor fire, onset of fire	In all cases, small, local fire onsets were extinguished and additional measures were introduced where necessary.
1	2	8	12	/	/	/	/	/	Thick smoke from the ship at berth	In case of thick smoke being emitted from a ship, a sea level survey was carried out. The soot stain on the surface was cleaned by an ecological vessel.

¹²⁶ GRI GS 306-3

24.6.2 Implementaion of improvement programmes for better management of uncontrollable events

In 2019, the following was implemented:

- Procedures for the procurement of an additional large firefighting tank vehicle (delivery in 2020),
- Reconstruction of part of the hydrant network in accordance with the Maintenance and Repair Plan as described above,
- Purchase of a portable mine pump for the needs of the coal and iron ore terminal,
- The 'TRO 2019' exercise to check the protection and rescue plan,
- Started the procedure of procuring a transport pump for hazardous substances, including a trailer; the order was completed at the end of the year, delivery is expected in the first half of 2020.

24.6.3 Improvement programmes for better management of uncontrollable events for 2020

The following will be implemented in 2020:

- Delivery of a large firefighting tank vehicle,
- Purchase of two smaller firefighting vehicles for the needs of the Luka Koper Professional Fire Brigade,
- Purchase of two transportable fans for ventilation of smoke-filled buildings,
- Repair of the PP system on JET fuel tanks,
- Reconstruction of the hydrant and water supply network in accordance with the 2018-2023 Plan for the maintenance and repair of the water and hydrant network,
- Completion of procurement of a transport pump for hazardous materials, including a trailer,
- A regional hazardous substances exercise Luka Koper 2020,
- Regular training for the Luka Koper Professional Fire Brigade.

24.7 Other environmental aspects and results of operations

24.7.1 Air quality and environmental aspects

The Company makes continuous efforts to reduce emissions from port activity into the atmosphere. The main sources of emissions that can be controlled include:

- The transshipment and warehousing of bulk and dry bulk cargoes such as coal, iron ore, soy, wheat and alumina. These activities cause dust emissions.
- The transshipment and warehousing of liquid cargoes such as petroleum products, o-Xylene and methanol. These activities cause the emissions of volatile organic compounds.
- The use of liquid energy sources and motor fuels used for the port machinery and in combustion units, causing dust and greenhouse gas emissions.
- Ships while berthing at port, as they must have auxiliary engines running for lighting, air conditioning, ship lifts, pumps, etc.

The systems for storing and transshipment of the above-mentioned cargoes are set up in the port of Koper in accordance with the best available techniques (the so-called BAT). Examples of using the best available techniques in the port are:

- Floating membranes are installed in petroleum reservoirs; fixed roof reservoirs are built to reduce the emissions of substances into the atmosphere;
- Vapour recovery systems are installed for pumping fuel into mobile units;
- White or reflective colour of tanks reduces the emissions of the substance into the atmosphere;
- Modern techniques are used in transshipment: automation of the transshipment process, reduction of drop heights in unloading cargo, use of telescopic pipes, introduction of closed transport routes and dust barriers;
- Key cargoes are stored in silos and transported through closed transport systems where practicable and economically feasible;
- Technical and organizational measures are introduced to reduce emissions at the point of origin; water spraying techniques are used, delivery and acceptance of cargo in bad weather are getting abandoned, surrounding areas are being made green, the number of transshipment spots is getting reduced;
- Paper sludge is applied to the landfill where coal and iron ore are stored, which reduces the possibility of the material being carried away by wind.

Air quality is also affected by activities outside the port area. We emphasize in particular:

- Roads surrounding the port;
- Emissions from ships entering the port;
- Cross-border impacts.

24.8 Emissions/immission from services

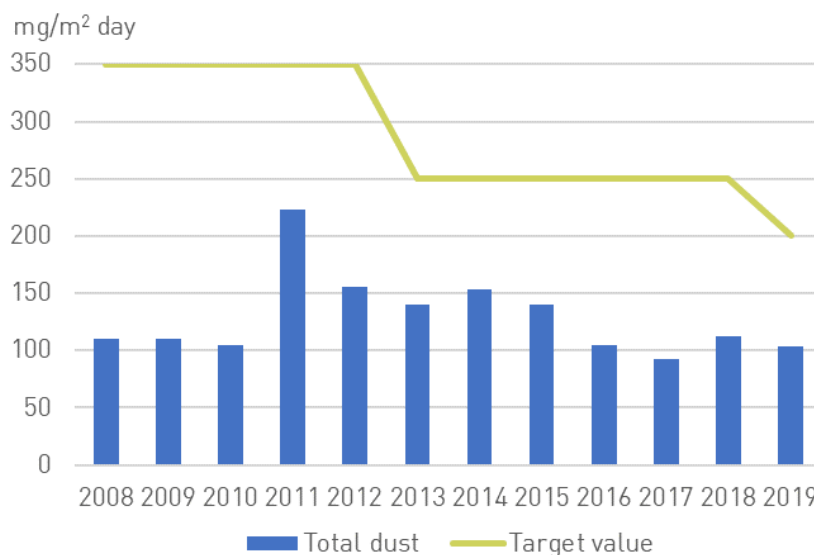
24.8.1 Total dust in the port ¹²⁷

Results of total dust measurement inside the port

Total dust concentration has been monitored on ten locations within the port since 2002. In 2019, we reduced our annual target from 250 mg/m² per day to 200 mg/m² per day. We have set an additional target to have a maximum of five measurements out of 120 exceed this value during the year. The legislation stipulates no limit values or tolerances for this category, however, a few years ago the prescribed limit value was 350 mg/m² per day. Sampling and measurements are carried out by a contracted organization.

The average annual dust concentration in 2019 was 104 mg/m² per day, a decline of 8% from 2018 and within the set target. Only one exceedance was recorded, therefore the target was fully achieved.

Figure 32: Average annual total dust concentration inside the port, all monitoring points combined



¹²⁷ Emissions/immission from services – additional indicator (ref GRI GS 305-7)

24.8.2 Concentrations of harmful particulate matter¹²⁸

Results of measurement of particles up to 10 µm (PM₁₀)



In the area of the port, the concentrations of particulate matter with particles up to 10 µm (PM₁₀) are monitored by the University of Primorska. The first equipment for continuous monitoring of the concentrations of particulate matter (PM₁₀) that is harmful to human health was installed in the immediate vicinity of the coal deposit area (Monitoring point 1) back in 2003, but was removed due to being dated at the end of 2012. Monitoring points 2 (towards Bertoki) and 3 (towards Ankaran – LKP Ankaran) have devices for continuous monitoring of PM₁₀ particles. Due to the way measurements are taken, the device at Monitoring point 2 (towards Bertoki) does not allow for the data to be displayed online. In mid-2012, an authorised organisation installed additional state-of-the-art measuring equipment on the passenger terminal, to monitor air quality in the direction of Koper (Monitoring point 4 – LKP Koper). The device also monitors particles up to 2.5 µm in size. In 2019, we also replaced the measuring device at the Measuring point 3 (direction towards Ankaran – LKP Ankaran), which in addition to PM₁₀ also enables monitoring of PM_{2.5} particles.



Monitoring point No 3 – LKP Ankaran, Monitoring point No 4 – LKP Koper, Monitoring point No 2 – towards Bertoki.

Results of PM₁₀ measurements provided by the devices in the port that allow for automatic online display (LKP

¹²⁸ Emissions/immission from services – additional indicator (ref GRI GS 305-7)

Release of particles in the port

By investing in environmentally friendly technology, we are reducing emissions

Last update: 30/01/2020 14:30



Ankaran and LKP Koper] are available on the website <http://www.zivetispristaniscem.si/>.

As a comparison, we additionally display the results of measurement by a device installed in Markovec, which is managed by the Slovenian Environment Agency. Annual average concentrations of particulate matter (PM₁₀) in the Port of Koper are below the legal limit value of 40 µg/m³ and below the internal target value of 30 µg/m³. The Decree on ambient air quality sets the daily PM₁₀ concentration limit for the protection of human health at 50 µg/m³, with no more than 35 exceedances per year. Luka Koper is compliant with these provisions, as well.

Results of PM₁₀ measurement at the edges of the port, in µg/m³

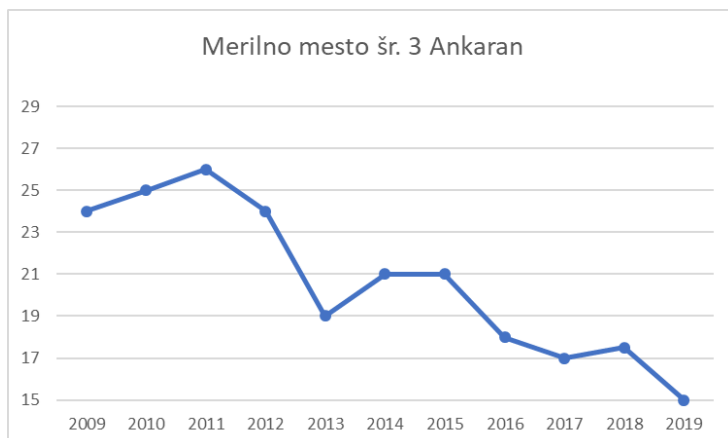
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Monitoring point No 3 – LKP Ankaran	16–15*	17–18*	17	18	21	19–23*	19	24	26	25	24
Monitoring point No 2 – towards Bertoki	18	21	21	20	25	22	23	26	27	19	20
Monitoring point No 1 – coal deposit area	No longer monitored	No longer monitored	No longer monitored	No longer monitored	No longer monitored	No longer monitored	No longer monitored	21	25	21	21
Monitoring point 4 No – LKP Koper	18	14	16	20	26	20	20	28**	-	-	-

*As the original instrument was being calibrated at this monitoring point, comparative measurements were taken throughout the year using a different reference instrument.

**Measurements taken for three months.

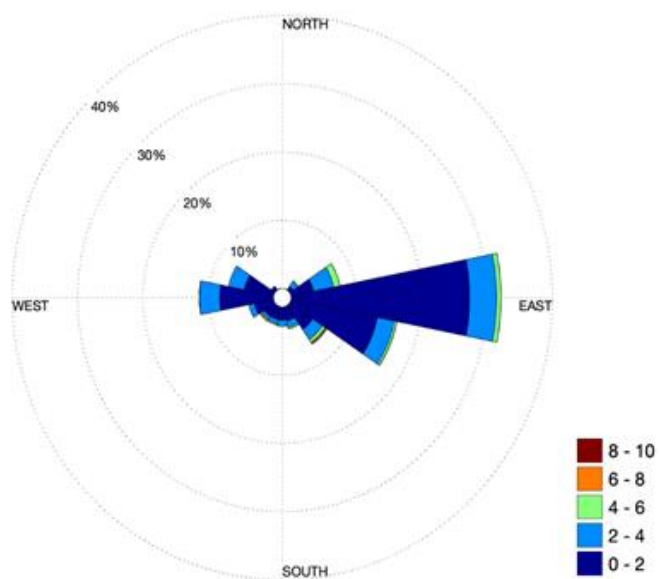
From the measurement results we noticed an increase in the concentration of PM₁₀ particles in the direction of the old town centre of Koper, but we attribute this to the construction of a garage house of the Municipality of Koper, since the port device is located in the immediate vicinity of this construction site.

In 2013/2014, as a dust containment measure, we started covering coal and iron ore deposits in a layer of paper sludge. The chart below shows that the amount of dust emitted towards Ankaran has been gradually decreasing.

Figure 33: PM₁₀ values in Ankaran by year

A complex wind monitoring system and an internal alarm system with wind forecasting within the port area have been set up. The values of the wind within the area vary, therefore, this data is becoming increasingly important in taking decisions on halting processes, as they enable prevention of damage to equipment and reduction of dust.

Figure 34: Wind rose, January to December 2019, in ms-1



Wind meter locations diagram

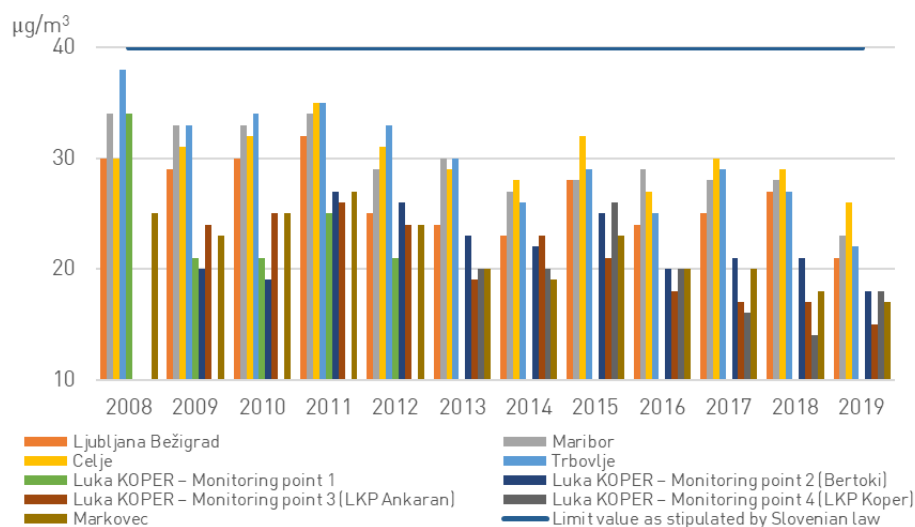


Annual measurement results were compared with PM₁₀ measurements taken by the Slovenian Environment Agency (ARSO) on other locations across Slovenia (Source: ARSO). The comparison shows that the limit value of 50 µg/m³ is exceeded at all measuring points. There are more exceedances in the first four months of the year (January, February, March and April). The most exceedances of the daily concentration limit occurred in Celje at the Monitoring point Mariborska (43 days). 8 exceedances were recorded in Koper (Markovec). In Velenje and Iskrba (so-called background measurements), the exceedances were fewer, 1 or 2, and some exceedances were also recorded in Žerjal. The remaining monitoring point across Slovenia recorded a higher number of exceedances than Koper.

Exceedances of the limit value 50 µg / m³ from January to June 2019 at various monitoring points across Slovenia.

merilno mesto	jan	feb	mar	apr	maj	jun	jul	avg	sep	okt	nov	dec	skupno
Celje	5	14	0	1	0	0	0	0	0	0	0	3	23
Celje Mariborska	17	17	2	2	0	0	0	0	0	0	0	5	43
Hrastnik	1	6	0	1	0	0	0	0	0	0	0	1	9
Iskrba	0	0	0	2	0	0	0	0	0	0	0	0	2
Koper	0	4	1	1	0	0	0	0	0	1	0	1	8
Kranj	5	2	0	0	0	0	0	0	0	0	0	1	8
Ljubljana Bežigrad	5	9	0	0	0	0	0	0	0	0	0	2	16
Ljubljana BF	3	3	0	0	0	0	0	0	0	0	0	2	8
Ljubljana GR	5	13	0	1	0	0	0	0	0	0	0	2	21
MB center	5	4	0	1	0	0	0	0	0	0	0	3	13
MB Vrbanški plato	--	--	--	--	--	--	--	--	--	--	0	0	0
MS Cankarjeva	15	10	0	1	0	0	0	0	0	0	0	2	28
Murska Sobota	6	6	0	1	0	0	0	0	0	0	0	1	14
Nova Gorica	1	7	0	1	0	0	0	0	0	0	0	1	10
Nova Gorica Grčna	1	7	0	0	0	0	0	0	0	1	0	1	10
Novo mesto	5	5	0	0	0	0	0	0	0	0	0	0	10
Ptuj	--	--	--	--	--	--	--	--	--	--	--	1	1
Trbovlje	0	11	0	3	0	0	0	0	0	0	1	1	16
Velenje	0	1	0	1	0	0	0	0	0	0	0	0	2
Zagorje	10	14	0	0	0	0	0	0	0	0	0	4	28
Žerjav	0	0	0	0	0	0	0	0	0	0	0	1	1

Source: https://www.arso.gov.si/zrak/kakovost%20zraka/podatki/2019_PM10Preseganja.pdf

Figure 35: Comparison of annual PM₁₀ concentrations in the port and some other monitoring points across Slovenia*

*Source: <http://www.arso.gov.si/zrak/kakovost%20zraka/podatki/>

The data for 2019 has not yet been finally confirmed by ARSO.

We also obtained online data from the port of Los Angeles, where, between January and September 2019, the PM₁₀ particle concentration was between 11 and 27 µg/m³. There, the statutory annual limit is lower, only 20 µg / m³ (https://www.portoflosangeles.org/environment/air_quality.asp). We also compared our data with the available data from the port of Valencia, where the PM₁₀ values for 2017 are 27 µg/m³ and the limit is at 40 µg/m³ (https://www.valenciaport.com/wp-content/uploads/Memoria-Ambiental-2017-ING_baja-def.pdf). The main activity of the port of Valencia is container and car throughput, whereas the transshipment of bulk cargo is about 80% lower than in Koper.

Results of measurement of particles up to 2.5 µm (PM_{2.5})

At the monitoring point inside the port (Monitoring point 4 – LKP Koper), PM_{2.5} particles are monitored in addition to PM₁₀ particles. The Environmental Agency of the Republic of Slovenia also performs measurements of PM_{2.5} dust particles in four locations across Slovenia: Ljubljana – Biotechnical faculty, Maribor central, Maribor Vrbanski plato and Iskrba at Kočevska Reka. The Iskrba monitoring point is located far from large polluters to measure natural background levels. By installing a new measuring device in the direction of Ankaran in the second half of the year (Monitoring point No 3 – LKP Ankaran), PM_{2.5} particles can now be monitored in Luka Koper as well.

Results of PM₁₀ measurement at the edges of the port, in µg/m³

	2019	2018	2017	2016	2015	2014
Monitoring point 4 No – LKP Koper	12	10	12	14	16	15
Monitoring point No 3 – LKP Ankaran	10*	The measuring device did not allow PM _{2.5} measurements				

* A new measuring device was set up and began monitoring PM_{2.5} particles in July 2019.

The PM_{2.5} measurements at both locations within the port are below the statutory value of 25 µg/m³.

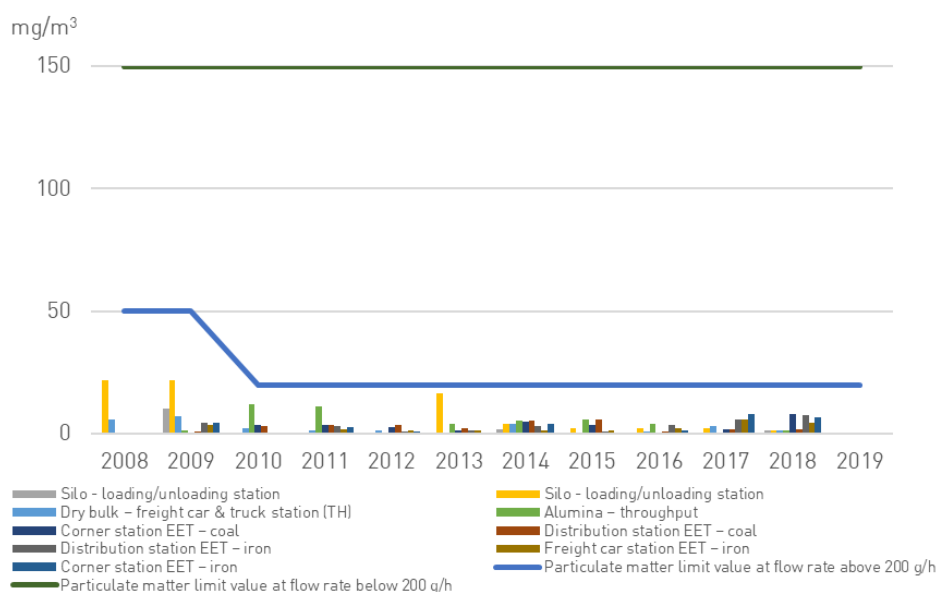
We obtained online data from the Port of Los Angeles, where in the period January-September 2019 the PM_{2.5} value was below 7 µg/m³. There, the statutory annual limit is lower, only 12 µg/m³ (<https://www.portoflosangeles.org/environment/air-quality/air-quality-monitoring>). The data available from the Environmental Agency of the Republic of Slovenia, which monitors PM_{2.5} particles, give the following values: Ljubljana 16 µg/m³, Nova Gorica 13 µg/m³, Maribor 13 µg/m³ and reference point Iskrba 8 µg/m³ (<http://www.arso.gov.si/zrak/kakovost%20zraka/podatki/>).

24.8.3 Emissions of particulate matter at key sources¹²⁹

Results of particulate matter emissions measurement at key sources in the port

Stipulated by law, the measurements are taken by an authorised organisation in the immediate vicinity of the stationary installations that are potential sources of particulate matter (e.g. facilities for the loading/unloading of freight cars and trucks). There are several monitoring points at each terminal. The number of measurements varies from year to year, either due to the volume and type of throughput, or due to changes in legislation. Limit values depend on the mass flow rate and consequently on the weather. All the measured values were compliant with the law. The figure also shows the statutory limit values. The maximum particulate matter concentration is 20 mg/m³ when the total dust mass flow rate is above 200 g/h, or 150 mg/m³ when the total dust mass flow rate is equal to or below 200 g/h. For emissions in the Port of Koper, the former limit applies (20 mg/m³).

Figure 36: Results of annual measurement of particulate matter emissions at varying sources



On the combustion plants in the port, measurements of emissions were taken regularly by a chimney service provider and an authorised organisation, and the results were compliant with legal provisions.

24.8.4 Implementation of service emission/immission improvement programmes

In 2019, the following was implemented:

- A system for the introduction of the voluntary ESI (Environmental Ship Index) system, which allows ships with more modern engines and consequently lower emissions into the air to pay a lower fee,
- A provider was selected in an open call to complete the construction of a suction dust extraction system at the coal and iron ore terminal in 2020.

The following was not implemented in 2019:

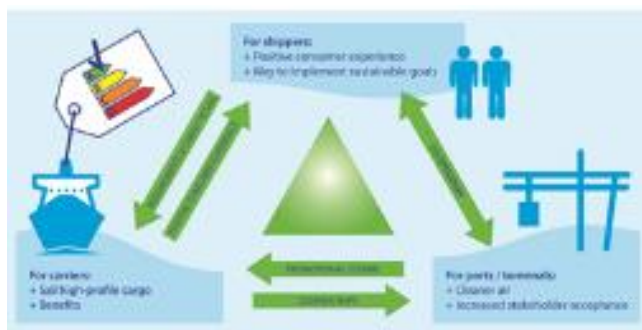
- Purchase of explosion-proof versions of vacuum cleaners for the cleaning of TH facilities and the cereals silo at the bulk cargo terminal, as they are still in the testing phase.

¹²⁹ Emissions/immission from services – additional indicator (ref GRI GS 305-7)

24.8.5 Service emission/immission improvement programmes for 2020

The following will be implemented in 2020:

- Completion of the construction of a vacuum dust extraction system at the coal and iron ore terminal, which began in the previous year,
- Purchase of explosion-proof versions of vacuum cleaners for the cleaning of TH facilities and the cereals silo at the bulk cargo terminal, which were planned to be purchased in the previous year,
- Installation of vacuum dust extraction systems, dust suppression spraying on the coast crane at the coal and iron ore terminal,
- Installation of vacuum dust extraction systems at the silo and TH facility and purchase and installation of soy-bean and dust filling sets at the silo facility at the bulk cargoes terminal,
- Introduction of an entry system for the ESI (Environmental Ship Index) voluntary scheme at the level of Luka Koper.



In its strategy and short-term objectives, Luka Koper, d. d. has set a continuous reduction of air emissions. All previous activities to reduce emissions into the air have focused on port equipment and technologies. Years ago, however, it was calculated that ships account for a significant portion of air emissions from the port area. Increased concentrations of greenhouse gases in the atmosphere contribute to climate change and affect human health. Legislation governing the reduction of emissions of substances into the air due to the operation of ships currently only requires the use of fuels with low sulphur content. Future plans include connection to the electricity grid or use of alternative fuels. Operational programme for limiting greenhouse gas emissions has been adopted at the national level, which envisages activities to promote sustainable freight transport, including voluntary schemes or mandatory programmes to promote cost-effectiveness of delivery. As part of this, we have devised a proposal for the introduction of an ESI (Environmental Ship Index) system, which in practice means that lower-polluting ships included in the ESI system would be allowed to pay a lower port due. For the remaining ships, however, the payment of the port due would remain unchanged (<https://www.environmentalshipindex.org/Public/Home>). The purpose of the ESI scheme is to attract to the port as many ships with modern engines and clean drives as possible, thus reducing emissions into the atmosphere. Following the model of other ports, Luka Koper, d. d., would thus introduce a mechanism for paying lower port dues. 56 ports are currently included in the ESI system, offering different levels of port due facilitation. A total of 8355 ships are already included in the scheme. The initiative was forwarded to the Ministry of Infrastructure as the consent of the owner is required.

24.8.6 Greenhouse gases¹³⁰

The gases discussed in this chapter include carbon dioxide (CO₂), methane (CH₄), and nitrous oxide (N₂O), produced as a result of fuel combustion to power the port machinery, fuel consumption for heating, and, indirectly, use of electricity for processes in the port. To allow comparisons and add up emissions of different greenhouse gases, the mass of a gas has to be multiplied by its global warming potential (GWP), expressed in relation to the global warming potential of CO₂. Inside the port, we also have stationary equipment and cooling and air-conditioning devices with fluorinated (ozone-depleting) greenhouse gases, while the largest cooling systems use ammonia, which does not classify as one of the gases that cause the greenhouse effect. The volume of substance that escapes during operation is best indicated by the amount of substance that needs to be replenished to the device, which is

¹³⁰ GRI GS 305-1, 305-2, 305-6

reported to us by authorized device maintainers. Emissions from devices are limited by regular maintenance, regular servicing and inspection, and collection of gases from worn-out equipment.

24.8.7 Results of greenhouse gas emissions measurements ¹³¹

The cooling equipment is regularly maintained in order to prevent emissions. In 2019, emissions totalled 848 kg of greenhouse gases. Emissions have been increasing as a result of equipment leakages, which are due to its obsolescence.

The carbon footprint was calculated for 2019, comprising emissions from fossil fuel combustion used to power the port machinery and for the heating of buildings, and the emissions from the use of electricity in the area of the port. The conversion factors used are summarized from nationally available data from the Environment and Climate Change Division of the Environment Directorate of the Ministry of the Environment and Spatial Planning and the Jožef Stefan Energy Efficiency Centre.

2019	Total consumption (MWh)	Emission factor [kgCO ₂ eq/kWh]	Total emissions [kgCO ₂ eq/year]
Diesel	46,269	0.267	12,353,823
Electricity (indirect emissions)	27,552	0.375	10,332,000
Light fuel oil	723	0.267	193,041
Liquefied petroleum gas - LPG	119	0.227	27,013
Wood biomass	1,390	0	0
TOTAL	76,052		22,905,877

2018	Total consumption (MWh)	Emission factor [kgCO ₂ eq/kWh]	Total emissions [kgCO ₂ eq/year]
Diesel	49,913	0.276	13,775,988
Electricity (indirect emissions)	27,376	0.375	10,266,000
Light fuel oil	784	0.268	210,112
Liquefied petroleum gas - LPG	179	0.228	40,812
Wood biomass	748	0.007	5,236
TOTAL	79,000		24,298,148

2017	Total consumption (MWh)	Emission factor [kgCO ₂ eq/kWh]	Total emissions [kgCO ₂ eq/year]
Diesel	52,024	0.276	14,358,624
Electricity (indirect emissions)	25,481	0.378	9,631,818
Light fuel oil	479	0.268	128,372
Liquefied petroleum gas - LPG	242	0.228	55,176
Wood biomass	1,104	0.007	7,728
TOTAL	79,330		24,181,718

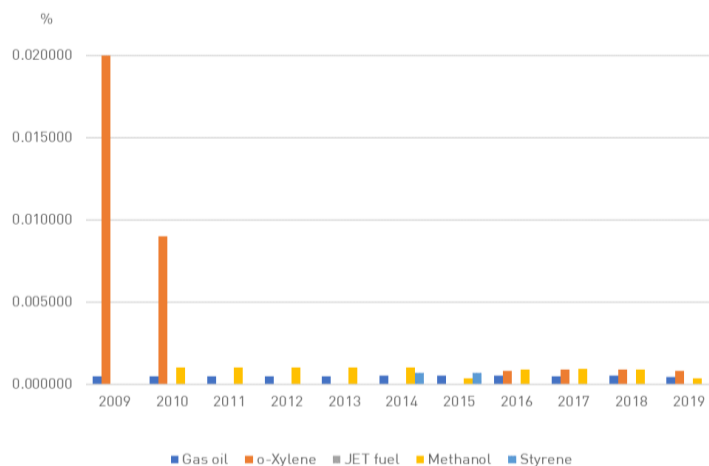
¹³¹ GRI GS 305-1, 305-2, 305-6

24.8.8 Volatile compound emissions measurements¹³²

Results of volatile compound emissions measurements

The main source of diffuse emissions of volatile compounds includes varying handling activities on the liquid cargoes terminal (e.g. filling and emptying mobile or stationary reservoirs, breather valves on reservoirs). As reservoirs have no standard stack to discharge waste gases into the atmosphere, measurement is not possible. However, using software developed by the United States Environmental Protection Agency (EPA), an authorised authority can calculate the annual emissions of volatile compounds. In the calculation process, the characteristics of the reservoirs, the type and amount of the material stored, and meteorological data are considered. No limit values are stipulated.

Figure 37: Annual losses of volatile compounds from reservoirs on the liquid cargoes terminal



In 2019, annual losses of volatile compounds from reservoirs on the liquid cargoes terminal included gas oil with 3,347 kg, o-Xylene with 76 kg, jet fuel with 110 kg, and methanol with 1,127 kg. No styrene was transshipped in 2019.

The liquid cargoes terminal also houses a cryogenic cooling device (VRU-vapor recovery unit) designed to contain vapours generated during the loading of wagons and trucks. Measurements of air emissions from the said treatment plant were within the legal limits.



In 2019, no improvement programmes were in place in this field, and none are planned for 2020.

¹³² GRI GS 305-7

24.9 Waste management

Various wastes are generated during the operation of the port and are collected separately in Luka Koper and recycled or handed over to authorised organizations.

Three groups of waste are generated in the port:

- Waste from port activity (e.g. cargo residues, waste wood, packaging and metal, mixed municipal waste);
- Other waste in the port area (waste generated by the users of the economic zone); and
- Ship-generated waste left by the ships berthed at the port of Koper (e.g. sewage, oiled water, kitchen waste, waste packaging, medicines, ash, mixed municipal waste).

Luka Koper provides the compulsory national public utility service of collecting solid and liquid ship waste in the port area. Luka Koper has subcontracted its subsidiary Luka Koper INPO, d. o. o. for the provision of this service. There is also the Waste Management Centre, which was built in 1997 and is also managed by the subsidiary Luka Koper INPO, d. o. o. In the Centre extending over the area of 127,000 m², waste is collected and further sorted as needed. The waste that is not recovered in the Centre is handed over to authorised organizations for further processing. Thus, we care for cleanliness and improvement in environmental image, thereby increasing the economic efficiency of our operations. Generally, we insist on separate collection of waste already at its source, i.e. at terminals, by users of the economic zone and on ships.



The Centre also comprises a composting facility for the processing of organic waste (residues of wood, fruits, soy-beans, etc.), which are used to generate compost. We also cooperate with external companies in the processing of waste. Among the largest is the Marjetica Koper utility company, from which biological waste suitable for composting is collected for processing. The composting facility operates under a valid environmental permit. The compost produced is of first or second-rate quality. The second-rate quality compost contains increased copper content.



The Waste Management Centre has a facility for the pre-storage of hazardous waste (e.g. paint residues, varnishes, waste medicinal products from ships, batteries, oiled cloths, ash from ships, absorbents, etc.) that is generated in port area or taken over from ships. We forward those to authorised organisations.



The subsidiary Luka Koper INPO collects marine oils at the bilge plant and hands them over to authorised organisations. As a collector of such waste, the company has obtained an environmental permit for this activity. We are in the process of increasing our collection capacity.



Luka Koper d. d. also has an environmental permit for transshipment or temporary storage of scrap metal, waste plastics and rolling mills. Most of the waste originates from EU countries, and to a lesser extent from non-EU countries. In the port of Koper, goods, in this case waste, are explicitly only stored until the ship arrives. To us, goods or waste represent cargo like any other that travels through the port, where we act only as one of the links in the transport and logistics chain. We use two outdoor storage areas at the port for scrap metal storage. The scrap metals that are transshipped are classified as non-hazardous waste. In the last three years, we have not transshipped or stored scrap metal, scrap plastic or rolling mills.

Paper pulp application technology

1. Preparation of mixture

2. Application using special technology

3. Result



The Company also holds an environmental permit for mixing scrap paper pulp with water and applying it over coal and iron ore to reduce dust. The amount of paper sludge used varies depending on the throughput of coal and iron ore. In 2019, 1,315.28 tons of paper sludge were used for this purpose.

24.9.1 Results in waste management¹³³

The waste generated in the port include waste from port activity (e.g. cargo residues, waste wood, packaging and metal, mixed municipal waste), waste generated by the users of the economic zone, and ship-generated waste left by the ships berthed at the Port of Koper. Some hazardous waste is generated by emergency remediation (see table of Environmental Statistics, predominantly absorbent substances used in the repair of damage to hydraulic systems of goods vehicles). To show concern for the environment, the Company ensures regular waste sorting, processing and hand-over for further handling. Waste is sorted on all terminals, with the users of the economic zone, and on ships. All the collected waste is handed over to authorised waste management contractors, while the organic waste is processed into compost in the composting plant inside the port.

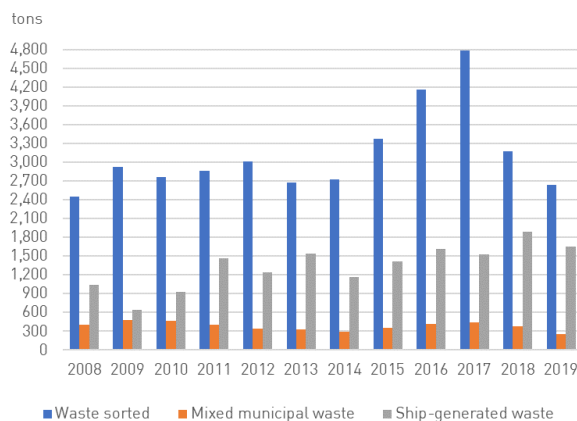
Recycling is not carried out at the port (0 tons of waste), but by businesses outside the port. Only marine bilge oils (921 tonnes) are forwarded abroad for incineration. Mixed municipal waste is disposed off-site at landfills (372 tons). 66 tons of biodegradable waste from the port was recovered into compost.

¹³³ GRI GS 306-2, 306-4

Amount of collected waste

In 2019, somewhat more than 4,540 tons of waste in total was collected in the area of the port, of which 2,636 tons was sorted (217 tons hazardous, 2,419 tons non-hazardous), 255 tons was mixed municipal waste, and 1,649 tons was ship-generated waste (1,300 tons hazardous, 349 tons non-hazardous).

Figure 38: Amounts of waste collected in the port



Ship-generated waste

Most ship-generated waste is hazardous waste. Ship-generated waste accounts for the largest share of hazardous waste in the port of Koper. It largely includes bilge oils with varying water contents, 1st category kitchen waste, oil soaked wiping cloths, waste batteries, medicine, ash, etc. Hazardous waste is handed over to the organisations authorised for their further processing or disposal. Bilge oils are handed over to be used as alternative fuel in other countries.

Figure 39: Annual amounts of ship-generated waste

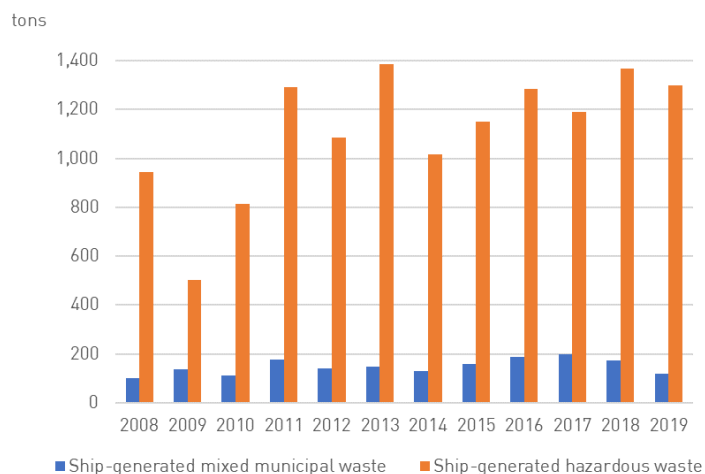
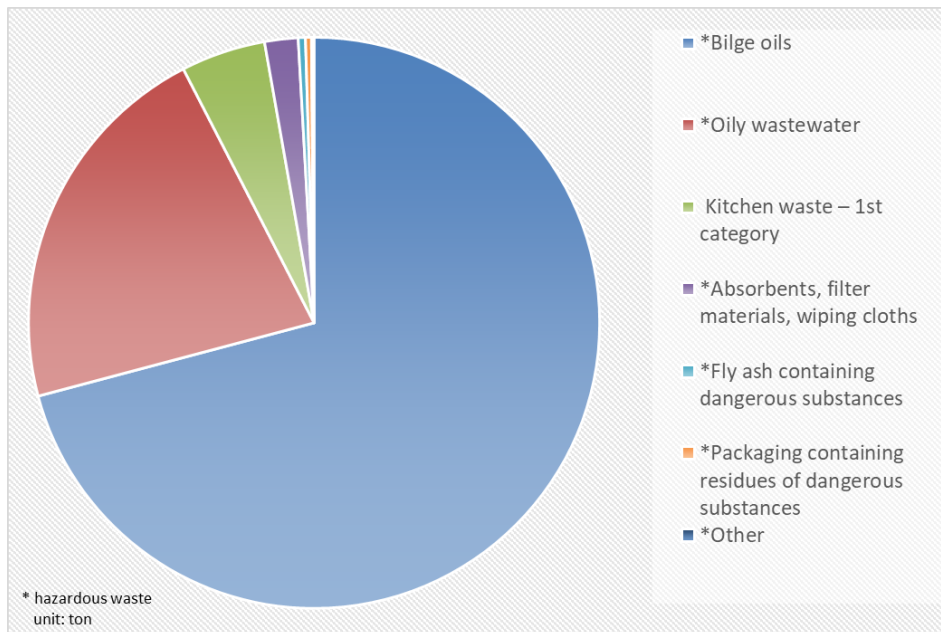


Figure 40: Types of ship-generated hazardous waste sorted in 2019¹³⁴

In 2019, the largest share of hazardous marine waste was marine bilge oils (71 percent), which were handed over in total to an authorised organisation abroad, and all other hazardous marine waste was handed over to authorised organisations in Slovenia.

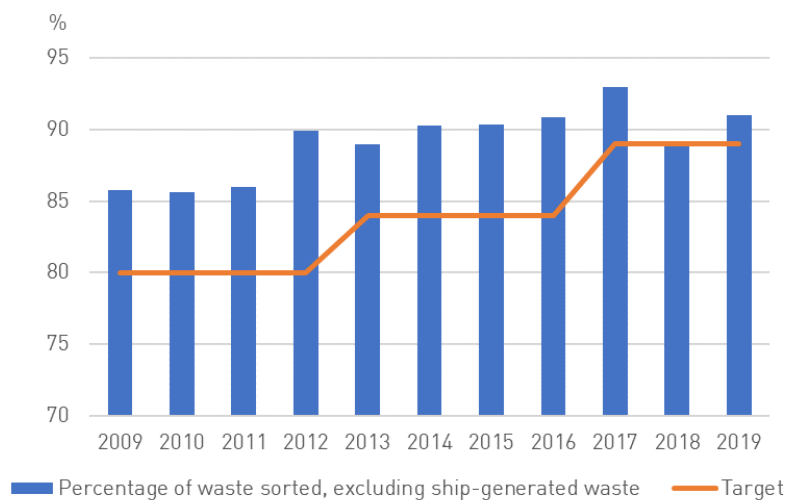
Waste sorted in the port

Adequate waste management has become increasingly important, especially in terms of proper collection, sorting, storage, processing, and re-use. It is vital that the company employees and all others carrying out their activities in the area of the port of Koper know their role in this process, as some of the sorted waste fractions are re-used as secondary raw materials.

In 2019, 1,246 nm³ scraps of wood were used for heating purposes.

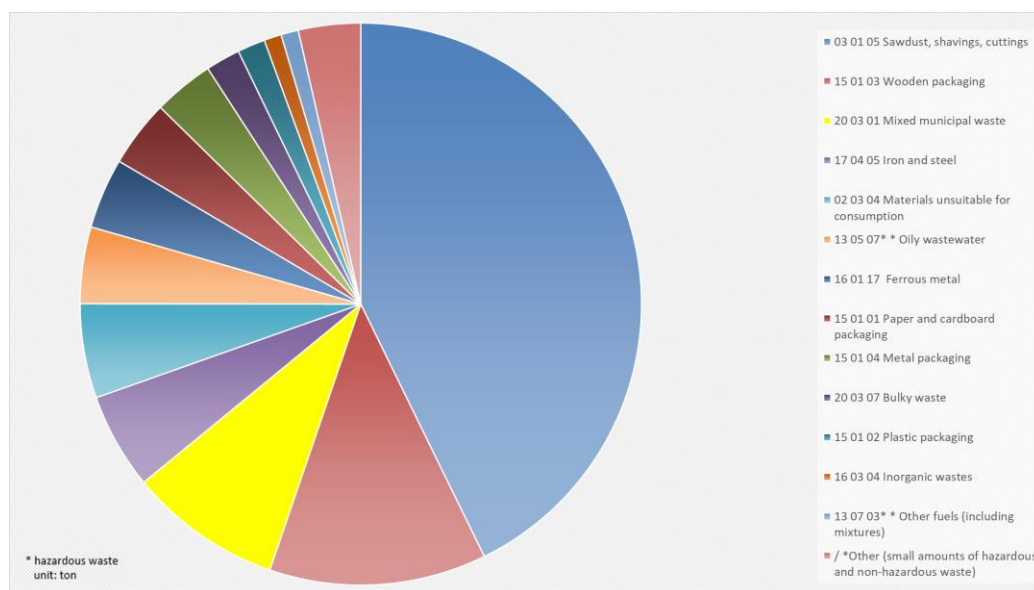
At the port, we set a 2019 target to collect 89 percent of the waste separately, which we also achieved.

Figure 41: Percentage of waste sorted



¹³⁴ GRI GS 306-4

Figure 42: Types of waste sorted in 2019, excluding ship-generated waste



24.9.2 Implementation of waste management improvement programmes

In 2019, the following was implemented:

- A large number of spent bicycles were removed from the port as bulky waste.
- Activities were launched at the Waste Management Centre as required by the new Decree on the outdoor storage of solid combustible waste. A provider has been selected to perform a fire safety analysis, therefore, activities will continue in 2020.
- We received a certificate from the Slovenian Environment Agency for the Plan for the reception of ship-generated waste and cargo residues at the port of Koper, whose abstract is published on the website.

The following was not implemented in 2019:

- We have not yet removed from the port area and sent in destruction the used and written-off port machinery and vehicles that represent waste, as the matter is extensive and complex. The proceedings are actively underway and are scheduled to be completed in 2020.
- Vehicles that have been permanently damaged and present cargo have not yet been removed from the port area. The matter is demanding and complex, involving several departments and institutions. The proceedings are actively underway and are scheduled to be completed in 2020.

24.9.3 Improvement programmes for waste management for 2020

The following will be implemented in 2020:

- Remove from the port area the vehicles that have been permanently damaged and present cargo;
- Remove from the port area as waste entirely and send in destruction the used and written-off port machinery and vehicles;
- Announce the change to the environmental permit for wood processing into wood chips;
- Update the recycling bins in the port area;
- Arrange areas for waste oil collection at the key port locations;
- Revise the Waste Management Plan;
- Adapt the fire protection system to the provisions of the new Decree on the outdoor storage of solid combustible waste and the findings of the fire study.

24.10 Noise emissions¹³⁵

Due to its activity, the port generates noise. In accordance with the strategic guidelines for the development of the port and the adopted environmental policies, the Company continues its activities to manage and reduce the port's noise levels



The required measurements are taken continuously even though the frequency stipulated by law is only once every three years. Using the right equipment, an authorised organisation continuously monitors the noise level at three border points of the port, which is a preventive measure to identify major sources of noise and noise events. We have been the first and only industrial plant in Slovenia to implement continuous noise measurement, the results of which are displayed on the port website (<http://www.zivetispristaniscem.si/>). The meters cover the main activities that generate noise in the port, such as the transshipment of goods and the use of port machinery. Another noticeable source of noise is ships, which must always have engines and other devices to ensure smooth operation. The values shown on the website are given for information purposes only (as orientation) and do not indicate the noise status in front of the first residential buildings of Ankaran, Koper or Bertoki, as the measuring devices are installed in the port. They also measure noise in the vicinity of the measuring device (road noise, human activities, nature sounds, etc.). Measuring noise in windy and rainy weather increases the value due to noise caused by the rain and wind.

However, in accordance with the requirements of the legislation, an authorised organisation carried out periodic measurements in 2019 in front of the first residential buildings around the port and the results comply with the requirements of the amended environmental permit for noise emissions from the port.

An action plan for noise reduction is created annually. Being aware of the issue of noise spreading from the port area, we have set targets that are lower than current legislative requirements. The results of the 2019 noise reduction action plan are shown below.

24.10.1 Noise emission results

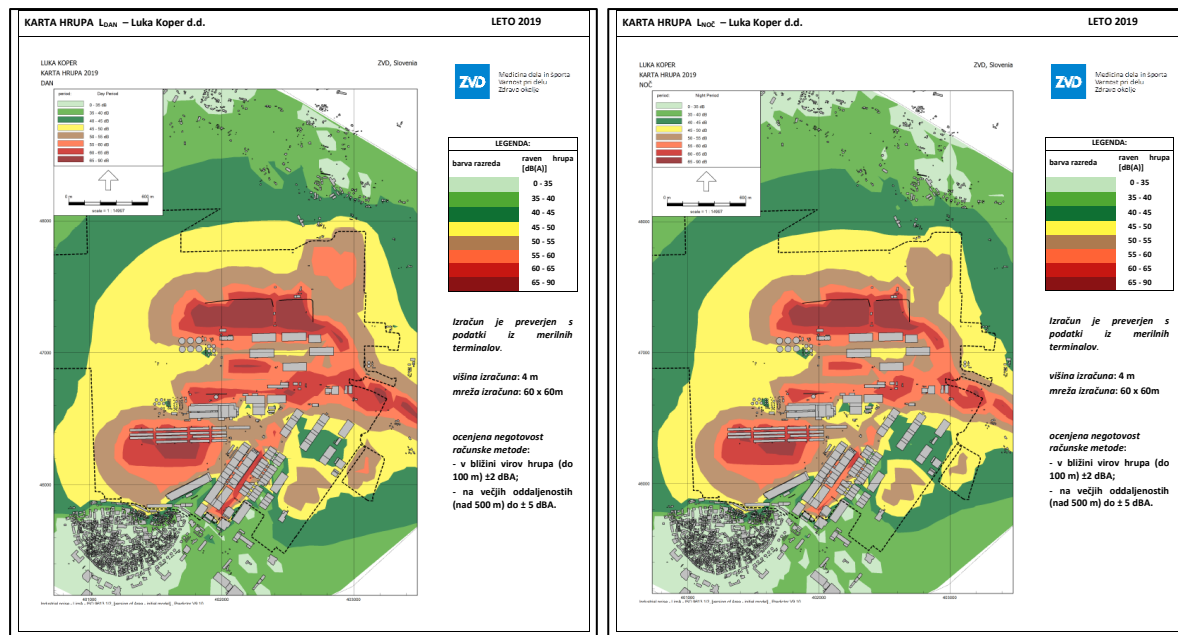
To measure noise, we use state-of-the-art measurement, monitoring and display techniques recommended by guidelines in this field. Detailed annual noise maps are made, showing noise areas in the port and its immediate surroundings. The activities carried out in order to produce noise maps include continuous measurement, periodic measurement, and noise propagation modelling.

The noise map is intended to show noise propagation from a complex source, such as the port of Koper, to the immediate neighbours of the port and the surrounding area. It shows the calculated noise load based on the data on the sound power of the devices (mostly obtained on the basis of measurements, but partly calculated from the data on device capacities), as well as the traffic data in the area of Luka of Koper and the noise of traffic of the surrounding roads based on the annual average (traffic counting). A noise map gives a clear graphical representation of the noise load based on the data entered, while also taking into account the impact of local road traffic from the peripheral port area, which is an important source of noise. The map shows average annual noise levels of all sources of noise: road traffic, processes in the port, ships and other causes of noise located outside the port. The port area is classified as Level IV area of noise protection, within which we also monitor the noise level. In the noise maps, the dashed line indicates the borders of the area. The immediate surroundings of the port, i.e. the area outside the port fence, are classified as Level III area of noise protection.

¹³⁵ Noise emissions – additional indicator (ref GRI GS 305-7)

In the noise maps, the dashed line indicates the border of the port area (Noise map – day, Noise map – night).

Figure 43: Noise maps – day and night – 2019



According to noise measurement and maps, the noise from the port most heavily affects the northern edges of the town of Koper. Therefore, the noise reduction activities that we prepare annually in the noise reduction action plan are mainly focused on noise reduction in the direction of Koper. With the Municipality of Koper we have established a fund that will allocate funds for improving the sound insulation of residential buildings of the locals. Noise levels should also be taken into account when drawing up detailed municipal spatial plans for municipalities and local communities bordering the port.

The table below shows the number of ships berthed in the period 2011–2019. The trend of a decrease in the number of berthing ships started in 2017, which can be attributed to the fact that larger and more loaded ships were berthing at the port. This was most evident at the container terminal where larger ships, the so-called mainline vessels, were berthing. In 2019, the decrease in the number of berthing ships was due to the above as well as smaller volume of traffic.

Number of berths in port by year

Year	2019	2018	2017	2016	2015	2014	2013	2012	2011
Number of ships	1,664	1,899	1,999	2,060	2,032	1,878	1,907	1,954	1,958

The measured values of noise levels in the port area and the average annual measured values are shown in the table below. It covers the measured values of all noise sources (road transport, port processes, ships and other noise generators located outside the port, construction work). The noise level excluding ships is also shown below, as a regulation that does not cover ship noise entered into force on 7 July 2018.

Average annual noise level from all sources at the port boundary, measurements are continuously carried out in the port (in dBA)

<i>2019</i>			<i>2018</i>			<i>2017</i>		
Towards Bertoki	Towards Ankaran	Towards Koper	Towards Bertoki	Towards Ankaran	Towards Koper	Towards Bertoki	Towards Ankaran	Towards Koper
L _d =53	L _d =53	L _d =61	L _d =53	L _d =53	L _d =63	L _d =53	L _d =53	L _d =63
L _e =50	L _e =50	L _e =60	L _e =51	L _v =51	L _e =63	L _e =52	L _e =51	L _e =62
L _n =48	L _n =48	L _n =60	L _n =49	L _n =49	L _n =63	L _n =49	L _n =51	L _n =62
L _{den} =56	L _{den} =56	L _{den} =67	L _{den} =56	L _{den} =56	L _{den} =69	L _{den} =57	L _{den} =58	L _{den} =69
<i>2016</i>			<i>2015</i>			<i>2014</i>		
Towards Bertoki	Towards Ankaran	Towards Koper	Towards Bertoki	Towards Ankaran	Towards Koper	Towards Bertoki	Towards Ankaran	Towards Koper
L _d =54	L _d =54	L _d =63	L _d =54	L _d =54	L _d =63	L _d =54	L _d =57	L _d =62
L _e =52	L _e =51	L _e =62	L _e =53	L _e =52	L _e =62	L _e =52	L _e =55	L _e =61
L _n =50	L _n =51	L _n =61	L _n =49	L _n =50	L _n =60	L _n =50	L _n =52	L _n =59
L _{den} =57	L _{den} =58	L _{den} =68	L _{den} =57	L _{den} =58	L _{den} =67	L _{den} =57	L _{den} =60	L _{den} =66
<i>2013</i>			<i>2012</i>			<i>2011</i>		
Towards Bertoki	Towards Ankara	Towards Koper	Towards Bertoki	Towards Ankaran	Towards Koper	Towards Bertoki	Towards Ankaran	Towards Koper
L _d =54	L _d =58	L _d =62	L _d =55	L _d =57	L _d =63	L _d =55	L _d =57	L _d =63
L _e =53	L _e =56	L _e =61	L _e =53	L _e =55	L _e =61	L _e =52	L _v =54	L _e =61
L _n =51	L _n =53	L _n =59	L _n =50	L _n =54	L _n =60	L _n =51	L _n =52	L _n =60
L _{den} =58	L _{den} =60	L _{den} =66	L _{den} =58	L _{den} =61	L _{den} =68	L _{den} =58	L _{den} =59	L _{den} =67

Key: L_d – day noise level, L_e – evening noise level, L_n – night noise level, L_{den} – day-evening-night noise level

As internal noise target values that we want to achieve or maintain in front of the first residential buildings, we have set values that include all noise sources from the port:

- Night noise level of 48 dBA,
- Day noise level of 58 dBA,
- Evening noise level 53 dBA.

Noise decreases with distance. Based on the above continuous measurements, the authorised measurement contractor calculates and determines the noise in front of the first residential buildings based on the distance to the nearest residential building from the port. The results obtained suggest that the night, evening, and day noise in front of the first residential buildings in Ankaran and Bertoki is within the set targets, and the same applies to the day and evening noise in front of the first residential buildings of the Koper city centre. However, the targets are not achieved for the night noise level in front of the first residential buildings in the Koper city centre.

Figure 44: Reducing the noise level in relation to throughput (day-time noise in the direction of Koper)

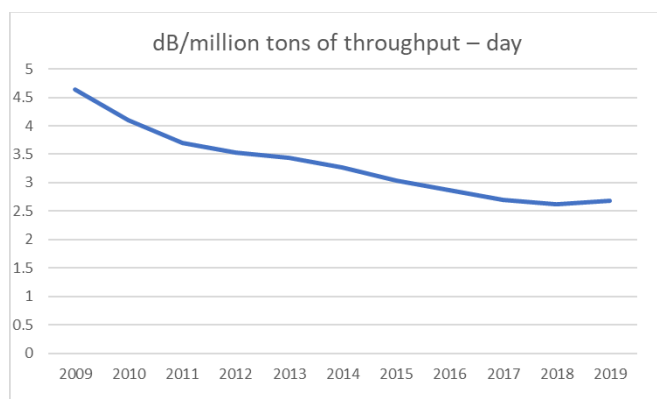


Figure 45: Reducing the noise level in relation to throughput (**evening** noise in the direction of Koper)

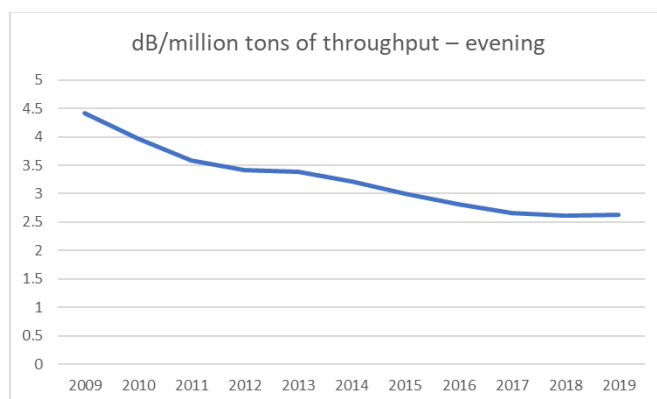
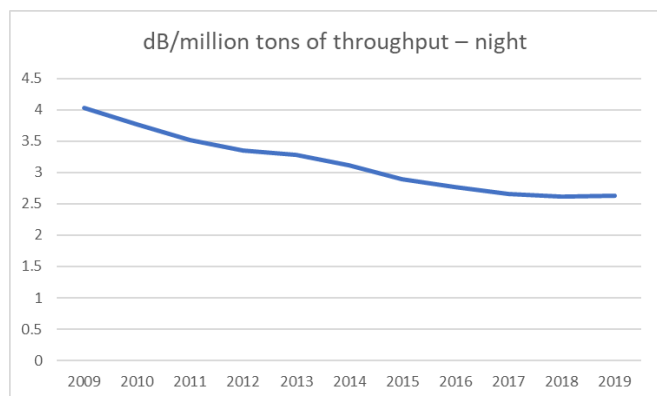


Figure 46: Reducing the noise level in relation to throughput (**night-time** noise in the direction of Koper)



Noise measurements performed in front of the first residential buildings

Noise measurements in front of the first residential buildings are performed every third year, as required by law, and were last performed in 2019. The results are in line with the legislative requirements and the environmental permit for noise emissions. The noise level of the port is classified as Level III area of noise protection with the limit values shown in the table in brackets. Measurements do not include the noise of ships as stated in the noise regulation.

LOCATION	L_d (dBA)	$*L_e$ (dBA)	L_n (dBA)	L_{den} (dBA)
***MEASUREMENT POINT 1: the area in front of the Ankaran marina – at the shore-end of the pier	48,5 (65)	48,5 (60)	45,8 (55)	53,0 (65)
***MEASUREMENT POINT 2: in front of the Rožnik I residential building	50,0 (65)	50,0 (60)	47,7 (55)	54,7 (65)
***MEASUREMENT POINT 3: on the bypass road between Ankaran and Koper at Železniška cesta 1	49,0 (65)	49,0 (60)	47,4 (55)	54,2 (65)
***MEASUREMENT POINT 4: Škocjanski zatok nature reserve, observation tower area	55,5 (65)	55,5 (60)	46,3 (55)	57,0 (65)
***MEASUREMENT POINT 5: Koper, parking lot in front of Opekarska ulica 9	49,8 (65)	49,8 (60)	47,7 (55)	54,7 (65)
***MEASUREMENT POINT 6: Izolska vrata 6, parking lot in front of the building	51,3 (65)	51,3 (60)	47,1 (55)	54,9 (65)

*Measurements based on daily values

**The impact of road traffic outside the port of Koper could not be eliminated

***The impact of ship traffic could not be eliminated entirely





24.10.2 Implementation of noise reduction improvement programmes in 2019

A noise reduction action plan is devised annually, specifying activities, the persons responsible for implementation, and deadlines for completion. The outcomes of the 2019 noise reduction action plan are shown below. In 2019, EUR 2.7 million was spent on these noise reduction activities.


Noise reduction plan activity	Completion rate (%)
Diesel generator rebuild (engine change and generator rebuild) on TS 26 crane	100
Lining drains with rubber on transport routes, next to the e-RMG tracks, on the quayside, etc.	0 Transferred to the 2020 Plan
Replacement of terminal tractors (6 pcs)	100



Noise reduction plan activity	Completion rate (%)
<p>Replacement of diesel engine at gantry cranes TS 36, 37, 28, 39.</p> 	100
Installation of rubber dampers on the remaining trailers of terminal tractors	80 Completion is expected in 2020.
Communication with shipping companies in the event of noise-generating ships on the container terminal	100
Training for employees (reporting in CIIS – Critical Incidents Information System – in the event of derogation, i.e. speeding) on the internal rules and technological processes on the container terminal	100
Measurement of the noise level of each RO-RO vessel berthing at Basin I using the NMT2 measurement station	100
Communication with shipping companies in the event of noise-generating RO-RO ships (to achieve replacement of such ships)	100
Complete overhaul of terminal tractors (6 pcs)	100
Rearrangement of surfaces in the TL area for storing full containers	0 Activity is indirectly related to noise reduction. A complex project set to continue in the coming years.
Re-surfacing of the handling areas of the container terminal quayside	100
Replacement of the existing curved surface water drains with straight drains	100
Quarterly and targeted briefing of the local community on Pier I extension activities	100
Intended test pile driving in the extension area of Pier I, where zero measurements and noise and vibration measurements during pile driving have to be made	100
Replacement of terminal trailers (8 pcs)	100
Vibration and ventilation noise measurements at storage facility No 5 at the reefer terminal	100
 <p>Installation of a noise barrier in the port next to storage facility No 3 with the open part of the wall in the direction of the Opekarska Street</p>	18 The approval of the port development programme is required for the completion of the project, realisation expected in 2020.

Noise reduction plan activity	Completion rate (%)
Regular maintenance of asphalt surfaces and drains in the area under the STS cranes	100
Installation of APS couplings at container terminal phases III and IV	50 The activity is indirectly related to noise reduction, the project set to continue in the coming years.
Meeting with local communities of Koper municipality, municipality of Ankaran and municipality of Koper	50 Meetings with the local communities of Koper municipality, municipality of Ankaran and municipality of Koper were envisaged, but were not implemented with the local communities of Koper municipality and municipality of Ankaran. The activity is transferred to the 2020 Plan.
Redirecting ships that generate more noise to Basins II and III when possible (depending on the availability of berths, type of ship, and type of cargo)	100
Preparation of a proposal for a noise classification system and consideration of financial incentives for less noisy ships – NEPTUNES project, to be submitted to the Board for approval	100
Monitoring of speed (4 times per month) on the quayside of the container terminal in the evenings and in night-time, with a focus on terminal tractors, preparation of reports in CIIS and communication of breaches to the terminal and the health protection and ecology department.	100
Installation of an underwater noise measuring device	100



Noise reduction plan activity	Completion rate (%)
Installation of a noise measuring device at the former metalworking school 	100 A new noise monitoring device has been purchased, but will be installed at the former metalworking school when the renovation work is completed there. It is currently installed at the storage facility No 3 in immediate proximity to the centre of Koper.
Continuous noise monitoring and quarterly reporting to the Management Board on noise levels and on the implementation of measures from the action plan for noise reduction in the direction of Koper	100
Signing of an agreement on the implementation of mitigation measures (installation of additional sound insulation to the nearest dwellings) in cooperation with the Municipality of Koper	100
Preparation of proposal for introduction of the ESI (Environmental Ship Index) system, which will be submitted to the Management Board for approval	100
Replacement of 3 container manipulators	50
Continued collaboration on the project exploring the technical feasibility and restrictions of electrifying the port for powering ships	33 The contract for the electrification of the port for the purpose of supplying electricity to ships was planned to be concluded with Eles. The contract is harmonised and is now in the process of signature.
Acquisition of 5 electric rubber-tired gantry cranes (e-RTG)	100
Acoustic insulation on the hoppers of the gantry crane used for coal and iron ore throughput	50 The installation of acoustic insulation on the hoppers of the gantry crane used for coal and iron ore throughput was delayed, as there were no applications under the first call for tenders; only after a second call, a contractor was selected and a contract was signed.
Construction of a RO-RO berth in Basin III – selecting a contractor	100

24.10.3 Noise control improvement programmes scheduled for 2020

These activities are part of the annual Noise Reduction Action Plan:

- Lining drains with rubber on transport routes, next to the e-RMG tracks, on the quayside, etc.,
- Installation of rubber dampers on the remaining trailers of terminal tractors,
- Communication with shipping companies in the event of noise-generating ships on the container terminal,
- Training for employees (reporting in CIIS – Critical Incidents Information System – in the event of derogation, i.e. speeding) on the internal rules and technological processes on the container terminal,
- Measurement of the noise level of each RO-RO vessel berthing at Basin I using the NMT2 measurement station,
- Communication with shipping companies in the event of noise-generating RO-RO ships (to achieve replacement of such ships),
- Vibration and ventilation noise measurements at storage facility No 5 at the Reefer Terminal,
- Installation of a noise barrier in the port next to storage facility No 3 with the open part of the wall in the direction of the Opekarska Street,
- Meeting with local communities of Koper municipality, municipality of Ankaran and municipality of Koper,
- Redirecting ships that generate more noise to Basins II and III when possible (depending on the availability of berths, type of ship, and type of cargo),
- Preparation of a proposal for a noise classification system and consideration of financial incentives for less noisy ships – NEPTUNES project, to be submitted to the Board for approval,
- Monitoring of speed (4 times per month) on the quayside of the container terminal in the evenings and in night-time, with a focus on terminal tractors, preparation of reports in CIIS and communication of breaches to the terminal and the health protection and ecology department,
- Execution of a call for proposals on the implementation of mitigation measures (installation of additional sound insulation to the nearest dwellings) in cooperation with the Municipality of Koper,
- Introduction of the ESI (Environmental Ship Index) system,
- Continued collaboration on the project exploring the technical feasibility and restrictions of electrifying the port for powering ships,
- Acoustic insulation on the hoppers of the gantry crane used for coal and iron ore throughput,
- Analysis of measures from the Container Terminal optimization study,
- Construction of a RO-RO berth in Basin III – noise control.

24.11 Energy use and energy efficiency

Luka Koper has recognised the importance of electromobility as the most efficient energy application technology, which allows for 100% use of renewable energy. The Company is making rapid progress in building charging infrastructure for electric vehicles and introducing electric cars for use inside the port. In 2019, three worn-out motor-vehicle vehicles in the professional services fleet were replaced with three electric cars.

The company regularly upgrades its SCADA control system by installing metering and communication equipment for all large electricity consumers in the port.

Luka Koper plans to step up its ongoing programme of investing in renewable energy sources to achieve some degree of energy self-sufficiency. A number of photovoltaic plants will be installed to become the primary source of renewable energy in the port.

Luka Koper, d. d., is part of GAINN4MOS, a Connecting Europe Facility project that aims to set up liquefied natural gas (LNG) infrastructure for the use of LNG in ports. In 2019, a study was conducted on the safety aspects of supplying ships with LNG, which provided concrete answers for potential LNG supply options.

Energy audits should be carried out regularly. In 2019, the Company will focus on targeted energy projects, depending on the discrepancies between the consumption of an energy source in each individual section of the port and the planned consumption of this source.

24.11.1 Energy efficiency system¹³⁶

Luka Koper's strategic orientation is to achieve high energy efficiency in all the activities carried out in the area of the Port of Koper.

Luka Koper has recognised energy efficiency as one of the key measures of the energy policy to enhance the competitiveness of the Company, and acknowledges that energy efficiency improvements make a significant contribution to security of supply and lower environmental impacts.

The Company's environmental strategy and energy policy represent guidelines for the implementation of all energy measures.

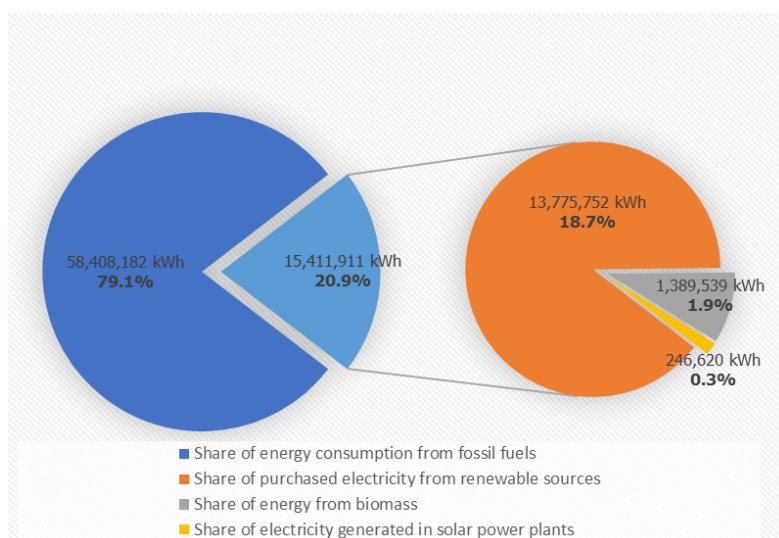
Energy audits have been carried out in the port regularly for a number of years, and energy efficiency investments have been made when economically feasible.

Using IT systems for energy consumption control, consumption of energy sources is monitored. In the event of a deviation from the set targets, energy efficiency measures are introduced.

In 2019 we started activities for obtaining the ISO 50001 certificate – energy management system, to ensure economic and efficient use of energy. Certification is expected in 2020.

24.11.2 Consumption of energy sources¹³⁷

Figure 47: Consumption of energy for Luka Koper, d. d., by source



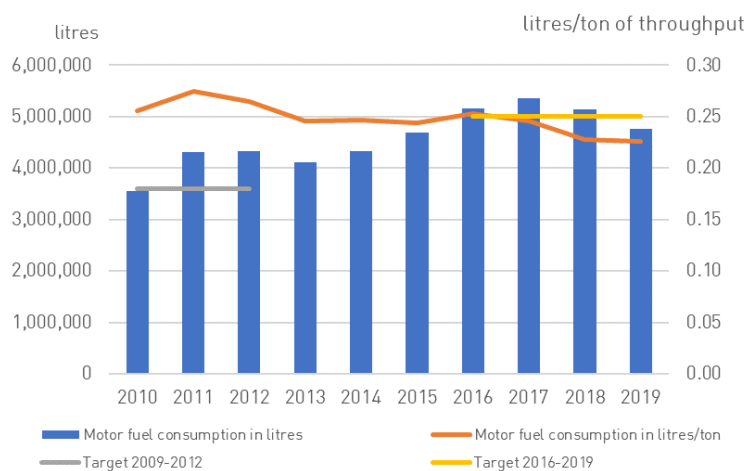
The strategic goal is to build 1.2 MW of solar power plants over 5 years, which will result in generating up to 4 percent of our own electricity consumption.

In 2019, total energy consumption for Luka Koper, d. d. amounted to 265,752 GJ, of which 55,483 GJ (20.9%) was generated through the use of renewable energy sources.

¹³⁶ GRI GS 103-1, 103-2, 103-3

¹³⁷ GRI GS 302-1, 302-2, 302-3

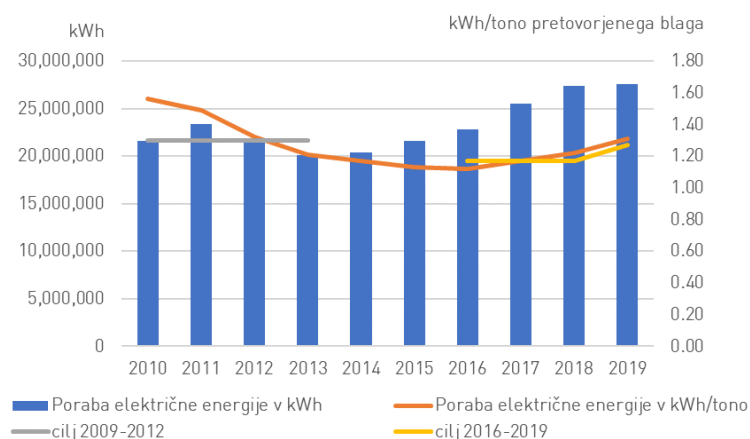
Figure 48: Consumption of motor fuel for Luka Koper, d. d. (non-renewable source)



In 2019, motor fuel consumption for Luka Koper, d. d. totalled 166,567 GJ.

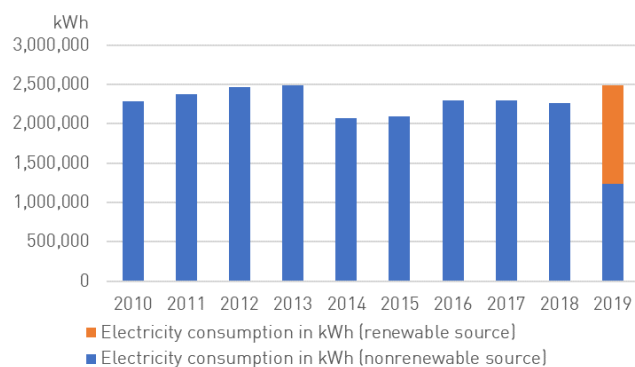
In motor fuel and electricity consumption, data are expressed as consumption per ton of throughput.

Figure 49: Consumption of electricity for Luka Koper, d. d. (renewable and non-renewable source)



In 2019, electricity consumption for Luka Koper, d. d. totalled 99,185 GJ.

Figure 50: Consumption of electricity for the economic zone (renewable and non-renewable source)



24.11.3 Electricity consumption¹³⁸

With energy efficiency activities carried out in 2019, we reduced fuel consumption by 3,545 GJ and electricity by 205 GJ. Calculations of reduced energy consumption are based on measurements.

Port operations are carried out using machinery and equipment with high nominal powers, resulting in high power consumption. The largest consumers in the port include ship-to-shore cranes, engine rooms for food refrigeration on the reefer cargo terminal, the lighting and power supply for refrigerated containers. The use of new electrified rubber-tired gantry cranes (e-RTG) and rail mounted gantry cranes (RMG) on the container terminal will increase electricity consumption in the coming years further still. All new gantry cranes are fitted with systems that recover the electricity generated when the cargo is lowered to the ground, and feed it back into the grid. The increase in power consumption due to the new cranes will be partly compensated by investment in new LED lights across the port.

24.11.4 Motor fuel consumption¹³⁹

Working processes in the port require abundant use of diesel-fuelled machinery. The largest consumers include terminal tractors, forklifts, rubber-tired gantry cranes (RTG), manipulators, loaders, vehicles used for rail traction, forklifts and vans.

In 2019, the container terminal was the largest consumer, accounting for 59.9% of all motor fuel consumption in the port. With new e-RTG and RMG cranes, motor fuel consumption on the container terminal will gradually decline. In purchasing new transport machinery, the Company follows the latest technological and environmental requirements.

¹³⁸ GRI GS 302-4

¹³⁹ GRI GS 302-4

24.11.5 Implementation of improvement programmes to reduce electricity and fuel consumption¹⁴⁰

In 2019, the following was implemented:

- Three micro photovoltaic power plants were installed on the rooftops of transformer stations;



- Three electric cars were purchased for the needs of Luka Koper, d. d., resulting in a total of four electric vehicles, which are gradually replacing the port's internal vehicles;
- The electrical wiring was restored and a smart lighting system installed in storage facility No. 33 on the general cargoes terminal;
- Five electric rubber-tired gantry cranes (e-RTG) were purchased;
- Two electric road-rail vehicles were purchased for the PC bulk and liquid cargoes terminal;
- Documents were prepared and an energy management system established for Part 1 of the certification audit to obtain the SIST ISO 50001:2018 certification;
- Light fittings in the old multi-storey car park were replaced with modern LED lights with a control system;
- LED lighting was installed in cabins of gantry cranes on the bulk cargo terminal;
- The ENIS energy information system was upgraded.

The following was not implemented in 2019:

¹⁴⁰ GRI GS 302-4

- The installation of a lighting system on the bulk cargo terminal was not completed (Phase 2), as three additional LED reflectors have to be installed on gantry cranes at locations that are have to be illuminated when carrying out transshipment;
- The dossier for the installation of solar power systems on the storage facilities for general cargoes was not devised as the project was delayed in the 2020 plan;
- Detailed design for the inclusion of diesel generators in tertiary frequency control was not devised as diesel generators are planned to be relocated.

24.11.6 Electricity and fuel consumption reduction programmes planned for 2020

The energy efficiency activities planned for 2020 are:

- Acquiring the ISO 50001 standard certification – energy management;
- Preparation of preliminary design for potential use of small wind turbines in the port;
- Preparation of executive design and installation of meters for large electrical consumers in the energy supply of buildings in the port and connection with the existing SCADA control system;
- Restoration of electrical wiring and installation of a smart lighting system in storage facility No. 29 on the general cargoes terminal;
- Purchase of two new electric vehicles;
- Renovation of indoor and outdoor lighting by installing a smart lighting system and establishing a system for capturing electricity consumption data in cold rooms No 13, 14 and 16;
- Construction of four electric vehicle charging stations;
- Construction of a micro-solar power plant at the TP Troples transformer station;
- Construction of a solar power plant at the locker room and toilets facility on the container terminal;
- Purchase and installation of APS docking stations for eRTG cranes;
- Creating the design for the possibility of constructing photovoltaic power plants at the facilities of general cargo storage facilities;
- Renewal of lighting at OD3 and OD5 cranes at the general cargo terminal.

24.12 Drinking water and groundwater management¹⁴¹

The water supply network that brings drinking water to the port comprises around 30 km of pipes. Drinking water is used for sanitary purposes, for the supply of ships and for some industrial processes (e.g. wet storage of wood, food refrigeration, etc.).

The quality of drinking water is monitored annually in all key points of the port's water supply network. All results demonstrate compliance with drinking water legislation.

Drinking water is used for sanitary purposes, for the supply of ships and for some industrial processes (e.g. wet storage of wood, food refrigeration, on construction sites, for vehicle and machinery washing, etc.). The Company has acquired the water right to use drinking water for industrial processes. For some purposes (e.g. fire water pump testing, as a source of fire water, damping of the coal deposit handling area, etc.), the groundwater is also used in the port (via a well), although it is brackish. 18,208 m³ of groundwater was consumed in 2019.

Drinking water consumption is not directly dependent on throughput. The increased load on transport surfaces (increased traffic) results in more frequent damage to the water supply network. Luka Koper seeks to control the leaking; a multi-annual programme has been devised in order to minimise it, that envisages reconstruction of the port's water supply network in phases.

A water consumption control system is in place, with meters connected to a computer in the control centre. In 2019, absolute drinking water consumption increased by 13.2% year-on-year.

The target up to 2019 was to maintain specific water consumption at 6.4 l of water per ton of throughput from maritime transport and the loading/unloading of containers. In the period 2009-2012 we failed to meet the then target to reduce drinking water consumption to 5.8 l/ton of throughput. The growing use of heavy equipment is increasing the load on the water supply network, resulting in additional leaks. In 2018, the Company devised a multi-annual Luka Koper water supply network reconstruction programme, the implementation of which is mentioned in Section 24.6 'Environmental Risk Management and Emergency Response'.

¹⁴¹ GRI GS 303-1

Figure 51: Drinking water consumption per ton of throughput

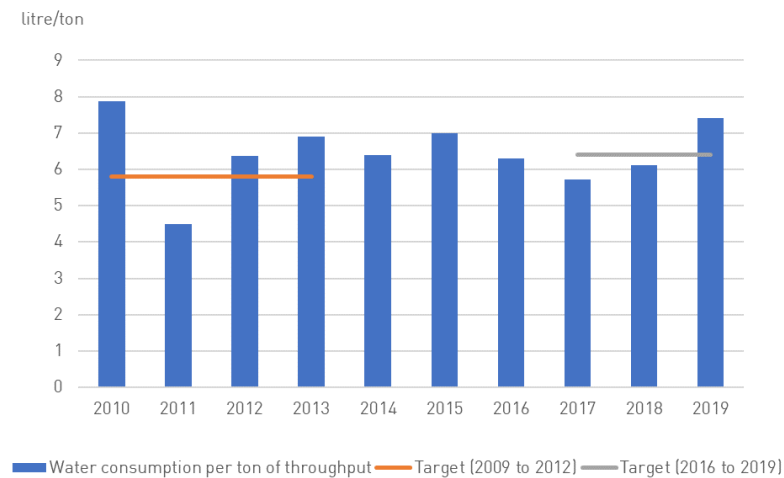
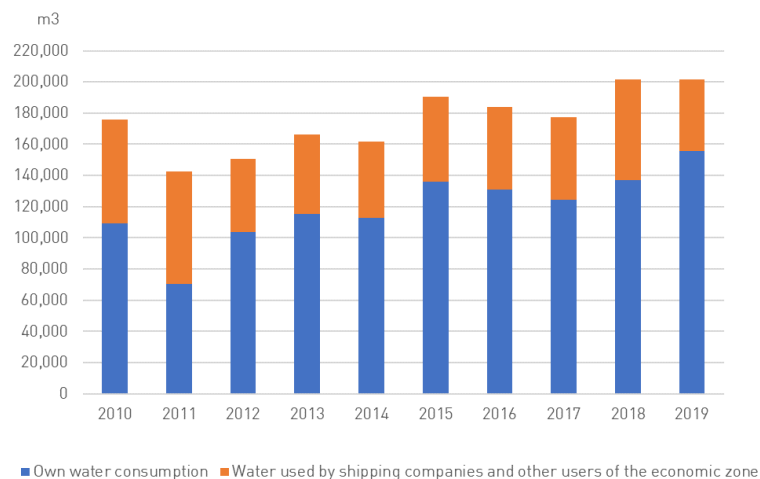


Figure 52: Absolute drinking water consumption in the port



24.12.1 Implementation of improvement programmes to increase resource efficiency

In 2019, the following was implemented:

- Partial reconstruction of the water supply network in accordance with the plan;
- Microbiological analyses of drinking water in the port's water supply network were conducted on a regular basis, the results were within the limits for drinking water.

The following was not implemented in 2019:

- A chemical analysis of the quality of groundwater (in the well) was not conducted due to the lack of response and problems caused by the delay in choosing a service provider. The plan is to implement the item in 2020.

24.12.2 Resource efficiency improvement programmes planned for 2020

The following water efficiency and quality measures are planned for 2020:

- Partial reconstruction of the water supply network in accordance with the plan;
- A chemical analysis of the quality of groundwater (in the well);
- Regular microbiological analyses of drinking water in the port's water supply network.

24.13 Wastewater management 142

The port generates technological wastewater whose quality is measured by an authorised organisation. The types of wastewater:

- Industrial wastewater from the equipment and container washing facility;
- Stormwater runoff from the liquid cargoes terminal on Pier I;
- Industrial wastewater from the livestock terminal;
- Stormwater runoff from the liquid cargoes terminal on Pier II;
- Stormwater runoff from the storage of scrap iron on the dry bulk terminal;
- Industrial wastewater from the container washing facility;

Before being discharged, industrial wastewater is treated in Luka Koper's own treatment plants.

Due to the precipitation washout of the paved areas, precipitation wastewater is also generated across 142 ha of the port. Many oil interceptors are installed on these surfaces to prevent environmental contamination in the event of spills.

Sanitary wastewater is treated with the help of 17 small wastewater treatment plants or transferred to the central Koper municipal wastewater treatment plant.

Luka Koper has an environmental permit for wastewater emissions into the environment.

Types of industrial wastewater in the port, annual amounts, and compliance with the law

Type of industrial wastewater	Annual amount (m³) in	Compliance with the law	Annual amount (m³) in					
	2019		2018	2017	2016	2015	2014	2013
Stormwater runoff from the liquid cargoes terminal Pier I ###	440	Compliant	15	45	0	110	120	150
Industrial wastewater from the livestock terminal ###	1,477	Compliant	6,927	2,700	5,983	3,076	4,080	2,629
Industrial wastewater from the equipment washing facility ###	823	Compliant	939	727	1,641	700	727	1,097
Stormwater runoff from the liquid cargoes terminal on Pier II #	2,300	Compliant	2,300	2,300	2,300	2,300	2,300	2,310
Industrial wastewater from the container washing facility ###	507	Compliant	679	Newly built	-	-	-	-
Sanitary wastewater ##	39,396	Measurements are only taken on small treatment plant effluents Compliant	37,686	32,326	30,000	24,000	24,000	24,000
Stormwater runoff from the storage of scrap iron on Pier I of the dry bulk terminal#	3,500	No scrap iron was stored on the site. Compliant	3,500	3,500	3,500	3,500	3,500	3,500
Stormwater runoff from the storage of scrap iron on Pier II of the dry bulk terminal#	2,700	No scrap iron was stored on the site. Compliant	2,700	2,700	2,700	2,700	2,700	2,700

¹⁴² GRI GS 306-1

24.13.1 Implementation of improvement programmes to reduce wastewater emissions in 2019

In 2019, the following measures were implemented:

Following a public call, a contractor was selected to install a mobile physico-chemical wastewater treatment plant at the livestock terminal, which will further improve the quality of wastewater flowing into the Koper wastewater treatment plant. The plant has already been ordered and is scheduled to be installed in spring 2020. Its task will be to remove hay particles and other animal remains. After installation, the first measurements of the quality of the wastewater will be carried out by an authorised and accredited laboratory.

- There is a special trailer at the port, to which any leaking container that arrives at the port is placed. A tender and technical content have been devised to obtain two additional trailers for emergency response. We expect their supply in 2020.
- Non-standard oil interceptors in the port have been replaced.

24.13.2 Wastewater emission improvement programmes planned for 2020

The following will be implemented in 2020:

- A wastewater treatment plant will be installed at the livestock terminal, the first measurements of the quality of the wastewater will be performed, and a change of the environmental permit will be requested;
- The modernisation of the drainage system on the European energy terminal will continue.
- Two additional emergency response trailers will be purchased.

24.14 Light pollution ¹⁴³

Light pollution is governed by the Decree on limit values due to light pollution of environment, based on which all port lighting was adjusted years ago in such a way that the luminous flux is not pointed upwards. The causes of light pollution in the port include the lighting of storage areas, working sites, transport routes, and rails. While operations require adequate light levels according to rules for safety at work, this on the other hand impacts the environment. In 2017, all lamps in the area of the port were modified in a way that light is pointed downwards. The legislation also requires regular updates to the lighting plan. The plan was last renovated in 2019 following the additional installation of lamps and is published on the port website <https://luka-kp.si/slo/zakonodaja-in-kolje-200>. Currently, 3036 lamps are installed across the port with a total installed capacity of 1471.3 kW, illuminating an area of 273 hectares.

¹⁴³ Light pollution – additional indicator (ref GRI GS 305-7)

Figure 53: Illuminated parts of the port included in the lighting plan



24.14.1 Implementation of improvement programmes to reduce light pollution

No activities were planned in this field.

24.14.2 Light pollution improvement programmes planned for 2020

No activities are planned in this field.

24.15 Biodiversity¹⁴⁴

Land use related to biodiversity is one of the indicators of environmental performance reported under the provisions of the EMAS Regulation. Even though the use of land in relation to biodiversity has not been recognised as a significant environmental aspect, the Company pursues relevant activities to monitor biodiversity and the status of some organisms.

24.15.1 Implementation of biodiversity improvement programmes in 2019

We focused on monitoring the status of underwater meadows, which, however, are not located in the concession area of the port, where the sea is too deep for the grass (*Zostera noltei*, *Cymodocea nodosa*) to grow there. These two species of grass grow in the direction of Ankarán, where the depth of the sea is three meters at most. Monitoring of the status of the underwater meadow was established in 2018 as part of the RO-RO berth construction project in Basin III, located in the direction of Ankarán. Measurements of the meadow status were carried out prior to construction during grass growth. During construction, status measurements were not possible as the action is carried out at a time when grasses are not growing. Measurements will be implemented again in June/July 2020. The first measurements of seagrass status show that their leaves are quite long, which means that anthropogenic impacts are present and that the condition is poor or very poor. When marine phanerogams are exposed to low levels of light (due to cloudy water), they respond by distributing more biomass into leaves, which are therefore longer. By elongating the leaves, they can capture more light, which they devote to photosynthesis.

¹⁴⁴ GRI GS 304-3, 304-4, 306-5, 103-1, 103-2, 103-3

Sample area of underwater meadow and the procedure for determining its status by measuring leaf lengths.

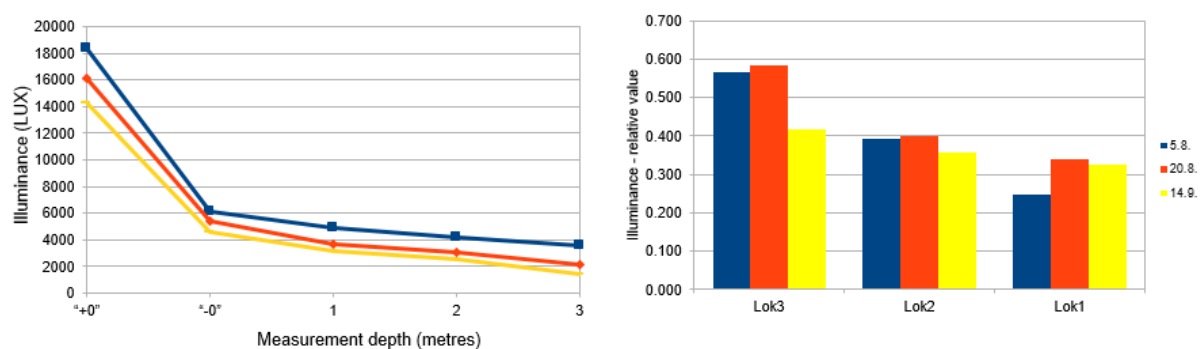


As part of the monitoring of underwater meadows, a current meter was installed in Basin III to monitor the direction and velocity of sea currents throughout the water column. The direction and strength of water currents are important in the transport of particles that increase sea turbidity. Increased turbidity of the sea is caused by natural phenomena (rain, wind, waves, sea blooms) as well as anthropogenic factors (shipping, dredging).

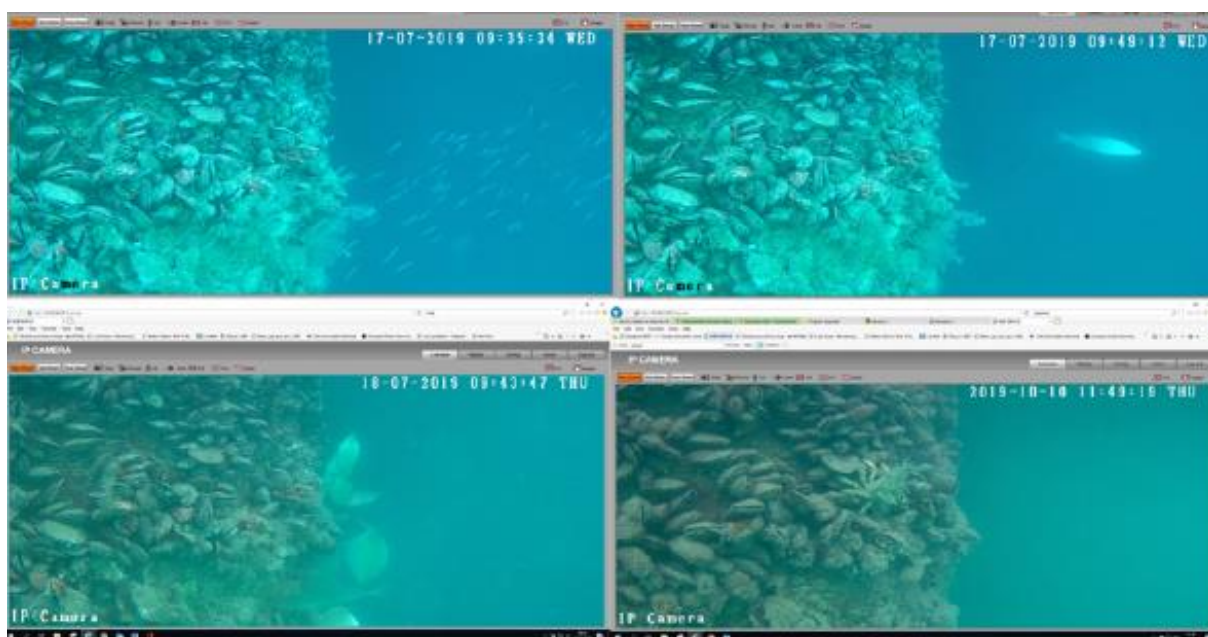


The figure below shows the locations of underwater meadows, where illumination measurements were also performed during grass growth. The measurements were performed for the first time, and due to the small number and short period of measurements, valid conclusions could not be reached.





An underwater camera was also installed to visually monitor the condition and clearness of the sea. The videos showed increased turbidity during some summer periods and significant changes in weather when stronger winds (bora) were present. There was no increased turbidity at the times of arrival and departure of a ship.



To monitor marine biodiversity in the port water area, we have a limited number of videos and photographic recordings that have been repeatedly presented to the public; yet, they indicate the existence of diverse and rich flora and fauna. However, for the effective conservation of biodiversity in situ and for appropriate sustainable use, changes in the state of biodiversity need to be identified. Its components should be monitored and controlled, with particular emphasis on those requiring urgent conservation measures and those that offer the greatest potential for sustainable use. For these purposes, a comprehensive study of the state of marine biodiversity in the port waters was launched in 2019. Areas with coastal and marine habitat types that still maintain a very high level of biodiversity or fair preservation and serve as habitat to other plant or animal species, significantly contribute to the high biodiversity in Slovenia. Such areas alone provide the habitat for many typical marine organisms. In the port water area, these are mainly piles, rock armours and other concrete structures. Marine biodiversity research is key to understanding marine developments and the impact of anthropogenic factors on the environment. At the same time, such research is necessary to assess the ecological and environmental status of the sea, as governed by European environmental legislation (Water Directive, Marine Strategy Framework Directive). The project will be completed in 2020.

24.15.2 Biodiversity improvement programmes planned for 2020

The following will be implemented in 2020:

- Sea current monitoring will continue and light levels will be measured on seagrass meadow locations; an underwater camera in the port water area will be used to monitor the situation;
- The study of biological diversity in the port water area will be completed;
- An inventory of flora and fauna in some parts of the Koper Bay.

24.16 Sea water protection ¹⁴⁵

In accordance with the Concession Agreement for the performance of port activity, management, development and regular maintenance of the port infrastructure in the area of the Koper cargo port, Luka Koper regularly carries out activities to prevent and eliminate consequences of marine pollution. An important part of the public utility service performed by Luka Koper is regular inspections of the port water area and the removal of driftwood, debris, waste and other abandoned and discarded objects from the sea. To this end, Luka Koper owns special dedicated equipment and vessels, and has adequately trained staff.

Considering the capacities and loads that result from port operations, Luka Koper has mobilised its staff and resources for the process of preventing and addressing the impacts of sea pollution outside the port, thus assisting the relevant state bodies.

In the event of incidents at sea, Luka Koper acts in compliance with the applicable Protection and rescue plan of Luka Koper, d. d. for industrial accidents.

In 2019, 40 minor incidents were recorded in the port water area. The sea protection unit intervened in thirteen incidents involving a large amount of wood and other debris carried to the Luka Koper by the Rižana River or from the open sea. Nine incidents included the removal of coal dust. There were also nine instances of minor oil slicks, one instance of soot, four instances of pollution of the sea with dirty water, mainly due to the discharge of meteoric waters, two instances of pollution with foam, and two instances of pollution of the port water area with cargo residues.



Debris removal in Basin II of the Port of Koper.

In all instances of marine pollution, the Company acted in accordance with the means and resources activation scheme for minor accidents, and remedied the effects of pollution within the concession area.

¹⁴⁵ GRI GS 306-3

24.16.1 Statistics for interventions at sea¹⁴⁶

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Number of identified incidents at sea	40	26	24	27	23	24	12	21	25	37	32
Number of interventions in the port water area	36	25	19	17	23	22	12	18	17	18	18
Number of incidents not requiring intervention	4	1	5	10	0	2	0	3	8	19	14
Number of pollution incidents outside the port water area	0	0	0	0	0	0	0	1	0	0	0

The REBEKA state-of-the-art measuring equipment for monitoring sea water quality is located in front of the entrance into the port's Basin III. The results are displayed on the website <http://www.zivetispristaniscem.si/>. The buoy continuously monitors the general parameters of sea water. The table below shows the measured values. No limit values are stipulated. The probe was cleaned and calibrated several times during the year.



	2019**	2018	2017	2016	2015
Sea temperature (°C)	between 10 and 29	between 10 and 28.9	between 6.6 and 20*	between 7.8 and 25.6	between 8.9 and 29.9
Salinity (g/l)	between 35 and 38	between 36 and 37	between 36 and 42	between 36 and 41	between 36 and 42
Oxygen content (mg/l)	between 4 and 10	between 4 and 12.5	between 6 and 13	between 4 and 10	between 3 and 12
pH	between 8.0 and 8.6	between 7.9 and 8.4	between 8.3 and 8.5	between 8 and 8.5	between 8 and 8.5
Turbidity (NTU)	between 0 and 10	between 0 and 6	between 0 and 5	between 0 and 1	between 0 and 1

*The probe was under repair in the summer season.

** Data refer to the period from June onwards, since the probe was previously defective and in repair

The results of sea quality measurements do not vary; slightly higher recorded turbidity levels may also be due to the probe being covered in plants, which may affect the result of the measurements. The turbidity probe is always cleaned after the turbidity results start increasing steadily.

The monitoring of the microbiological parameters of sea water quality continued in all three basins of the port. Even though the law on microbiological quality of sea water only applies to bathing water, we continued to monitor all the parameters that can indicate faecal pollution of the sea.

Microbiological quality of sea water in the port in 2019, in cfu/100 ml

Monitoring point	Parameter	April	May	June	July	August	Sept	Oct	Limit value for bathing water
Basin I	Intestinal enterococci	NPD	53	NPD	<4	<4	19	<4	370
Basin I	E. Coli	27	58	16	<4	<4	10	4	1,000
Basin II	Intestinal enterococci	13	1400	NPD	73	14	38	22	370
Basin II	E. Coli	38	1640	<4	10	6	46	33	1,000
Basin III	Intestinal enterococci	NPD	17	<4	<4	7	20	8	370
Basin III	E. Coli	NPD	13	NPD	<4	5	NPD	<4	1,000

Microbiological quality of sea water in the port in 2018, in cfu/100 ml

Monitoring point	Parameter	April	May	June	July	August	Sept	Oct	Limit value for bathing water
Basin I	Intestinal enterococci	15	23	8	<4	<4	4	<4	370
Basin I	E. Coli	77	15	4	5	<4	<4	4	1,000
Basin II	Intestinal enterococci	87	133	130	21	153	24	43	370
Basin II	E. Coli	46	86	48	<4	3000	56	137	1,000
Basin III	Intestinal enterococci	<4	<4	<4	8	<4	<4	<4	370
Basin III	E. Coli	NPD	<4	<4	32	<4	5	4	1,000

Microbiological quality of sea water in the port in 2017, in cfu/100 ml

Monitoring point	Parameter	April	May	June	July	August	Sept	Oct	Limit value for bathing water
Basin I	Intestinal enterococci	<4	7	-	<4	-	25	-	370
Basin I	E. Coli	58	6	7	<4	<4	122	<4	1,000
Basin II	Intestinal enterococci	4	18	18	32	7	336	14	370
Basin II	E. Coli	84	34	11	7	<4	880	27	1,000
Basin III	Intestinal enterococci	-	<4	<4	5	-	25	<4	370
Basin III	E. Coli	5	-	<4	6	-	31	<4	1,000

Microbiological quality of sea water in the port in 2016, in cfu/100 ml

Monitoring point	Parameter	April	May	June	July	August	Sept	Oct	Nov	Limit value for bathing water
Basin I	Intestinal enterococci	500	-	4	-	-	17	-	4	370
Basin I	E. Coli	31	2	-	15	13	>100	20	30	1,000
Basin II	Intestinal enterococci	144	2	82	2	-	86	56	63	370
Basin II	E. Coli	29	24	>1.000	64	4	340	150	450	1,000
Basin III	Intestinal enterococci	7	-	-	-	-	4	5	-	370
Basin III	E. Coli	3	5	1	6	11	13	10	10	1,000

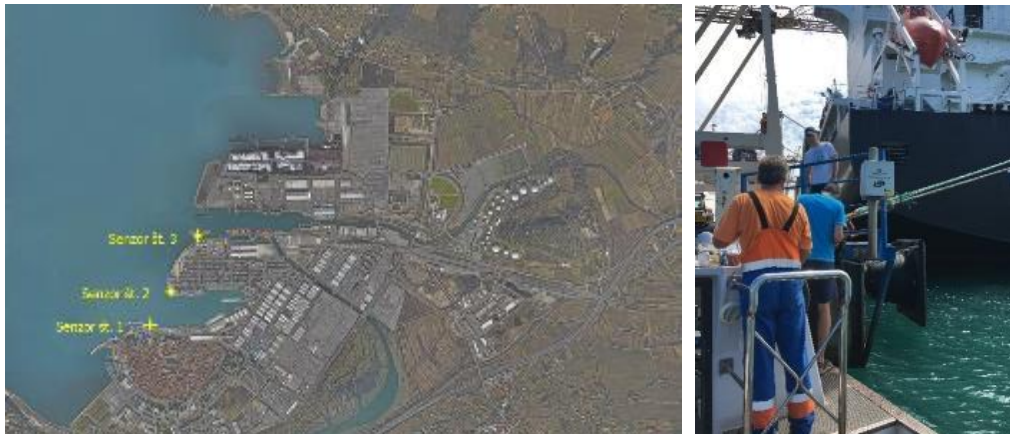
Microbiological quality of sea water in the port in 2015, in cfu/100 ml

Monitoring point	Parameter	June	July	August	Sept	Oct	Limit value for bathing water
Basin I	Intestinal enterococci	1	-	1	2	1	370
Basin I	E. Coli	-	6	7	NPD	11	1,000
Basin II	Intestinal enterococci	8	2	3	25	56	370
Basin II	E. Coli	12	8	17	37	401	1,000
Basin III	Intestinal enterococci	1	2	-	2	4	370
Basin III	E. Coli	1	8	7	6	26	1,000

*Note: NPD – no presence detected

The microbiological quality of the sea is highest in Basin I and III. Microbiologically, Basin II is more polluted, but this is attributed to the outflow from the Central municipal wastewater treatment plant operated by Marjetica Koper, d. o. o., since its outlet runs into the initial part of Basin II. Approximately 5 million m³ of recovered sewage is discharged into the Basin II of the port from this treatment plant.

There are three sensors in the port that continuously monitor potential oil spills. One is installed in front of the Koper marina fuel station, one is located at Berth 7c in Basin I and on the liquid cargo throughput berth in Basin II. In 2019, the sensors detected no pollution. The sensors are constantly measuring and the alarm system is connected to the port's Security and Control Centre. In 2019, the performance of sensors was also tested.



24.16.2 Implementation of sea water protection improvement programmes

In 2019, the following was implemented:

- A current meter for measuring the direction and speed of sea currents was installed on a buoy in front of Basin III;
- A turbidity monitoring system was established;
- Luka Koper weather portal was established;
- Design documentation was devised and public procurement procedure implemented for the TRT 1 and TRT 3 quayside drainage system.

The following was not implemented in 2019:

- Extension of licenses for two weather stations;
- Purchase and installation of an oil spill detection radar processor.
- Acquisition of software for the oil spill detection radar;
- Purchase and installation of a radar and acquisition of an additional license for the oil spill detection software.

The licenses were incorporated in the weather portal of Luka Koper, which was established in 2019. Other investments were tied to a police-owned radar (mounted on a silo), for which unfortunately we have not yet been able to reach a sharing agreement.

24.16.3 Sea water protection improvement programmes planned for 2020

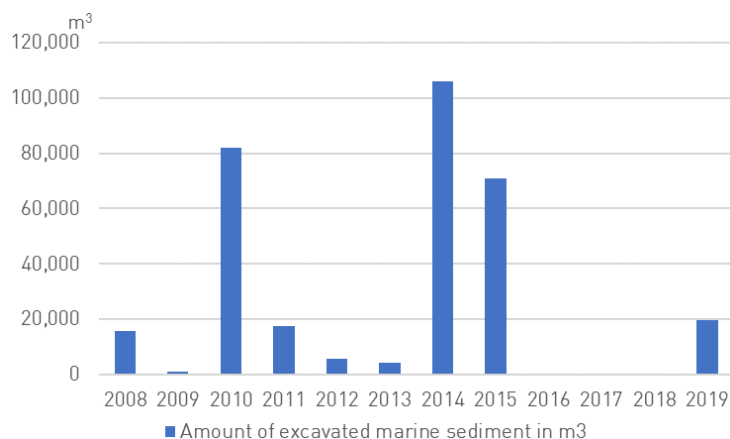
The following will be implemented in 2020:

- Gradual Rehabilitation of TRO RO 1-4 floors;
- Completion of modernisation of the TRT 1 and TRT 3 quayside drainage work.
- An audit of the threat assessments and the Industrial accident protection and rescue plan of Luka Koper, d. d.;
- An exercise to check the revised protection and rescue plan and to evaluate the plan as such;
- Renewal training for a part of maritime responders in accordance with IMO recommendations, and extension of certificates validity.

24.17 Deepening of seabed and management of marine sediments¹⁴⁷

To ensure safe navigation of ships in the port as well as in marinas and harbours, a certain depth has to be maintained at all times. To this end, the seabed is occasionally deepened, and the marine sediment has to be deposited onshore. As the areas available for onshore sediment disposal are limited, the Company has been exploring alternative options of using the excavated material.

Figure 54: Marine sediment excavated in the port area by year



In 2019, deepening was carried out in Luka Koper as part of the RO-RO berth construction project in Basin III, which will enable safe berthing of RO-RO ships. The deepening will be completed in spring 2020. Excavated marine sediment is disposed of ashore in a special box in accordance with the building permit.



24.17.1 Implementation of improvement programmes for excavated marine sediment management

In 2019, the following was implemented:

- Preparation of the first National Maritime Spatial Plan commenced with the aim of ensuring a harmonious development of activities, uses and regimes at sea. Within this project, Luka Koper, d. d., submitted an initiative regarding the siting of marine sediment transport activities in the Slovenian sea in the area of the central part of the Bay of Koper (anchorages) and in two triangular areas (turning points, separating zones). The initiative included professional definitions and practices of other countries. The aim is to preserve the existing state of the marine environment and not create disparities in land use, while facilitating the further development of the port. In the future, the marine sediment transport process will require an environmental impact assessment with a thorough evaluation of environmental impacts and identification of the necessary mitigation measures, and the implementation of chemical, biological and physical monitoring prior to, during and after the marine sediment transport, and based on the environmental impact assessment also the environmental consent of all stakeholders.

¹⁴⁷ Deepening of seabed and management of marine sediments (ref GRI GS 306-5)



During the year, a pilot batch of bricks was made again in cooperation with the Slovenian National Building and Civil Engineering Institute and the Goriške Opekarne brickworks, as part of the Celkrog project (<http://celkrog.si/priprava-na-izvedbo-pilotnih-preskusov/>), and in 2020, these bricks will be used to construct a port facility of part of it. This time the brick was made of marine sediment, paper silt and marl. The brick exhibits all the characteristics of a construction product.



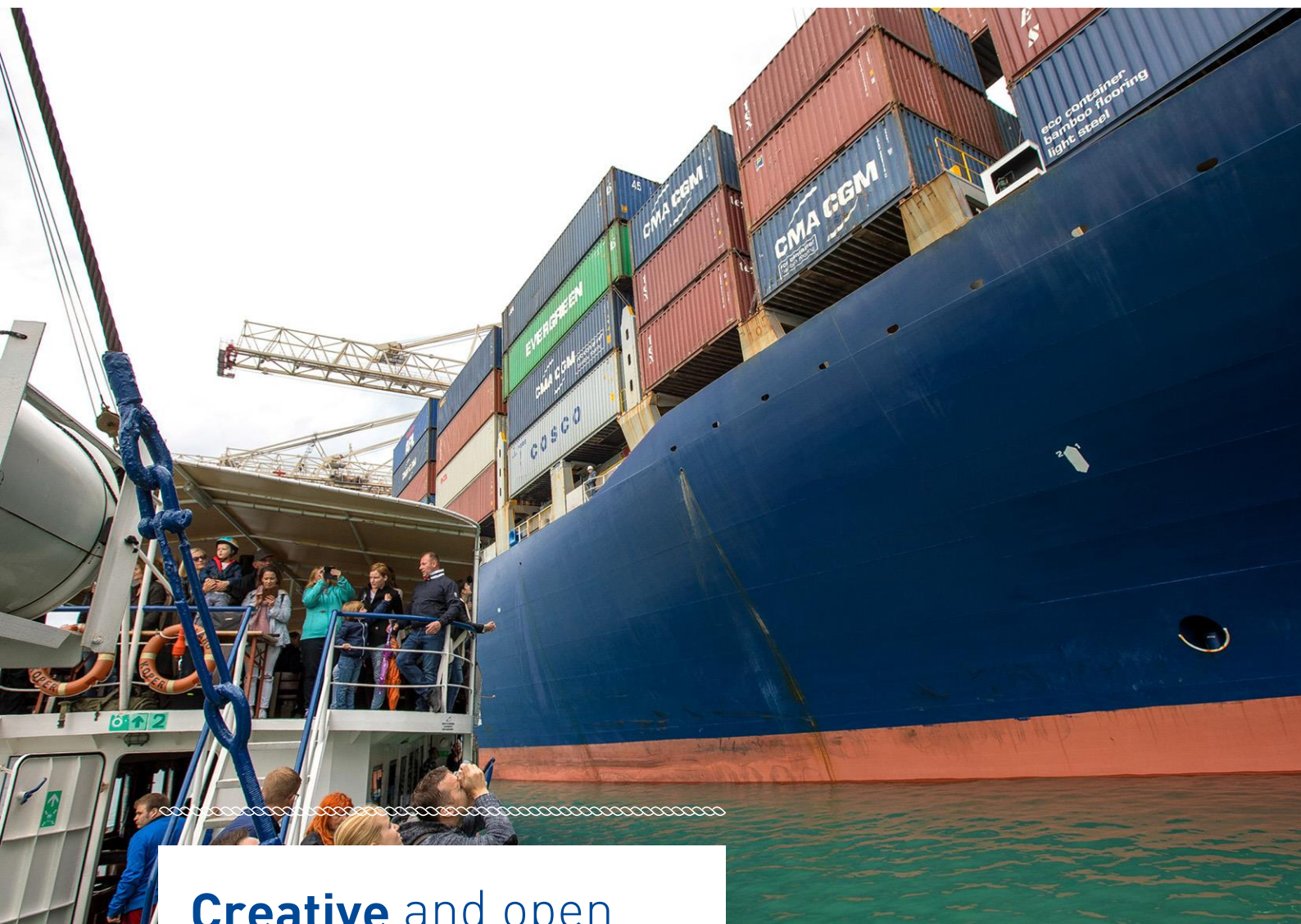
Luka Koper, d. d., has an environmental consent for the deposition of marine sediment in Bonifika, the Ankaran Municipality, but the area is not sufficient for all deposition needs. Prior to the commencement of sediment deposition on the said area, an Ankaran peripheral canal and replacement habitats have to be constructed in order to preserve biodiversity. This activity has not yet begun, as no positive opinion on the construction permit documentation has been obtained from Ankaran Municipality.

The overall planned arrangement of the Ankaran peripheral canal area is shown in the figure and has been set out in three separate phases.

24.17.2 Excavated marine sediment management improvement programmes planned for 2020

The following measures will be implemented in 2020:

- The initiative for the possibility of relocation of marine sediment in the sea will be continued;
- The bricks made of marine sediment will be used to build part of a port facility.



Creative and open

We are open to new ideas, innovations and new connections to create added value. Thus, we are continually adapting our business model to dynamic changes in the global environment. We are also open to anyone interested in our business. Many visitors from near and far visit us every year. They are amazed at the size and development of the port.

25 **Social** environment

Luka Koper is very active in terms of its social responsibility, particularly at the local level.

Luka Koper is aware that good relations with all stakeholders in its environment also depend on prompt, transparent and correct communication. It provides information on its operations, news and events to the public either directly or through various communication channels, such as: www.zivetispristaniscem.si and www.luka-kp.si, the Luški glasnik monthly newspaper, press releases, press conferences, interviews, articles, posts on the Ljubljana Stock Exchange's web portal and social networks Facebook, Instagram, LinkedIn and Youtube.

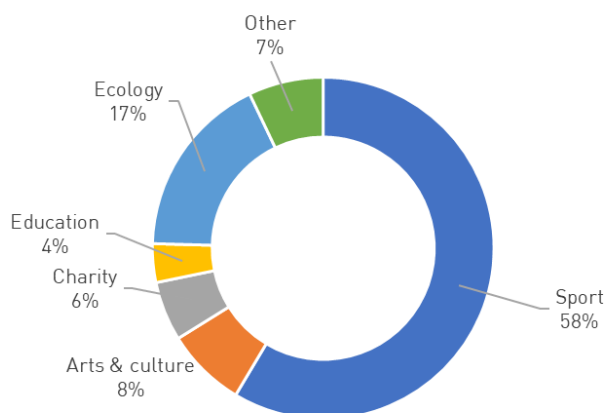
Presenting the activities, successes and sustainability challenges of Luka Koper, Luški vozli [Port Knots] is a publication for the people who live in the immediate vicinity of the port and are most affected by its impacts. It was distributed to 15,300 households in the Municipality of Koper and the Municipality of Ankaran. Luka Koper also briefed the new leadership of the Municipality of Koper and the municipal councillors on its development plans. The two working groups, which were formed on the basis of a letter of intent signed between Luka Koper and the Municipality of Koper in July 2018, were also reactivated. As a result of the work of the first group focusing on mitigation measures to reduce noise from the port, an agreement was signed in November between Luka Koper and the Municipality of Koper, which sets out the conditions for establishing a fund, to which Luka Koper will contribute EUR 200,000 each year. The Municipality will, according to the relevant criteria, distribute the funds among those residents who live closest to the port and therefore feel the effects of its operation the most. The second group focuses on the issue of the port storage area No 3, which, on the basis of a letter of intent, is intended in the long term for social activities.

Over the years, the Port of Koper has also become a tourist attraction, with nearly 20,000 visitors in 2020. Organised groups of visitors are guided through the port by members of the Luka Koper Retired Workers' Club. The majority are students on school trips. On the traditional Port Day, a doors open day, which took place on 18 May, around 4,000 visitors came to see port. The openness of the port to the general public is important especially in terms of understanding the activities of the company in the area of sustainable development and raising people's awareness of the importance of the only Slovenian cargo port.

At the end of 2019, Luka Koper commissioned an annual public opinion survey on how residents in the immediate vicinity of the port perceive Luka Koper from a business and environmental point of view. The results showed that the vast majority of the population (more than 80%) regards Luka Koper as a successful, reputable and socially responsible company and recognizes it as an important contributor to the economic development of the country. Respondents rated Luka Koper's activities in the area of environmental protection with a solid 3 (on the scale from 1 to 5), and 71 percent of the respondents support its development plans.

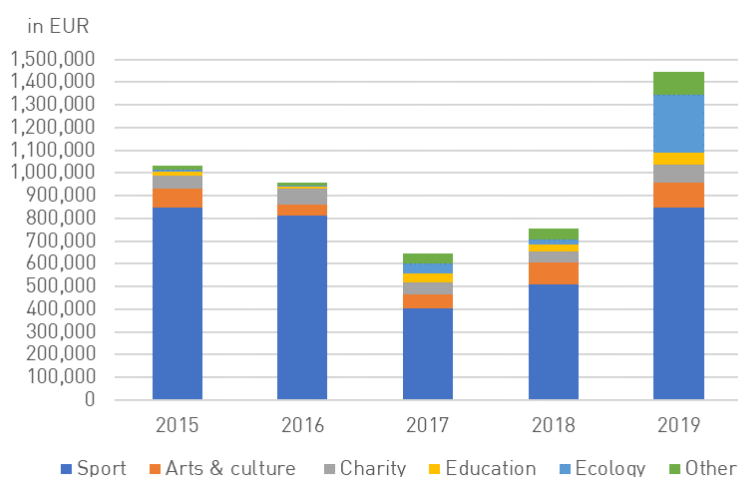
25.1 Distribution of donations and sponsorships in 2019¹⁴⁸

Luka Koper devoted EUR 1.4 million for sponsorships and donations in 2019.



Corporate social responsibility is an integral part of Luka Koper's corporate governance policy. Due to being sited in the urban area and the impact of port activities on the environment, Luka Koper strives to minimize the negative impacts of its activities and contribute to raising the quality of living and residing in the local environment. The Company is actively involved in the life of the local and wider community as a sponsor and donor to sports, cultural, humanitarian, environmental and educational organizations. In 2019, EUR 1.4 million were allocated for these purposes. The majority of sponsorship and donor funding is linked to long-term partnerships with recipients such as promising athletes, clubs, organisations and sports federations. At the beginning of January, the Company published a tender for the Living with the Port fund, which attracted 357 applicants seeking funding for socially beneficial projects, events and organizations. On the basis of publicly disclosed criteria, 251 applicants have received sponsorships and donations totalling EUR 129,200. The most notable events financially supported by Luka Koper in 2019 were the Istria Marathon, the Primorska Summer Festival, Ironman and the Koper Symphony.

25.2 Distribution and amount of donations and sponsorships in years 2015 to 2019¹⁴⁹



¹⁴⁸ GRI GS 201-1

¹⁴⁹ GRI GS 201-1

26 Sustainable relationship with suppliers

26.1 Building relationships with suppliers¹⁵⁰

The Company puts strong emphasis on building relationships with suppliers in order to ensure timely, high quality, and cost effective procurement. This enables the transfer of good practices, enhances innovation, and creates added value for the users of port services, thus creating conditions for financial savings and more efficient port services. Regardless of what product or service is being purchased, common ground and mutual interests have to be found with the supplier, and the right balance achieved between the needs and expectations of the customer on the one hand, and benefits of the seller (supplier) on the other.

In accordance with the adopted procurement policy, which is based on the fundamental values of the Company, we aim to achieve the key objectives to the satisfaction of our customers, employees and shareholders, while demonstrating social responsibility to the environment. To some extent, the performance of Luka Koper depends on the performance of its suppliers, therefore we respect and appreciate their efforts in helping us achieve the key objectives. Efficiency, expertise, an ethical approach and integrity, social responsibility, environmental protection, and health and safety are the six principles of the procurement policy we wish to pursue. We have a responsibility to all employees and suppliers to implement the procurement policy in practice. Improvements are introduced in line with the findings reported in the analyses of the progress towards achieving the procurement objectives.

Suppliers provide vital support to the operations of Luka Koper. Good-quality suppliers contribute to higher efficiency of business processes in the Company, either directly by providing services or supplying products, or indirectly by increasing the efficiency and performance of work processes and business practices of the Company. Luka Koper strives to work with the best suppliers available. Strong partnerships have been built with a number of suppliers, who are embracing our sustainability policy. With new suppliers, we work in a desire to transform the collaboration into a long-term partnership and create new value.

Long-term partnerships with suppliers contribute to the process of finding common solutions for higher quality of procurement process management. Two vital tasks of the procurement process are to explore innovations in the market and keep abreast of new technologies. We maintain regular communication with potential new suppliers, who can get listed in our online database at <https://luka-kp.si/slo/za-dobavitelje>. Based on communication with suppliers and the submitted bids, certificates, qualifications and evidence of experience, the Company strives to select the best suppliers to collaborate with.

Achievement of objectives in the process of building relationships with suppliers is monitored by means of pre-determined indicators quarterly through work programmes, and annually through management reviews. Based on the findings of the analyses looking into the progress towards achieving the procurement objectives and into the relationship with suppliers, the Company regularly introduces improvements.

For timely implementation of measures and management of risks of poor procurement practices, we monitor the strengths and weaknesses of suppliers by:

- Evaluating suppliers,
- Rewarding suppliers.

26.2 Supply chain¹⁵¹

The selection of and collaboration with suppliers is a transparent process carried out in accordance with internally defined rules. Preference is given to suppliers whose operation is in line with international management standards, who meet the requirements for occupational health and safety, show a high level of environmental awareness, and work with the Company and the Group in the spirit of principles and values shared by Luka Koper. The criteria for the selection of suppliers also include commitment to social responsibility; therefore, when possible, preference is given to purchases that contribute to the economic development of the local environment. Here, the domestic market of the Republic of Slovenia is understood as the local environment, while the Koper and Ankaran municipalities represent the local community where the port activity is actually carried out. Almost 90% of our

¹⁵⁰ GRI GR 103-1, 103-2, 103-3

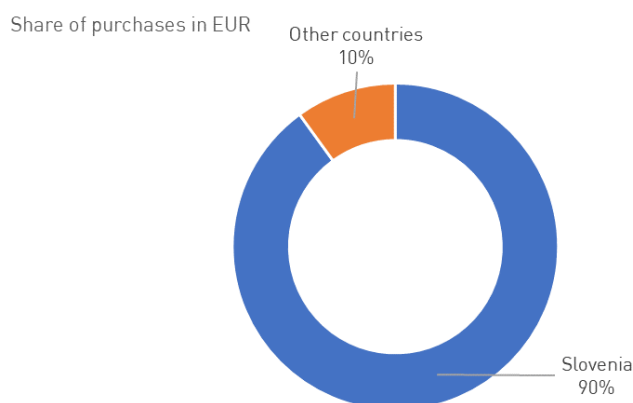
¹⁵¹ GRI GS 102-9

suppliers are from the local environment, i.e. companies based in Slovenia. Before adding a supplier to our supplier list, we check their rating and in case of tax debts or poor ratings decide against working with such a supplier.

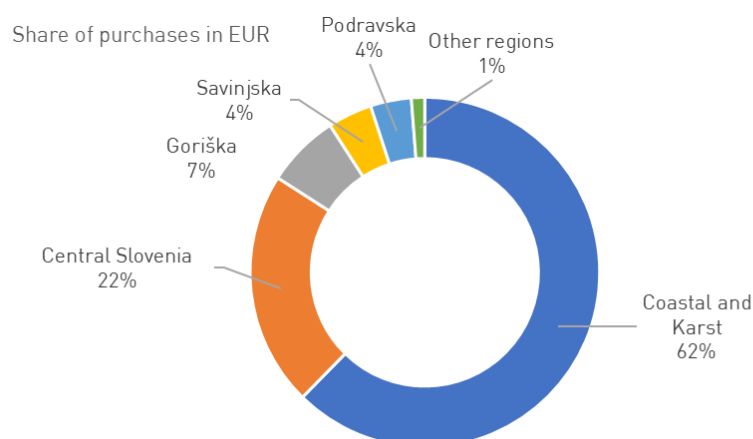
Suppliers of products and services are categorised into four groups: suppliers for investments, suppliers for technical services for own needs, suppliers for products (various materials), and suppliers for external port service providers (EPSP) and external contractors.

In 2019, the total value of purchases of Luka Koper, d. d. was EUR 79 million, of which the cost of purchased port services amounted to EUR 14.4 million. Purchases made in the Slovenian market accounted for 90% of the total value of purchases.

26.2.1 Share of total value of purchases of Luka Koper, d. d., in 2019 by country¹⁵²



26.2.2 Share of total value of purchases by Luka Koper, d. d. in the Slovenian market in 2019 by statistical region¹⁵³



We aim for an optimal number of suppliers in terms of procurement manageability as well as sufficient dispersion of suppliers to provide timely purchases that meet the expectations at the level of the entire Luka Koper Group. The degree of centralisation of procurement decisions has been subject to pre-determined responsibilities and powers of all the employees involved in the procurement process. While purchases are managed centrally, procurement processes may also be carried out by decentralised organisational units of the Company or the Group. This allows for a higher level of flexibility to meet the specific needs of individual organisational units. This way, the Company

¹⁵² GRI GS 204-1

¹⁵³ GRI GS 204-1

strives for well-organised, transparent business co-operation with suppliers, while maintaining an efficient, flexible procurement process that enables smooth and efficient work process.

26.2.3 Assessing suppliers' environmental awareness¹⁵⁴

Luka Koper regularly monitors and assesses its cooperation with suppliers. The key suppliers are assessed at least once per year. The assessment for 2019 is still underway for a total of 69 suppliers. Suppliers are assessed based on pre-determined criteria, including the estimated level of environmental awareness and compliance with environmental requirements by a supplier, and potential use of an environmental management system, as well as occupational safety as a criterion, based on which infringements of occupational health and safety rules are assessed.

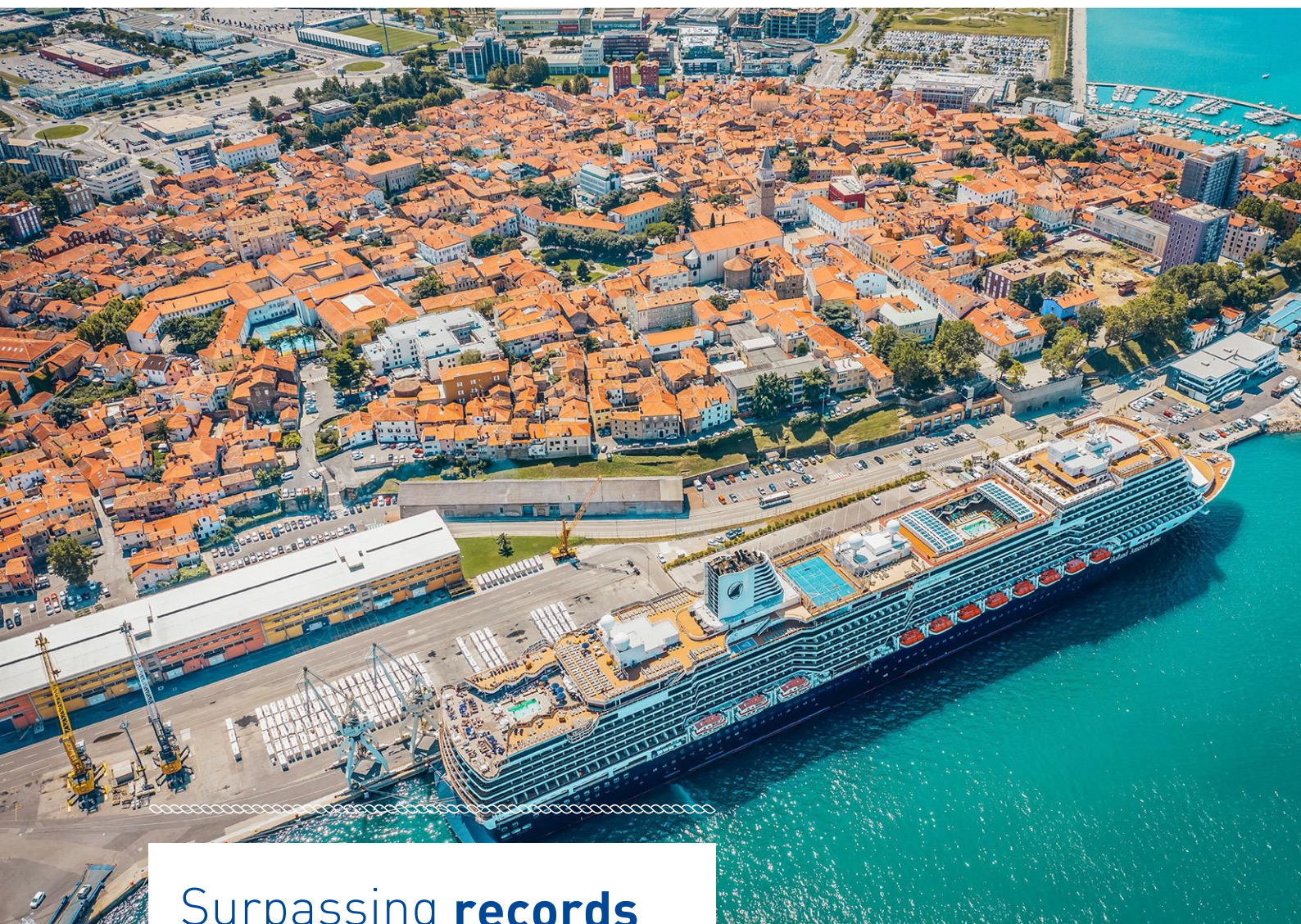
Suppliers are assessed in four categories: suppliers for investments, suppliers for technical services, suppliers for products, and suppliers for external port service providers (EPSP) and external contractors. The latter are given access to rules and technological processes via the so-called EPSP portal on the Luka Koper website. Each year, the Company selects the best supplier in each category, and the winners are recognised in a special ceremony.

26.2.4 Changes to the supply chain¹⁵⁵

No changes were made to the supply chain in 2019.

¹⁵⁴ GRI GS 103-1, 103-2, 103-3, 308-2, 414-2

¹⁵⁵ GRI GS 102-10



Surpassing **records**

Luka Koper is increasingly attractive to passenger ships. We have been breaking records since larger and larger ships are coming to Koper, bringing more and more passengers. In 2019, we berthed a total of 72 passenger ships and welcomed 115,581 passengers. Increasingly, high-end shipping companies appreciate the quality of service and the variety of the destination. Success is the result of excellent collaboration between many players.

27 Sustainable relationship with customers

Luka Koper has always paid special attention to customer relations. The basis of our cooperation is an honest partnership relationship with our customers, based on ethnic, respectful and transparent operations. Today, this relationship is particularly important because due to the rapid changes that are happening in the global economy and consequently affecting transport routes, we need to adapt to the new demands of our customers. It is the right attitude that gives customers confidence in the business partners they are working with. Only with satisfied customers can long-term cooperation be built on a partnership basis. We ensure the legality and transparency of our operations, and strive to enhance the positive image and reputation of the Company in the domestic and global markets alike.

27.1 Regular monitoring of the satisfaction of our customers

We regularly and periodically monitor the satisfaction of our customers in a number of ways. Through regular communication, we make sure that we understand the operational and commercial expectations of our customers and obtain information about their future plans, especially in terms of understanding market developments and the needs of the economy. Communication with customers is carried out both through operational staff on terminals and through the sales department. We also wish to emphasise the role of representatives who through their presence on the markets act as the extended arm of the port, and regularly visit clients, thereby providing them with support in developing new businesses and nurturing existing ones and helping to solve problems.

A customer satisfaction survey consisting of several chapters is conducted systematically. This helps us determine how satisfied the customers are with our commercial and operational work and our attitude towards customers, and make a comparison with competitive ports in Northern Europe and the Adriatic.

To achieve our objectives in meeting our customers' needs and upgrading our cooperation, we work closely with the local port community comprising forwarders, agents, carriers, operators, the police, the customs, the Slovenian Maritime Administration, inspection bodies, inspection and control service providers. We are aware that we are only a link in the logistics chain, but an important one. However, without the involvement of everybody involved, the logistics service cannot be successful in any way; therefore, so we are coordinated with the port community and developing services that are most favourable to our customers.

27.2 Efficient and careful complaint handling

With the introduction of a module for systematic complaint resolution and tracking, we have taken a step further in this area. The satisfaction of customers is also affected by efficient complaint handling. We address two types of complaints, i.e. billing and service complaints. Each complaint is entered into a system where the entire process is guided to a final solution. Complaints are also reported to the sales manager, who has a complete overview of the cause, occurrence and resolution of each complaint.

27.3 Consumer data protection

The Luka Koper Group had been paying close attention to the protection of consumer data even before the GDPR legislation was adopted. The system has only been upgraded to comply with the new legislation. Key users in the company who have access to customer information have been thoroughly familiarised with the new rules as part of special training.

28 GRI content index (according to 2016 standards)¹⁵⁶

2019

GRI (Global Reporting Initiative) content index ('in accordance' – core option)					
GRI standard and disclosure	Description	Boundaries	Section	Page	Notes
GRI 102: GENERAL DISCLOSURES					
Organisational profile					
102-1	Name of organisation	Luka Koper Group	2.1 Company profile of Luka Koper, d. d.	p. 21	
102-2	Activities, brands, products, and services	Luka Koper Group	2 Presentation of the Luka Koper Group 2.4 Activities of the Luka Koper Group	p. 17 p. 23	
102-3	Location of headquarters	Luka Koper, d. d.	2.1 Company profile of Luka Koper, d. d.	p. 21	
102-4	Location (country) of operations	Luka Koper Group	2 Presentation of the Luka Koper Group 2.1 Company profile of Luka Koper, d. d.	p. 17 p. 21	The Luka Koper Group operates in only one country - the Republic of Slovenia.
102-5	Ownership and legal form	Luka Koper Group	2.1 Company profile of Luka Koper, d. d. 15 The LKPG Share	p. 21 p. 106	
102-6	Markets served (geographic locations and sectors served, types of customers)	Luka Koper Group	2 Presentation of the Luka Koper Group 2.4 Activities of the Luka Koper Group 10.1 Markets	p. 17 p. 23 p. 90	102-6 ii and 102-6 iii not covered.
102-7	Scale of the organisation	Luka Koper Group	1.1 Financial ratios 2.2 Organisation of the Luka Koper Group 2.4 Activities of the Luka Koper Group 23.1.1 Number of employees by company and in the Luka Koper Group	p. 12 p. 22 p. 23 p. 152	

¹⁵⁶ GRI GS 102-54, 102-55

102-8	Information on employees and other workers	Luka Koper, d. d.	23.1.2 Number of employees in Luka Koper, d. d. by type of contract (indefinite, fixed-term) 23.1.3 Number of employees in Luka Koper, d. d. as at 31 December by gender 23.1.4 Share of employees in Luka Koper, d. d. by region of residence 23.1.5 Number of employees by type of employment (full working time, part-time) 23.1.7 Employee structure in Luka Koper, d. d. by age groups	p. 152 p. 152 p. 153 p. 153 p. 154	With regard to the number of employees by type of contract, we do not report by gender and region of residence. We do not report on workers not employed in the company. We do not report on changes in the number of employees. Data were obtained from the personnel records of the SAP information system.
102-9	Supply chain	Luka Koper, d. d.	26.2 Supply chain	p. 221	
102-10	Significant changes to the organisation and its supply chain	Luka Koper Group	2.5 Organisational changes 26.2.4 Changes to the supply chain	p. 24 p. 223	
102-11	Precautionary principle and approach	Luka Koper, d. d.	12 Risk control 24.6 Environmental risk management and emergency response	p. 97 p. 172	
102-12	External initiatives	Luka Koper, d. d., Luka Koper INPO, d. o. o.	17.7 Membership and initiatives	p. 117	
102-13	Membership of associations	Luka Koper, d. d., Luka Koper INPO, d. o. o.	17.7 Membership and initiatives	p. 117	
Strategy					
102-14	Statement from senior decision-maker	Luka Koper Group	4 Interview with the President of the Management Board	p. 44	
Ethics and integrity					
102-16	Values, principles, standards, and norms of behaviour	Luka Koper Group	3 Business development strategy 18 Luka Koper and sustainable development guidelines 21 Corporate integrity, human rights and operations compliance	p. 27 p. 118 p. 136	A reference to the Business Development Strategy to show the values of the company.
102-17	Mechanisms for advice and concerns about ethics	Luka Koper Group	21 Corporate integrity, human rights and operations compliance 21.1 Corporate integrity and human rights	p. 136 p. 136	

Governance				
102-18	Organisation structure	Luka Koper, d. d.	2.6 Organisation structure	p. 24
102-22	Composition of the highest governance body and its committees	Luka Koper, d. d.	6.7 Management Board of Luka Koper, d. d. 6.6 Company's Supervisory Board of Luka Koper, d. d.	p. 63 p. 60
102-23	Chair of the highest governance body	Luka Koper, d. d.	6.8 Management Board's work	p. 66
Stakeholder engagement				
102-40	List of stakeholder groups	Luka Koper, d. d.	19 Port of Koper Stakeholders	p. 124
102-41	Collective bargaining agreements	Luka Koper, d. d.	23.1.6 Share of employees in Luka Koper, d. d. covered by collective agreement	p. 153
102-42	Identifying and selecting stakeholders	Luka Koper, d. d.	19.1 Identification of Stakeholders	p. 125
102-43	Approach to stakeholder engagement	Luka Koper, d. d.	19.2 Stakeholder engagement, their expectations and needs	p. 126
102-44	Key topics and concerns that have been raised through stakeholder engagement, including how the organisation has responded (including through its reporting)	Luka Koper, d. d.	19.2 Stakeholder engagement, their expectations and needs 20.1 Material contents highlighted by particular stakeholders	p. 126 p. 133
Reporting practice				
102-45	Entities included in the consolidated financial statements	Luka Koper Group	2.3 Inclusion in the Consolidated financial statements	p. 22
102-46	Defining report content and topic boundaries	Luka Koper Group	17.2 Sustainability report according to international standards of sustainability reporting 20.2 Methodology for determining materiality	p. 113 p. 134
102-47	List of material topics	Luka Koper, d. d.	20 Materiality matrix	p. 131
102-48	The effect of any restatements of information given in previous reports, and the reasons for such restatements	Luka Koper Group	17.2 Sustainability report according to international standards of sustainability reporting	p. 113

102-49	Changes in reporting	Luka Koper Group	17.2	Sustainability report according to international standards of sustainability reporting	p. 113	
102-50	Reporting period	Luka Koper Group	17.3	Reporting periods	p. 114	
102-51	Date of most recent report	Luka Koper Group	17.3	Reporting periods	p. 114	
102-52	Reporting cycle	Luka Koper Group	17.3	Reporting periods	p. 114	
102-53	Contact point for questions regarding the report	Luka Koper Group	17.4	Contact point	p. 114	
102-54	Claims of reporting in accordance with the GRI standards	Luka Koper Group	17.2	Sustainability report according to international standards of sustainability reporting	p. 113	
			28	GRI Content Index (according to 2016 standards)	p. 226	
102-55	GRI content index	Luka Koper Group	28	GRI Content Index (according to 2016 standards)	p. 226	
102-56	External assurance for the report (audit)	Luka Koper Group	17.6	Verification of Sustainability Report	p. 114	
SPECIFIC STANDARD DISCLOSURES						
GRI 200 ECONOMIC TOPICS						
GRI 201 Economic performance						
103-1 103-2 103-3	Management approach	Luka Koper Group	3.2	Stability and business performance	p. 29	
201-1	Direct economic value generated and distributed	Luka Koper, d. d.	3.3	Direct economic value generated and distributed	p. 30	201-1b not covered.
			25.1	Distribution of donations and sponsorships in 2019	p. 220	
			25.2	Distribution and amount of donations and sponsorships in years 2015 to 2019	p. 220	
201-3	Payables for pensions	Luka Koper, d. d.	23.1.11	Employee benefits	p. 155	201-3a, 201-3b, 201-3c, 201-3e not covered.
GRI 202 Market presence						
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	23.1	Description of the Employee management system	p. 151	

202-1	The ratio between the minimum salary in the organization and the minimum wage in the country by gender	Luka Koper, d. d.	23.1.11 Employee benefits	p. 155	202-1b, 202-1c, 202-1d not covered.
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GRI 203 Indirect economic impacts

103-1	Management approach	Luka Koper Group	4 Interview with the President of the Management Board	p. 44	
103-2			18 Luka Koper and sustainable development guidelines	p. 118	
103-3			3.2 Stability and business performance	p. 29	
203-1	Infrastructure investments and services supported	Luka Koper Group	11 Investments in non-financial assets	p. 94	
			14 Information technology	p. 104	
203-2	Significant indirect economic impacts	Luka Koper, d. d.	3.4 Indirect impacts of operations of Luka Koper	p. 31	

GRI 204 Procurement practices

103-1	Management approach	Luka Koper, d. d.	26.1 Building relationships with suppliers	p. 221	
103-2			26.2.3 Assessing suppliers' environmental awareness	p. 223	
103-3					
204-1	Proportion of spending on local suppliers	Luka Koper, d. d.	26.2.1 Share of total value of purchases of Luka Koper, d. d. in 2019 by country	p. 222	204-1c not covered.
			26.2.2 Share of total value of purchases by Luka Koper, d. d. in the Slovenian market in 2019 by statistical region	p. 222	

GRI 205: Anti-corruption

103-1	Management approach	Luka Koper Group	21.4 Corruption and bribery	p. 139	
103-2			12.3.5 Fraud and corruption risks	p. 101	
103-3					
205-1	Operations assessed for risks related to corruption	Luka Koper, d. d.	12.3.5 Fraud and corruption risks	p. 101	205-1a not covered.
205-2	Communication and training about anti-corruption policies and procedures	Luka Koper Group	21.4 Corruption and bribery	p. 139	205-2a, 205-2c, 205-2d, 205-2e not covered. 205-2b not covered by job category.
205-3	Confirmed incidents of corruption and actions taken	Luka Koper Group	21.4 Corruption and bribery	p. 139	

GRI 300 ENVIRONMENTAL TOPICS

GRI 302 Energy

103-1 103-2 103-3	Management approach	Luka Koper, d. d.	24.11.1 Energy efficiency system	p. 200	
302-1	Energy consumption in the organisation	Luka Koper, d. d.	24.11.2 Consumption of energy sources	p. 200	302-1b, 302-1c ii, iii, iv, 302-1d, 302-1f, 302-1g not covered.
302-2	Energy consumption outside the organisation	Luka Koper, d. d.	24.11.2 Consumption of energy sources	p. 200	302-2b, 302-2c not covered.
302-3	Energy intensity	Luka Koper, d. d.	24.11.2 Consumption of energy sources	p. 200	
302-4	Reduction of energy consumption	Luka Koper, d. d.	24.11.3 Electricity consumption 24.11.4 Motor fuel consumption 24.11.5 Implementation of improvement programmes to reduce electricity and fuel consumption	p. 202 p. 202 p. 203	302-4c and 302-4d not covered.
GRI 303 Water					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	24.1 About the environmental management system	p. 162	
303-1	Water withdrawal by source	Luka Koper, d. d.	24.12 Drinking water and groundwater management	p. 204	303-1a iii, iv, v, 303-1b not covered.
GRI 304 Biodiversity					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	24.15 Biodiversity	p. 208	We do not report on the management approach as it is still being established.
304-3	Habitats protected or restored	Luka Koper, d. d.	24.15 Biodiversity 24.2 Living in harmony with the environment	p. 208 p. 162	304-3b not covered.
304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations	Luka Koper, d. d.	24.15 Biodiversity	p. 208	304-4a ii, iii, iv, v not covered. Since the system is jointly being established, we will examine closely the number of species in the red list.
GRI 305 Emissions					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	24.1 About the environmental management system	p. 162	
305-1	Direct (Scope 1) GHG emissions	Luka Koper, d. d.	24.8.6 Greenhouse gases 24.8.7 Results of greenhouse gas emissions measurements	p. 183 p. 184	Emissions from the composting plant are not covered.

305-2	Energy indirect (Scope 2) GHG emissions	Luka Koper, d. d.	24.8.6 Greenhouse gases 24.8.7 Results of greenhouse gas emissions measurements	p. 183 p. 184	305-2c, 305-2d, 305-2e, 305-2f in 305-2g not covered.
305-6	Emissions of ozone-depleting substances (ODS)	Luka Koper, d. d.	24.8.6 Greenhouse gases 24.8.7 Results of greenhouse gas emissions measurements	p. 183 p. 184	
305-7	Nitrogen oxides (NOX), sulphur oxides (SOX), and other significant air emissions	Luka Koper, d. d.	24.8.8 Volatile compound emissions measurement	p. 185	305-7b and 305-7c not covered.
	Air	Luka Koper, d. d.	24.8.1 Total dust in the port 24.8.2 Concentrations of harmful particulate matter 24.8.3 Emissions of particulate matter at key sources	p. 176 p. 177 p. 182	
	Noise emissions	Luka Koper, d. d.	24.10 Noise emissions	p. 191	
	Light pollution	Luka Koper, d. d.	24.14 Light pollution	p. 207	
GRI 306 Effluents and waste					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	24.1 About the environmental management system	p. 162	
306-1	Water discharge by quality and destination	Luka Koper, d. d.	24.13 Wastewater management	p. 206	306-1a iii, 306-1b not covered.
306-2	Waste by type and disposal method	Luka Koper, d. d.	24.9.1 Results in waste management	p. 187	306-2a i, ii, iii, iv, vi, vii, viii, ix, 306-2b i, iv, v, vi, viii, ix, 306-2c not covered.
306-3	Significant spills	Luka Koper, d. d.	24.6 Environmental risk management and emergency response 24.6.1 Statistics for environmental incidents from 2011 to 2018 24.16 Sea water protection 24.16.1 Statistics for interventions at sea	p. 172 p. 174 p. 211 p. 212	All spills and leaks are minor in nature, therefore, Luka Koper does not report the amount of spills. Emergency situations occurred at the port area (land) and the port water area (sea).
306-4	Transport of hazardous waste	Luka Koper, d. d.	24.9.1 Results in waste management	p. 187	306-4a and 306-4c not covered.
306-5	Water bodies affected by water discharges and/or runoff	Luka Koper, d. d.	24.15 Biodiversity	p. 208	Wastewater from the Port of Koper when discharged does not affect biodiversity.
	Deepening of seabed and management of marine sediments	Luka Koper, d. d.	24.17 Deepening of seabed and management of marine sediments	p. 216	
GRI 307 Environmental compliance					

103-1 103-2 103-3	Management approach	Luka Koper, d. d.	24.1 About the environmental management system	p. 162	
307-1	Non-compliance with environmental laws and regulations	Luka Koper, d. d.	21.7 Compliance with the legislation and internal requirements 24.4.1 Compliance with the law 24.4.2 Compliance with internal requirements 24.5.4 Inspections	p. 141 p. 166 p. 167 p. 172	We do not report the amounts of fines because fines of lower value have been imposed.
GRI 308 Supplier environmental assessment					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	26.1 Building relationships with suppliers	p. 221	
308-2	Negative environmental impacts in the supply chain and actions taken	Luka Koper, d. d.	26.2.3 Assessing suppliers' environmental awareness	p. 223	308-2b, 308-2c, 308-2d and 308-2e not covered (ongoing assessment).
GRI 400 SOCIAL TOPICS					
GRI 401 Employment					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	23.1 Employee management system	p. 151	
401-1	New employee hires and employee turnover	Luka Koper, d. d.	23.1.8 New employee hires in Luka Koper, d. d. by age groups 23.1.9 New employee hires in Luka Koper, d. d. by gender 23.1.10 Comparison of new employee hires, contract termination and fluctuation rate	p. 154 p. 154 p. 154	The number of new employee hires by region and employee fluctuation by age groups, gender and region of residence are not covered. Fluctuation is also covered with regard to the Luka Koper Group.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Luka Koper, d. d.	23.1.11 Employee benefits	p. 155	401-2b not covered.
401-3	Parental leave	Luka Koper, d. d.	23.1.12 Number of Luka Koper, d. d. employees who took parental leave and returned to their workplace, by gender	p. 155	401-3d and 401-3e not covered.
GRI 403 Occupational health and safety					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	22.1 Occupational safety system	p. 143	

403-1	Workers representation in formal joint management-worker health and safety committees	Luka Koper Group	22.2 Occupational health and safety 22.7 Health promotion	p. 143 p. 147	
403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Luka Koper Group, external port service providers	22.2 Occupational health and safety 22.4 Injuries at work 22.4.3 Summary of sick leave	p. 143 p. 144 p. 145	403-2 a: lost day rate (LDR) not covered, occupational disease rate (ODR) not covered, injury by region (403-2 a i) and injury by gender (403-2 a ii) not covered. 403-2 b injury by region (403-2 b i) and injury by gender (403-2 b ii) not covered.
403-3	Workers with high incidence or high risk of diseases related to their occupation	Luka Koper, d. d.	22.7 Health promotion	p. 147	
GRI 404 Training and education					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	23.2.1 Employee training system	p. 156	
404-1	Average hours of training per year per employee	Luka Koper, d. d.	23.2.1 Employee training system	p. 156	Job gender and category not covered.
404-2	Programs for upgrading employee skills and transition assistance programs	Luka Koper, d. d.	23.2.2 Introduced programmes	p. 157	
404-3	Percentage of employees receiving regular performance and career development reviews	Luka Koper, d. d.	23.2.3 Promotion and internal mobility of employees	p. 158	Job gender and category not covered.
GRI 405 Diversity and equal opportunity					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	21.5 Diversity policy	p. 140	Evaluation of approach not covered.
405-1	Diversity of governance bodies and employees	Luka Koper, d. d.	6.7 Management Board of Luka Koper d. d. 6.7.2 Members of the Management Board 6.6 Supervisory Board of Luka Koper, d. d.	p. 63 p. 64 p. 60	405-1b not covered.
GRI 406 Non-discrimination					
103-1 103-2 103-3	Explanation of the material topic and its boundary	Luka Koper, d. d.	21.2 Discrimination	p. 137	103-3 not covered since systematic verification of the Code of Ethics has not been introduced.

406-1	Incidents of discrimination and corrective actions taken	Luka Koper, d. d.	21.2 Discrimination	p. 137	406-1b not covered.
GRI 412 Human rights assessment					
103-1 103-2 103-3	Management approach	Luka Koper Group	21.1 Corporate integrity and human rights	p. 136	
412-1	Operations that have been subject to human rights reviews or impact assessments	Luka Koper, d. d.	21.3 Human rights identified as most relevant for Luka Koper, d. d.	p. 138	
GRI 414 Supplier social assessment					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	26.1 Building relationships with suppliers	p. 221	
414-2	Negative social impacts in the supply chain and actions taken	Luka Koper, d. d.	26.2.3 Assessing suppliers' environmental awareness	p. 223	414-2b, 414-2c, 414-2d and 414-2e not covered.
GRI 419 Socioeconomic compliance					
103-1 103-2 103-3	Management approach	Luka Koper, d. d.	21.7 Compliance with the legislation and internal requirements 22.3 Compliance with occupational safety legislation 24.4.1 Compliance with the law 24.4.2 Compliance with internal requirements	p. 141 p. 144 p. 166 p. 167	The evaluation of the management approach is carried out at the management review.
419-1	Non-compliance with laws and regulations in the social and economic area	Luka Koper, d. d.	21.7 Compliance with the legislation and internal requirements 22.3 Compliance with occupational safety legislation 24.4.1 Compliance with the law 24.4.2 Compliance with internal requirements	p. 141 p. 144 p. 166 p. 167	We do not report the amounts of fines because fines of lower value have been imposed.

Accounting report



29 Financial statements of Luka Koper, d. d. and Luka Koper Group

29.1 Income Statement

(in EUR)		Luka Koper, d. d.		Luka Koper Group	
	Note	2019	2018*	2019	2018*
Net sales	1	224,715,839	222,980,390	228,677,538	226,305,538
Capitalised own products and services	2	69,629	0	74,414	1,315,298
Other income	3	3,203,675	14,044,803	4,928,063	15,695,495
Cost of materials	4	-17,434,117	-16,604,101	-17,637,569	-17,151,517
Cost of services	5	-57,824,842	-57,894,550	-54,808,505	-54,874,237
Cost of labour	6	-71,096,551	-56,028,408	-77,093,179	-62,652,761
Depreciation	7	-27,020,508	-28,545,407	-27,778,543	-29,367,175
Other expenses	8	-11,037,706	-9,208,224	-11,054,135	-9,563,141
Operating profit		43,575,419	68,744,503	45,308,084	69,707,500
Finance income		3,324,095	3,262,017	1,793,390	1,698,588
Finance expenses		-804,495	-1,206,726	-676,769	-1,074,288
Profit or loss from financing activity	9	2,519,600	2,055,291	1,116,621	624,300
Profit of associates		0	0	1,375,549	1,658,983
Profit before tax		46,095,019	70,799,794	47,800,254	71,990,783
Income tax	10	-6,966,362	-12,143,446	-7,066,090	-12,213,417
Deferred taxes	10	-310,046	-67,353	-309,002	-17,163
Net profit for the period		38,818,611	58,588,995	40,425,162	59,760,203
Net profit for the period attributable to the parent/controlling company		0	0	40,397,079	59,741,723
Net profit for the period attributable to non-controlling interests		0	0	28,083	18,480
Net earnings per share	11	2.77	4.18	2.89	4.27

*The Company/Group applied the new IFRS 16 standard as of 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The effects are disclosed in item 31.1.30.3 Changes in accounting policies.

Notes to the Financial Statements form an integral part of the Financial Statements and should be read in conjunction with these.

29.2 Statement of other comprehensive income

(in EUR)		Luka Koper, d. d.		Luka Koper Group	
	Note	2019	2018	2019	2018
Net profit for the period		38,818,611	58,588,995	40,425,162	59,760,203
Actuarial gains/losses from post-employment benefits	24	-340,780	-176,202	-403,549	-196,652
Deferred tax on actuarial gains or losses	19	29,706	13,994	35,009	13,588
Change in actuarial gains and losses in retained earnings or losses		0	0	0	0
Change in revaluation surplus of financial assets measured at fair value through the statement of other comprehensive income	18	5,380,100	937,901	4,659,696	1,306,723
Deferred tax on revaluation of financial assets measured at fair value through the statement of other comprehensive income	19	-1,022,644	-177,774	-885,767	-247,850
Items not to be reclassified into profit/loss in future periods		4,046,383	597,919	3,405,389	875,809
Change in fair value of cash flow hedging instruments		0	99,346	0	99,346
Deferred tax on the change in fair value of cash flow hedging instruments	19	0	-18,876	0	-18,874
Items that might be reclassified into profit/loss in future periods		0	80,470	0	80,472
Total comprehensive income for the period		42,864,994	59,267,384	43,830,552	60,716,484

29.3 Statement of financial position

(in EUR)		Luka Koper, d. d.			Luka Koper Group		
	Note	31 Dec 2019	Restated 31 Dec 2018*	Restated 1 Jan 2018*	31 Dec 2019	Restated 31 Dec 2018*	Restated 1 Jan 2018*
ASSETS							
Property, plant and equipment	12	364,056,975	351,296,446	367,738,151	378,579,903	365,784,723	385,168,843
Investment property	13	24,283,283	24,616,101	26,467,395	15,087,221	14,870,578	14,900,170
Intangible assets	14	2,053,785	2,605,462	3,122,833	2,286,740	2,894,095	3,467,042
Other non-current assets	15	17,752,840	4,542,623	79,988	17,853,040	4,780,591	79,988
Shares and interests in Group companies	16	4,533,063	4,533,063	4,533,063	0	0	0
Shares and interests in associates	17	6,737,709	6,737,709	6,737,709	13,800,193	13,754,815	13,376,467
Other non-current investments	18	36,808,861	31,437,485	30,499,584*	40,175,130	35,524,158	34,217,435
Deposits and loans given		5,078	13,876	22,592	10,594	19,378	22,592
Non-current operating receivables		41,122	41,108	41,772	41,122	70,818	41,772
Deferred tax assets	19	7,056,554	8,075,295	8,325,304	7,085,534	7,961,052	8,231,345
Non-current assets		463,329,270	433,899,168	447,568,391	474,919,477	445,660,208	459,505,654
Assets (disposal groups) held for sale		0	0	0	0	0	864
Inventories	20	1,422,498	1,322,412	1,037,066	1,422,498	1,322,412	1,037,066
Deposits and loans given		8,798	8,716	8,413	79,850	79,802	79,541
Trade and other receivables	21	42,342,836	44,935,604	37,810,196	43,828,727	45,596,345	38,741,762
Assets from contracts with customers		0	0	210,861	0	0	210,861
Income tax assets		4,165,130	0	4,115,392	4,129,542	0	4,528,725
Cash and cash equivalents	22	65,846,592	73,376,306	28,202,589	73,030,320	79,583,293	32,374,215
Current assets		114,785,854	119,643,038	71,384,517	122,490,937	126,581,852	76,973,034
TOTAL ASSETS		578,115,124	553,542,206	518,952,908	597,410,414	572,242,060	536,478,688
EQUITY AND LIABILITIES							
Share capital		58,420,965	58,420,965	58,420,965	58,420,965	58,420,965	58,420,965
Share premium		89,562,703	89,562,703	89,562,703	89,562,703	89,562,703	89,562,703
Revenue reserves		194,311,159	174,901,853	145,607,356	194,311,159	174,901,853	145,607,356
Reserves arising from valuation at fair value		14,581,468	10,507,002	9,799,716	14,948,315	11,507,892	10,498,049
Retained earnings		30,013,664	29,252,442	17,206,843	61,607,313	59,274,576	46,100,910
Equity attributable to owners of the controlling company		0	0	0	418,850,455	393,667,989	350,189,983
Non-controlling interests		0	0	0	238,901	210,816	192,336
Total equity	23	386,889,959	362,644,965	320,597,583	419,089,356	393,878,805	350,382,319
Provisions	24	21,211,774	19,460,792	20,217,568	21,728,542	19,936,175	20,701,828
Deferred income	25	24,422,250	23,651,341	18,221,285	26,051,821	25,567,895	20,326,466
Non-current loans and borrowings	26	97,730,871	93,431,499	116,682,274	81,730,871	77,431,499	100,682,274
Other non-current financial liabilities		185,627	0	0	237,955	0	0
Non-current operating liabilities	27	933,707	1,304,783	967,102	965,934	1,380,528	1,045,243
Non-current liabilities		144,484,229	137,848,415	156,088,229	130,715,123	124,316,097	142,755,811
Current loans and borrowings	28	10,521,175	13,685,558	16,060,399	10,521,175	13,685,558	16,060,399
Other current financial liabilities		406,608	156,684	372,169	511,715	145,363	372,169
Income tax liabilities		0	9,254,382	0	0	9,244,938	0
Trade and other payables	29	35,813,153	29,952,202	25,834,528	36,573,045	30,971,299	26,907,990
Current liabilities		46,740,936	53,048,826	42,267,096	47,605,935	54,047,158	43,340,558
TOTAL EQUITY AND LIABILITIES		578,115,124	553,542,206	518,952,908	597,410,414	572,242,060	536,478,688

*The Company/Group applied the new IFRS 16 standard as of 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The modification relates to the reclassification of advances given for the purchase/construction of property, plant and equipment. The effects of using the new standard and of the applied change of accounting policies are disclosed in item 32.1.30.3 Changes in accounting policies.

29.4 Statement of Cash Flows

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	Restated 2018*	2019	Restated 2018*
CASH FLOWS FROM OPERATING ACTIVITIES				
Net profit for the period	38,818,611	58,588,995	40,425,162	59,760,203
Adjustments for:				
Depreciation	27,020,508	28,545,408	27,778,543	29,367,175
Reversal and impairment losses on property, plant and equipment, and intangible assets	65	130,349	65	180,584
Gain on sale of property, plant and equipment, and investment property	-1,200	-787,761	-17,939	-764,354
Allowances for receivables	514,659	248,042	524,353	554,390
Collected written-off receivables and written-off liabilities	-202,939	-1,038,997	-215,928	-1,042,922
Reversal of provisions	-770,313	-1,775,337	-770,954	-1,777,691
Finance income	-3,324,095	-3,262,017	-1,793,390	-1,698,588
Finance expenses	804,495	1,206,727	676,769	1,074,288
Recognised result of subsidiaries under equity method	0	0	-1,375,549	-1,658,983
Income tax expense and income (expenses) from deferred taxes	7,276,408	12,210,799	7,375,092	12,230,580
Profit before change in net current operating assets and taxes	70,136,199	94,066,208	72,606,224	96,224,682
Change in other assets	-13,210,217	-2,415,135	-13,072,449	-2,583,177
Change in operating receivables	1,287,463	-6,140,629	1,482,978	-6,260,172
Change in inventories	-100,086	-285,346	-100,086	-285,346
Change in assets (disposal groups) held for sale	0	1,502,198	0	1,503,062
Change in operating liabilities	765,298	164,856	466,575	63,575
Change in provisions	2,180,515	928,378	2,159,692	919,502
Change in non-current deferred income	770,909	5,485,124	483,926	5,296,497
Cash generated in operating activities	61,830,081	93,305,654	64,026,861	94,878,622
Interest expenses	-787,646	-1,436,943	-659,920	-1,315,825
Tax expenses	-20,385,874	1,226,328	-20,440,570	1,560,246
Net cash from operating activities	40,656,561	93,095,039	42,926,371	95,123,043
CASH FLOWS FROM INVESTMENT ACTIVITIES				
Interest received	184,418	223,534	192,250	229,329
Dividends received and profit sharing – subsidiaries	231,514	301,634	0	0
Dividends received and profit sharing – associates	1,330,171	1,280,634	1,330,171	1,280,634
Dividends received and profit sharing – other companies	1,577,992	1,456,215	1,601,140	1,469,259
Proceeds from sale of property, plant and equipment, and intangible assets	1,408	824,577	18,148	1,487,580
Proceeds from sale, less investments and loans given	8,716	8,413	8,897	43,300
Acquisition of property, plant and equipment, and intangible assets	-33,700,191	-9,161,402	-34,782,450	-9,568,930
Acquisition of investments, increase in loans given	0	0	0	-211
Net cash used in investing activities	-30,365,972	-5,066,395	-31,631,844	-5,059,039
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from non-current borrowings	43,716,356	0	43,716,356	0
Repayment of non-current borrowings	-28,895,809	-9,565,217	-28,895,809	-9,565,217
Repayment of current borrowings	-13,685,558	-16,060,399	-13,685,558	-16,060,399
Lease payments expense	-322,277	0	-349,474	0
Dividends paid	-18,633,015	-17,229,310	-18,633,015	-17,229,310
Net cash used in financing activities	-17,820,303	-42,854,926	-17,847,500	-42,854,926
Net increase in cash and cash equivalents	-7,529,714	45,173,718	-6,552,973	47,209,078
Opening balance of cash and cash equivalents	73,376,306	28,202,589	79,583,293	32,374,215
Closing balance of cash and cash equivalents	65,846,592	73,376,307	73,030,320	79,583,293

*The Company/Group applied the new IFRS 16 standard as at 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The modification relates to the reclassification of advances given for the purchase/construction of property, plant and equipment. The effects of using the new standard and of the applied change of accounting policies are disclosed in item 32.1.30.3 Changes in accounting policies.

29.5 Statement of Owner's Equity

(in EUR)	Reserves arising from valuation at fair value								Total equity
	Share capital	Share premium	Legal reserves	Other revenue reserves	Retained earnings	Investments	Financial Instruments	Actuarial gains and losses	
Balance at 31 Dec 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	320,597,584
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 measured at fair value, less tax	0	0	0	0	0	760,127	0	0	760,127
Change in fair value of cash flow hedging instruments, less tax	0	0	0	0	0	0	80,470	0	80,470
Actuarial gains/losses, less tax	0	0	0	0	0	0	0	-162,208	-162,208
	0	0	0	0	58,588,995	760,127	80,470	-162,208	59,267,384
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	29,252,441	11,653,402	0	-1,146,395	362,644,969
Changes in equity – transactions with owners									
Dividends paid	0	0	0	0	-18,620,000	0	0	0	-18,620,000
	0	0	0	0	-18,620,000	0	0	0	-18,620,000
Total comprehensive income for the period									
Profit for the period	0	0	0	0	38,818,611	0	0	0	38,818,611
Change in revaluation surplus of financial assets measured at fair value, less tax	0	0	0	0	0	4,357,456	0	0	4,357,456
Actuarial gains/losses, less tax	0	0	0	0	0	0	0	-311,074	-311,074
	0	0	0	0	38,818,611	4,357,456	0	-311,074	42,864,994
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	19,409,306	-19,409,306	0	0	0	0
Other changes in equity	0	0	0	0	-28,084	0	0	28,084	0
	0	0	0	19,409,306	-19,437,390	0	0	28,084	0
Balance at 31 Dec 2019	58,420,965	89,562,703	18,765,115	175,546,044	30,013,663	16,010,853	0	-1,429,385	386,889,959

29.6 Statement of Group Equity

(in EUR)	Share capital	Share premium	Legal reserves	Other revenue reserves	Retained earnings	Investments	Reserves arising from valuation at fair value Financial Instruments	Actuarial gains and losses	Total equity attributable to owners of controlling shares	Equity of non-controlling interests	Total equity
Balance at 31 Dec 2017 - restated	58,420,965	89,562,703	18,765,115	126,842,241	46,100,910	11,671,809	-80,468	-1,093,285	350,189,990	192,336	350,382,323
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 measured at fair value, less tax	0	0	0	0	0	1,058,873	0	0	1,058,873	0	1,058,873
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	1,058,873	80,472	-183,064	60,698,004	18,480	60,716,484
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	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	59,274,575	12,730,682	0	-1,222,788	393,667,990	210,816	393,878,806
Changes in equity – transactions with owners											
Dividends paid	0	0	0	0	-18,620,000	0	0	0	-18,620,000	0	-18,620,000
	0	0	0	0	-18,620,000	0	0	0	-18,620,000	0	-18,620,000
Total comprehensive income for the period											
Profit for the period	0	0	0	0	40,397,079	0	0	0	40,397,079	28,083	40,425,162
Change in revaluation surplus of financial assets measured at fair value, less tax	0	0	0	0	0	3,773,929	0	0	3,773,929	0	3,773,929
Actuarial gains/losses, less tax	0	0	0	0	0	0	0	-368,540	-368,540	0	-368,540
	0	0	0	0	40,397,079	3,773,929	0	-368,540	43,802,469	28,083	43,830,552
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	19,409,306	-19,409,306	0	0	0	0	0	0
Other changes in equity	0	0	0	0	-35,034	0	0	35,034	0	0	0
	0	0	0	19,409,306	-19,444,340	0	0	35,034	0	0	0
Balance at 31 Dec 2019	58,420,965	89,562,703	18,765,115	175,546,044	61,607,313	16,504,609	0	-1,556,294	418,850,456	238,899	419,089,356

30 Notes to Financial Statements

30.1 Bases for the presentation of financial statements

Reporting entity

Luka Koper, d. d., pristaniški in logistični sistem (hereinafter: Company), with its registered office at Vojkovo nabrežje 38 in Koper, Slovenia, is the controlling company of the Luka Koper Group (hereinafter: Group). Separate financial statements of Luka Koper, d. d., and consolidated financial statements of the Luka Koper Group for the year ended 31 December 2019 are presented below. Consolidated financial statements include statements of the controlling company and statements of subsidiaries as well as the related profit or loss of associated companies.

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, the controlling company, Luka Koper, d. d. maintains the port infrastructure and provides for the port's development.

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%
- Adriaфин, d. o. o., 50%
- Avtoservis, d. o. o., 49%

Companies excluded from the consolidated financial statements as at 31 December 2019:

- Logis-Nova, d. o. o., 100%
- Adria Investicije, d. o. o., 100%

Adria Investicije, d. o. o. and Logis-Nova, d. o. o. were not included in the consolidated financial statements due to being insignificant 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, and the balance sheet total of both was EUR 838,674 at 31 December 2019. Net sales for the business 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 had profits at the end of the year. If operations of the two companies should change considerably, they would be included in the Group's consolidated statements.

Declaration of conformity

The financial statements of Luka Koper, d. d., and consolidated financial statements 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) 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 these financial statements on 17 March 2020.

Bases for measurement

Financial statements of the Company and the Group have been prepared on a going concern basis, assuming that the Company/Group will have sufficient liquid assets to overcome the effects of the COVID-19 outbreak and related restrictions, as disclosed in Section 35 'Relevant events after the end of the financial year'.

In view of the uncertainty regarding the further development of the COVID-19 outbreak, the management is closely reviewing the current situation and ensuring that the Company/Group has sufficient liquid assets to ensure its continued operations.

Functional and presentation currency

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

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 32.1.2)

Existence of possible indication of impairment for property, plant and equipment is assessed by the Company/Group based on IAS 36. As at each reporting date, the Company/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 Company/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 24 and 30 and policy 32.1.11)

A provision is recognised if the Company/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 Company/Group cannot influence.

The Company/Group 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 12 and 14 and policies 32.1.3 and 32.1.4)

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/Group regularly verifies the useful lives with significant assets and, in case of changed circumstances, the Company/Group changes the useful life and consequently revalues the cost of depreciation.

In 2019, the Company defined new useful lives of significant assets with the help of certified valuers of property, plant and equipment and internal resources. The revalued useful lives are reflected in the income statement as a decrease in the Amortisation and depreciation item by EUR 2,113,376.

Assessing the adequacy of revenue recognition in contracts with customers (Note 1 and policy 32.1.21)

The Company/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 (the controlling company only), associates and other companies (Notes 16, 17 and 18), and
- Recognition of deferred tax assets (Note 19).

Assessing the possibility of using receivables for deferred taxes (Note 19 and policy 32.1.21)

Based on the estimate that sufficient profit will be available in the future, the Company/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 Company/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.

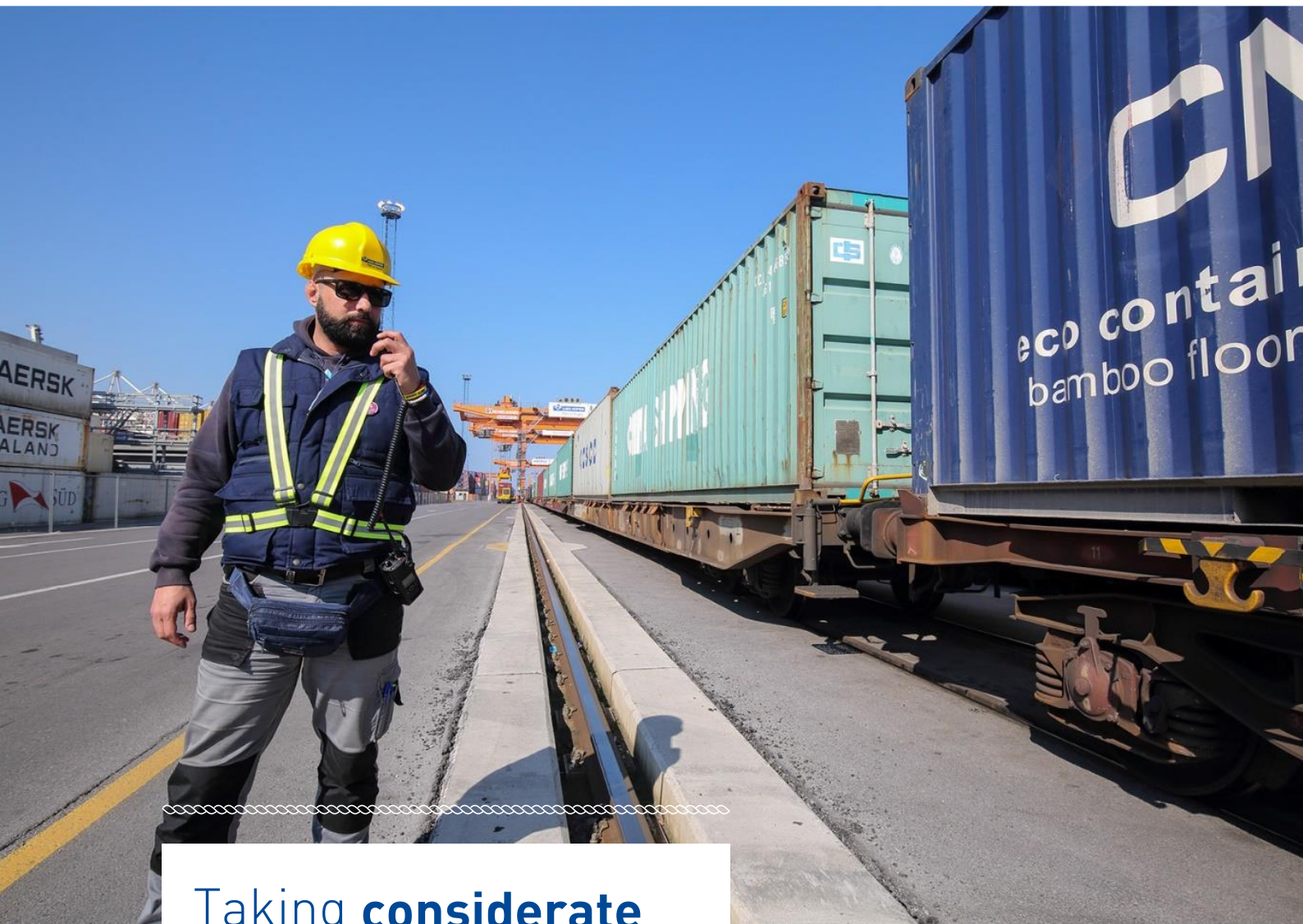
The tax rate applied for calculating deductible temporary differences is 19 percent, which is also the general tax rate for corporate income tax.

Deferred tax liabilities are recognised for temporary taxable 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 24 and policy 32.1.11)

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.



Taking **considerate** steps

Significant investments in the road network within the port include the construction of a new, third port entrance and the relocation of the central artery to the periphery of the port, which will prevent the crossing of the main port bypass with railway tracks, thus increasing flow and traffic safety.

31 **Summary** of significant accounting policies and disclosures

31.1 The accounting policies applied

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

The Luka Koper Group companies apply uniform accounting policies that have been changed and adjusted to Group's policies where necessary.

31.1.1 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.

31.1.2 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. As at 1 January 2019, the Company/Group reclassified the advances for acquiring property, plant and equipment as other non-current assets, as is shown in Changes in accounting policies 32.1.30.3.

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.

31.1.2.1 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 borrowing costs, which arise in the same period.

31.1.2.2 Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment replaces 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.

31.1.2.3 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. In 2019, the Company/Group changed the useful lives of some major groups of fixed assets. Useful lives applied with property, plant and equipment are as follows:

Assets	2019	2018
Construction works	16.67– 66.67 years	16.67–66.67 years
Transport and transshipment equipment	5–25 years	5–17.86 years
– locomotives	6.67–15 years	6.67–10 years
– forklifts, shippers	8–12 years	8 years
Computer hardware	4–5 years	4–5 years
Other equipment	4–12 years	4–10 years

31.1.2.4 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.

31.1.2.5 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	2019	2018
Buildings	16.67–66.67 years	16.67–66.67 years

31.1.2.6 Right-of-use assets

The Company/Group discloses leases under right-of-use assets in compliance with the new IFRS 16 standard since 1 January 2019. 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 the statement of financial position 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).

The Company/Group has examined and analysed all lease contracts. The Company/Group has elected to apply exemptions for leases with a lease term of 12 months or less, and for leases where the underlying asset has a low value.

Based on an analysis, the Company Group has estimated the values of the right-of-use and lease liability. Estimations were made 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/Group when raising non-current loans. Depreciation resulting from the right-of-use is calculated based on the remaining lease term.

31.1.3 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.

31.1.3.1 Depreciation

Depreciation 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 depreciation period and depreciation 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 depreciation 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	2019	2018
Non-current property rights	5–10 years	5–10 years
Development costs	10 years	10 years

31.1.4 Investments in related entities

The Company measures all investments in subsidiaries and associated companies at cost. The Group only discloses investments in associated companies, which are measured using the equity method. At each date of the statement of financial position, the Company/Group assesses whether there is any indication of impairment. Any impairment loss on investment is recognised in the income statement.

31.1.5 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 other comprehensive income, and
- 3 Financial instruments measured at fair value through profit or loss.

Financial instruments measured at fair value through other comprehensive income comprise all of the investments in equity 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. Fair value is considered market value based on the closing price of a security on a stock exchange or the published daily net asset value of a mutual fund. Fair value changes are recognised by the Company in other comprehensive income within equity. Upon derecognition, gains or losses are recognised 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 by the Company/Group as assets measured at fair value through profit or loss.

31.1.6 Other assets

Other assets include advances for acquiring property, plant and equipment. As at 1 January 2019, the Company/Group reclassified the advances for acquiring property, plant and equipment as other assets. All advances given are secured by bank guarantees provided to the Company / Group by the supplier.

31.1.7 Loans and receivables

Loans and receivables are recognised by the Company/Group as at the settlement date and measured at amortised cost using the effective interest rate method. All advances given are secured by bank guarantees provided to the Company / Group by the supplier.

31.1.7.1 Trade receivables

In books of account, the Company/Group carries non-current and current receivables separately. 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/Group 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 a bankruptcy or liquidation procedure are formed immediately once such proceeding begins, in their full amount (100 percent). In accordance with the IFRS 9 which introduced new requirements for the measurement of financial assets and recognition of their impairment, the Company/Group has formed an impairment model for trade receivables based not only on realised credit losses, but also on expected credit losses. The Company/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/Group based on own criteria, and also results from the assessment of risk regarding the customer's country of origin.

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

31.1.7.2 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 in the next year are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants.

31.1.8 Cash

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

31.1.9 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 Company/Group applies the weighted average price method for reducing the materials inventory. Small tools put in use are immediately transferred among costs. Inventories are not subject to revaluation due to increases.

31.1.10 Equity

31.1.10.1 Share capital

The share capital of the Company/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.

31.1.10.2 Capital surplus (share premium) and revenue reserves

The Company/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 Company/Group has no statutory reserves, as they are not envisaged under its articles of association.

31.1.10.3 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.

31.1.10.4 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.

31.1.10.5 Dividends

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

31.1.10.6 Authorised capital

At 31 December 2019, the Company/Group had no authorised capital.

31.1.11 Provisions

31.1.11.1 Provisions for legal disputes and damages

The Company/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.

31.1.11.2 Provisions for retirement benefits and jubilee premiums

In accordance with statutory requirements and the collective agreement, the Company/Group is obligated to pay jubilee premiums and termination benefits on retirement. To measure these payments, the Company/Group applies valuation of actuarial liability 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 2019, using data as at 31 December 2019 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 2019, 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 1.5% at 18 years to 0.5% at 58 years, thereupon remaining constant at 0.0%. In total, this indicates an annual fluctuation of 0.9% for next year as at 31 December 2019. Staff fluctuation as a result of an increased number of dismissals by the employer has not been taken into account.
- 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 2019 pursuant to Article 27 and 3rd indent of Article 28 (1) of Pension and Disability Insurance Act (ZPIZ-2).
- For the 2020 and 2021 calculations, we used average salary increase rates for the Republic of Slovenia as outlined in the Autumn Forecast of Economic Trends 2019 (Institute of Macroeconomic Analysis and Development). Average salaries in Slovenia are expected to increase as of 2022 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 2021, 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; 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 2.0% next year, 2.3% in 2020 and 2.0% from 2021 onwards.
- The discount rate for the calculation as at 31 December 2019 is stipulated at 0.6% on the basis of the yield of Slovenian government bonds as at 30 December 2019, and by interpolation with respect to the average weighted duration of the Company's commitments (13.8 years).

31.1.12 Non-current deferred income

Non-current deferred income is recognised if over a period exceeding one year, it covers the anticipated expenses.

The Company/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.

31.1.13 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/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.

31.1.14 Concession-related activity

In compliance with the Maritime Code, Luka Koper, d. d. and the Government of the Republic of Slovenia arranged matters 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 and the Transparency of Financial Relations and Maintenance of Separate Accounts for Different Activities Act (ZPFOLERD-1), 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 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 Luka Koper, d. d., as the concession operator, obtained from the Republic of Slovenia, 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 commercial services 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. of the Concession Agreement, Luka Koper, d. d., pays the 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 a constituent part thereof. The amount of port dues is established by the controlling company 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.

31.1.15 Public utility services 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.

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.

31.1.16 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.

31.1.17 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.

31.1.18 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 2019, income tax liability was calculated at the rate of 19 percent.

31.1.19 Deferred taxes

In order to disclose an appropriate profit and loss for the reporting period, the Company/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 book value 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 taxable amounts and deferred tax liabilities. Deductible temporary differences decreased the 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.

31.1.20 Net 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.

31.1.21 Revenue

31.1.21.1 Operating income

Revenue from contracts with customers

The Company's/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 Company/Group, as well as from Asia and America. The 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/Group discloses its operating income in accordance with IFRS 15. The Company/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 Company/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 Company/Group are set at fixed or variable rates. Variable rates occur when the Company/Group offers a volume discount. Volume discounts are achieved based on agreed transshipment 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.

31.1.21.2 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.

31.1.21.3 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.

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.

31.1.22 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, interest on leases as derived from the new standard IFRS 16, 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.

31.1.23 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.

31.1.24 Impairment of assets

31.1.24.1 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/Group determines the recoverable amount of the 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 book value of an asset does not exceed the book value that would have been established after deducting depreciation if impairment loss on the asset had not been recognised in previous years. The reversal of the impairment loss is recognised as revenue in profit or loss.

31.1.24.2 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/Group calculates the amount of impairment loss.

When the Company/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 Company/Group determines that investments in subsidiaries and associates carried at cost should be impaired, any 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.

31.1.25 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.

31.1.26 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 2019 and 31 December 2018, as well as items in the income statement for the financial year then ended, inclusive of any necessary adjustments of the cash flow.

31.1.27 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, increasing net profit of the accounting period by total revenue and expenses directly recognised in the equity.

31.1.28 Risk management

The Company/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.

Operations of the Company/Group are exposed to strategic, operational and financial risks, which largely depend on market laws and thereby require active and ongoing monitoring. Procedures for risk identification are described in the business report, section 12 'Risk Management'. In addition to strategic and operational risks, the Company/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 Company/Group is disclosed in Note 32 'Financial instruments and financial risk management'.

31.1.28.1 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/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 Company/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 Company/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 Company's/Group's assets and liabilities is presented in Note 32.

31.1.29 Basis for consolidation

31.1.29.1 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.

31.1.29.2 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 Group'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 book value of the Group's share is reduced to zero, whereas the share in further losses is no longer recognised.

31.1.29.3 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.

31.1.30 Newly adopted standards and interpretations

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

31.1.30.1 Adopted standards, amendments to standards and interpretations not yet effective

- [Amendments to IAS 1 – Presentation of Financial Statements and IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors](#) – Definition of 'Material'. Adopted by the EU on 29 November 2019 (effective for annual periods beginning on or after 1 January 2020), the amendments clarify the definition of 'material' and how it should be included in guidance regarding definitions.

The Company/Group does not expect these amendments to have a material impact on its financial statements.

- [Amendments to IFRS 9 – Financial Instruments, IAS 39 – Financial Instruments: Recognition and Measurement, and IFRS 7 – Financial Instruments: Disclosures](#) – Interest Rate Benchmark Reform, which was issued by IASB on 26 September 2019. Amendments laid out in the Interest Rate Benchmark Reform:

- a) Change specific hedge accounting requirements in a manner that an entity can account for hedging activities based on the assumption that the interest rate benchmark on which the hedged cash flows and cash flows of the hedging instrument are based is not altered as a result of interest rate benchmark reform;
- b) Are compulsory for all hedging relationships that are affected directly by the interest rate benchmark reform;

- c) Not intended for alleviating other effects of the interest rate benchmark reform (when the hedging relationship no longer meets the hedge accounting requirements for reasons not stated in the amendments, hedge accounting has to be discontinued), and
- d) Require specific disclosures about the extent to which the reform amendments affect hedging relationships among companies.

The Interest Rate Benchmark Reform as adopted by the EU on 15 January 2020, is effective for annual periods beginning on or after 1 January 2020.

The Company/Group does not expect these amendments to have a material impact on its financial statements.

- **Amendments to references to the Conceptual Framework in IFRS**, which the EU adopted on 29 November 2019 and the IASB issued on 29 March 2018, are effective for annual periods beginning on or after 1 January 2020. Due to the revision of the Conceptual Framework for IFRS, IASB has updated references to the conceptual framework in IFRS standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SOP-32. The amendments are intended as support in the transition to the revised Conceptual Framework to companies using the Framework to develop accounting policies when no IFRS standard applies to a particular transaction.

The Company/Group does not expect these amendments to have a material impact on its financial statements.

31.1.30.2 New standards and interpretations not yet adopted by the European Union

- **IFRS 14 – Regulatory Deferral Accounts** (effective for annual periods beginning on or after 1 January 2016) – The European Commission has decided not to launch the endorsement process for the interim standard IFRS 14 and to wait for its final version.

IFRS 17 – Insurance Contracts, which was published by IASB on 18 May 2017. The new standard requires that insurance liabilities are measured at present fulfilment value and brings a more uniform measurement and presentation method for all insurance contracts. The aim of these requirements is to ensure consistent and principle-based accounting for insurance contracts. IFRS 17 replaces IFRS 4 – Insurance Contracts and the related notes. The Standard is effective for annual periods beginning on or after 1 January 2021.

The Company/Group does not expect these amendments to have a material impact on its financial statements.

- **Amendments to IFRS 3 – Business Combinations** – Definition of a business, which were issued by IASB on 22 October 2018. The Amendments were put into effect to improve the definition of a business. The amended definition emphasises that the output of a business is to provide goods and services to customers, whereas the previous definition focused on returns in the form of dividends, lower costs or other economic benefits to investors and others. In addition to amending the wording of the definition, the Board has provided supplementary guidance. The standard is 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 to asset acquisitions that occur on or after the beginning of that period.

The Company/Group does not expect these amendments to have a material impact on its financial statements.

- **Amendments to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures** – Sales or contributions of assets between an investor and its associate/joint venture, which were issued by IASB on 11 September 2014. The amendments address a conflict between the requirements of IAS 28 and IFRS 10 and clarify that in a transaction involving an associate or joint venture the extent of gain or loss recognition depends on whether the assets sold or contributed constitute a business. The effective date has been postponed for an indefinite period until the research project regarding the equity method is completed.

The Company/Group does not expect these amendments to have a material impact on its financial statements.

31.1.30.3 Newly adopted standards and interpretations effective for periods beginning on 1 January 2019

Changes in accounting policies

The Company/Group has updated its valid accounting policies in accordance with the requirements of the standard IFRS 16 which became effective on 1 January 2019, and has modified its treatment and disclosure of events.

- **IFRS 16 – Leases**, which the EU adopted on 31 October 2017, is effective for annual periods beginning on or after 1 January 2019. Pursuant to the Standard which was issued by IASB on 13 January 2019, a lessee recognises a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessee shall use their incremental borrowing rate. As with IFRS 16's predecessor, IAS 17, lessors classify leases as operating or finance in nature. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease. For finance leases a lessor recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the net investment. A lessor recognises operating lease payments as income on a straight-line basis or, if more representative of the pattern in which benefit from use of the underlying asset is diminished, another systematic basis.

The Company and the Group have applied the new standard IFRS 16 – Leases, replacing the IAS 17 standard, as at 1 January 2019.

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 the statement of financial position 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.

The Company/Group has examined and analysed all lease contracts. The Company/Group has elected to apply exemptions for leases with a lease term of 12 months or less, and for leases where the underlying asset has a low value, and thus accounts for lease payments as an expense also in 2019. There are two possible transitions to the new standard; the Company/Group has opted for transition without affecting its past retained earnings (modified retrospective method), and implemented the standard as at 1 January 2019.

Based on an analysis, the Company/Group has estimated the values of the right-of-use and lease liability. Estimations were made 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/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 financial statements of the Company/Group for the year 2019 has been estimated as follows:

Statement of financial position

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	1 Jan 2019	31 Dec 2019	1 Jan 2019
ASSETS	438,707	680,417	615,026	711,561
Right of use	438,707	680,417	615,026	711,561
LIABILITIES	440,441	680,417	609,197	711,561
Lease liabilities	440,441	680,417	609,197	711,561

Income Statement

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019		2019	
Depreciation of right-of-use	-317,585		-349,474	
Rentals	320,543		360,657	
Operating profit	2,958		11,183	
Finance lease expenditure	-4,692		-5,354	
Profit before tax	-1,734		5,829	

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	IFRS 16	IAS 17	IFRS 16	IAS 17
Depreciation of right-of-use	-317,585	0	-349,474	0
Rentals	-108,394	-428,937	-175,884	-536,541
Operating loss	-425,979	-428,937	-525,358	-536,541
Finance lease expenditure	-4,692	0	-5,354	0
Profit before tax	-430,671	-428,937	-530,712	-536,541

Lease cost by type of exception:

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019		2019	
Short-term lease	53,463		116,909	
Low-value assets	52,899		56,711	
Variable lease	2,032		2,264	
Total lease expense	108,394		175,884	

- **Presentation of advances given for the purchase of property, plant and equipment**

The Company/Group recognises its property, plant and equipment using the cost model. The Company/Group disclosed the advances given to purchase or construct the former under assets in acquisition. IAS 16 defines in item 16.6 what constitutes property, plant and equipment as follows:

- Assets held by the Company/Group for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one period.

Accordingly, advances given for purchase or construction of property, plant and equipment when such assets in acquisition are not yet owned by the Company/Group, have been reclassified as other non-current assets.

Effects of the change in the accounting policy by individual item are presented below:

Statement of financial position

(in EUR)		Luka Koper, d. d.				
	Restated 31 Dec 2018	Change in accounting policy	Revised 31 Dec 2018	Restated 1 Jan 2018	Change in accounting policy	Revised 1 Jan 2018
ASSETS						
Property, plant and equipment	351,296,446	-4,542,623	355,839,069	367,738,151	-79,988	367,818,139
Investment property	24,616,101		24,616,101	26,467,395		26,467,395
Intangible assets	2,605,462		2,605,462	3,122,833		3,122,833
Other assets	4,542,623	4,542,623	0	79,988	79,988	0
Shares and interests in associates	6,737,709		6,737,709	6,737,709		6,737,709
Other non-current investments	31,437,485		31,437,485	30,499,584*		30,499,584*
Deposits and loans given	13,876		13,876	22,592		22,592
Non-current operating receivables	41,108		41,108	41,772		41,772
Deferred tax assets	8,075,295		8,075,295	8,325,304		8,325,304
Non-current assets	433,899,168	0	433,899,168	447,568,391	0	447,568,391
Inventories	1,322,412		1,322,412	1,037,066		1,037,066
Deposits and loans given	8,716		8,716	8,413		8,413
Trade and other receivables	44,935,604		44,935,604	37,810,196		37,810,196
Assets from contracts with customers	0		0	210,861		210,861
Income tax assets	0		0	4,115,392		4,115,392
Cash and cash equivalents	73,376,306		73,376,306	28,202,589		28,202,589
Current assets	119,643,038	0	119,643,038	71,384,517	0	71,384,517
TOTAL ASSETS	553,542,206	0	553,542,206	518,952,908	0	518,952,908
EQUITY AND LIABILITIES						
Share capital	58,420,965		58,420,965	58,420,965		58,420,965
Share premium	89,562,703		89,562,703	89,562,703		89,562,703
Revenue reserves	174,901,853		174,901,853	145,607,356		145,607,356
Reserves arising from valuation at fair value	10,507,002		10,507,002	9,799,716		9,799,716
Retained earnings	29,252,442		29,252,442	17,206,843		17,206,843
Total equity	362,644,965	0	362,644,965	320,597,583	0	320,597,583
Provisions	19,460,792		19,460,792	20,217,568		20,217,568
Deferred income	23,651,341		23,651,341	18,221,285		18,221,285
Non-current loans and borrowings	93,431,499		93,431,499	116,682,274		116,682,274
Non-current operating liabilities	1,304,783		1,304,783	967,102		967,102
Non-current liabilities	137,848,415	0	137,848,415	156,088,229	0	156,088,229
Current loans and borrowings	13,685,558		13,685,558	16,060,399		16,060,399
Other current financial liabilities	156,684		156,684	372,169		372,169
Income tax liabilities	9,254,382		9,254,382	0		0
Trade and other payables	29,952,202		29,952,202	25,834,528		25,834,528
Current liabilities	53,048,826	0	53,048,826	42,267,096	0	42,267,096
TOTAL EQUITY AND LIABILITIES	553,542,206	0	553,542,206	518,952,908	0	518,952,908

Statement of financial position

(in EUR)

Luka Koper Group

	Restated 31 Dec 2018	Change in accounting policy	Revised 31 Dec 2018	Restated 1 Jan 2018	Change in accounting policy	Revised 1 Jan 2018
ASSETS						
Property, plant and equipment	365,784,723	-4,780,591	370,565,314	385,168,843	-79,988	385,248,831
Investment property	14,870,578		14,870,578	14,900,170		14,900,170
Intangible assets	2,894,095		2,894,095	3,467,042		3,467,042
Other assets	4,780,591	4,780,591	0	79,988	79,988	0
Shares and interests in associates	13,754,815		13,754,815	13,376,467		13,376,467
Other non-current investments	35,524,158		35,524,158	34,217,435		34,217,435
Deposits and loans given	19,378		19,378	22,592		22,592
Non-current operating receivables	70,818		70,818	41,772		41,772
Deferred tax assets	7,961,052		7,961,052	8,231,345		8,231,345
Non-current assets	445,660,208	0	445,660,208	459,505,654	0	459,505,654
Assets (disposal groups) held for sale	0		0	864		864
Inventories	1,322,412		1,322,412	1,037,066		1,037,066
Deposits and loans given	79,802		79,802	79,541		79,541
Trade and other receivables	45,596,345		45,596,345	38,741,762		38,741,762
Assets from contracts with customers	0		0	210,861		210,861
Income tax assets	0		0	4,528,725		4,528,725
Cash and cash equivalents	79,583,293		79,583,293	32,374,215		32,374,215
Current assets	126,581,852	0	126,581,852	76,973,034	0	76,973,034
TOTAL ASSETS	572,242,060	0	572,242,060	536,478,688	0	536,478,688
EQUITY AND LIABILITIES						
Share capital	58,420,965		58,420,965	58,420,965		58,420,965
Share premium	89,562,703		89,562,703	89,562,703		89,562,703
Revenue reserves	174,901,853		174,901,853	145,607,356		145,607,356
Reserves arising from valuation at fair value	11,507,892		11,507,892	10,498,049		10,498,049
Retained earnings	59,274,576		59,274,576	46,100,910		46,100,910
Equity attributable to owners of the controlling company	393,667,989	0	393,667,989	350,189,983	0	350,189,983
Non-controlling interests	210,816	0	210,816	192,336	0	192,336
Total equity	393,878,805	0	393,878,805	350,382,319	0	350,382,319
Provisions	19,936,175		19,936,175	20,701,828		20,701,828
Deferred income	25,567,895		25,567,895	20,326,466		20,326,466
Non-current loans and borrowings	77,431,499		77,431,499	100,682,274		100,682,274
Non-current operating liabilities	1,380,528		1,380,528	1,045,243		1,045,243
Non-current liabilities	124,316,097	0	124,316,097	142,755,811	0	142,755,811
Current loans and borrowings	13,685,558		13,685,558	16,060,399		16,060,399
Other current financial liabilities	145,363		145,363	372,169		372,169
Income tax liabilities	9,244,938		9,244,938	0		0
Trade and other payables	30,971,299		30,971,299	26,907,990		26,907,990
Current liabilities	54,047,158	0	54,047,158	43,340,558	0	43,340,558
TOTAL EQUITY AND LIABILITIES	572,242,060	0	572,242,060	536,478,688	0	536,478,688

Statement of Cash Flows:

(in EUR)	Luka Koper, d. d.		
	Restated 2018*	Change in accounting policy	Revised 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period	58,588,995	0	58,588,995
Adjustments for:			
Amortisation and depreciation expense	28,545,408		28,545,408
Reversal and impairment losses on property, plant and equipment, and intangible assets	130,349		130,349
Gain on sale of property, plant and equipment, and investment property	-787,761		-787,761
Allowances for receivables	248,042		248,042
Collected written-off receivables and written-off liabilities	-1,038,997		-1,038,997
Reversal of provisions	-1,775,337		-1,775,337
Finance income	-3,262,017		-3,262,017
Finance expenses	1,206,727		1,206,727
Income tax expense and income (expenses) from deferred taxes	12,210,799		12,210,799
Profit before change in net current operating assets and taxes	94,066,208	0	94,066,208
Change in other assets	-4,462,635	-4,462,635	0
Change in operating receivables	-6,140,629		-6,140,629
Change in inventories	-285,346		-285,346
Change in assets (disposal groups) held for sale	1,502,198		1,502,198
Change in operating liabilities	164,856		164,856
Change in provisions	928,378		928,378
Change in non-current deferred income	5,485,124		5,485,124
Cash generated in operating activities	91,258,154	-4,462,635	95,720,789
Interest expenses	-1,436,943		-1,436,943
Tax expenses	1,226,328		1,226,328
Net cash from operating activities	91,047,539	-4,462,635	95,510,174
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Interest received	223,534		223,534
Dividends received and profit sharing – subsidiaries	301,634		301,634
Dividends received and profit sharing – associates	1,280,634		1,280,634
Dividends received and profit sharing – other companies	1,456,215		1,456,215
Proceeds from sale of property, plant and equipment, and intangible assets	824,577		824,577
Proceeds from sale, less investments and loans given	8,413		8,413
Acquisition of property, plant and equipment, and intangible assets	-7,113,902	4,462,635	-11,576,537
Net cash used in investing activities	-3,018,895	4,462,635	-7,481,530
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of non-current borrowings	-9,565,217		-9,565,217
Repayment of current borrowings	-16,060,399		-16,060,399
Dividends paid	-17,229,310		-17,229,310
Net cash used in financing activities	-42,854,926	0	-42,854,926
Net increase in cash and cash equivalents	45,173,718	0	45,173,718
Opening balance of cash and cash equivalents	28,202,589		28,202,589
Closing balance of cash and cash equivalents	73,376,307	0	73,376,307

Statement of Cash Flows:

(in EUR)

Luka Koper Group

	Restated 2018*	Change in accounting policy	Revised 2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Net profit for the period	59,760,203	0	59,760,203
Adjustments for:			
Amortisation and depreciation expense	29,367,175		29,367,175
Reversal and impairment losses on property, plant and equipment, and intangible assets	180,584		180,584
Gain on sale of property, plant and equipment, and investment property	-764,354		-764,354
Allowances for receivables	554,390		554,390
Collected written-off receivables and written-off liabilities	-1,042,922		-1,042,922
Reversal of provisions	-1,777,691		-1,777,691
Finance income	-1,698,588		-1,698,588
Finance expenses	1,074,288		1,074,288
Recognised result of subsidiaries under equity method	-1,658,983		-1,658,983
Income tax expense and income (expenses) from deferred taxes	12,230,580		12,230,580
Profit before change in net current operating assets and taxes	96,224,682	0	96,224,682
Change in other assets	-4,700,603	-4,700,603	0
Change in operating receivables	-6,260,172		-6,260,172
Change in inventories	-285,346		-285,346
Change in assets (disposal groups) held for sale	1,503,062		1,503,062
Change in operating liabilities	63,575		63,575
Change in provisions	919,502		919,502
Change in non-current deferred income	5,296,497		5,296,497
Cash generated in operating activities	92,761,196	-4,700,603	97,461,799
Interest expenses	-1,315,825		-1,315,825
Tax expenses	1,560,246		1,560,246
Net cash from operating activities	93,005,617	-4,700,603	97,706,220
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Interest received	229,329		229,329
Dividends received and profit sharing – associates	1,280,634		1,280,634
Dividends received and profit sharing – other companies	1,469,259		1,469,259
Proceeds from sale of property, plant and equipment, and intangible assets	1,487,580		1,487,580
Proceeds from sale, less investments and loans given	43,300		43,300
Acquisition of property, plant and equipment, and intangible assets	-7,451,504	4,700,603	-12,152,107
Acquisition of investments, increase in loans given	-211		-211
Net cash used in investing activities	-2,941,613	4,700,603	-7,642,216
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of non-current borrowings	-9,565,217		-9,565,217
Repayment of current borrowings	-16,060,399		-16,060,399
Dividends paid	-17,229,310		-17,229,310
Net cash used in financing activities	-42,854,926	0	-42,854,926
Net increase in cash and cash equivalents	47,209,078	0	47,209,078
Opening balance of cash and cash equivalents	32,374,215		32,374,215
Closing balance of cash and cash equivalents	79,583,293	0	79,583,293

New standards and interpretations which entered into force on 1 January 2019

- **Amendments to IFRS 9 – Financial Instruments – Prepayment Features with Negative Compensation**, published by the IASB on 12 October 2017, adopted by the EU on 22 March 2018, are effective for annual periods beginning on or after 1 January 2019. The existing requirements in IFRS 9 regarding termination rights are amended in order to allow measurement at amortised cost (or, depending on the business model, at fair value through other comprehensive income) even in the case of negative compensation payments. Under the amendments, the sign of the prepayment amount is not relevant, i. e. depending on the interest rate prevailing at the time of termination, a payment may also be made in favour of the contracting party effecting the early repayment. The calculation of this compensation payment must be the same for both the case of an early repayment penalty and the case of a early repayment gain. The amendments also contain a clarification regarding the accounting for a modification or exchange of a financial liability that does not result in the derecognition of the financial liability. In this case, the carrying amount is adjusted to the result recognised in the comprehensive income. The effective interest rate is not recalculated.

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

- **Amendments to IAS 19 – Employee Benefits – Plan Amendment, Curtailment or Settlement**, adopted by the EU on 13 March 2019, were issued by the IASB on 7 February 2018. The amendments are effective for annual periods beginning on or after 1 January 2019. The amendments require a company to use the updated assumptions from the remeasurement to determine current service cost and net interest for the remainder of the reporting period after the change to the plan.

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

- **Amendments to IAS 28 – Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures**, issued by the IASB on 12 October 2017, and adopted by the EU on 8 February 2019, are effective for annual periods beginning on or after 1 January 2019. The amendments clarify that an entity applies IFRS 9 including its impairment requirements, to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied. Paragraph 41 has been deleted because the Board felt that it merely reiterated requirements in IFRS 9 and had created confusion about the accounting for long-term interests.

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

- **Annual Improvements to IFRS Standards (2015–2017 cycle)**, originating in the annual IFRS improvements project (IFRS 3, IFRS 11, IAS 12 and IAS 23), primarily aimed at eliminating conflicts and clarifying wording, which were adopted by the EU on 14 March 2019, are effective for annual periods beginning on or after 1 January 2019. The Improvements were issued by the IASB on 12 December 2017. Their primary objective is to eliminate conflicts and clarify wording. The amendments contain the following clarifications: when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business (IFRS 3); 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 (IFRS 11); all income tax consequences of dividends are recognised in the same manner (IAS 12); and 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 when calculating the capitalisation rate on general borrowings (IAS 23).

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

- **IFRIC 23 – Uncertainty over Income Tax Treatments**, issued by the IASB on 7 June 2017 and adopted by the EU on 23 October 2018, is effective for annual periods beginning on or after 1 January 2019. It may be unclear how tax law applies to a particular transaction or circumstance, or whether a taxation authority will accept a company's tax treatment. IAS 12 Income Taxes specifies how to account for current and deferred tax, but not how to reflect the effects of uncertainty. IFRIC 23 provides requirements that add to the requirements in IAS 12 by specifying how to reflect the effects of uncertainty in accounting for income taxes.

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

31.1.31 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 transshipment 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.

	Port activity		Other		Total		Consolidation bookings		Total Group	
(in EUR)	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
Revenue from sales outside the Group	225,713,945	223,295,657	2,963,593	3,009,881	228,677,538	226,305,538	0	0	228,677,538	226,305,538
Revenue from intersegment sales	501,402	511,800	39,589	39,640	540,991	551,440	-540,991	-551,440	0	0
Amortisation and depreciation expense	-27,426,623	-29,127,156	-351,920	-240,019	-27,778,543	-29,367,175	0	0	-27,778,543	-29,367,175
Operating profit	44,967,112	69,534,100	340,973	173,403	45,308,084	69,707,503	0	0	45,308,084	69,707,503
Finance income	1,793,344	1,698,712	46	-124	1,793,390	1,698,588	0	0	1,793,390	1,698,588
Finance expenses	-674,620	-1,073,206	-2,149	-1,085	-676,769	-1,074,291	0	0	-676,769	-1,074,291
Profit or loss from financing activity	1,118,724	625,506	-2,103	-1,209	1,116,621	624,297	0	0	1,116,621	624,297
Profits of associates under equity method	0	0	0	0	0	0	1,375,549	1,658,983	1,375,549	1,658,983
Income tax and deferred taxes	-7,346,132	-12,254,839	-28,960	24,259	-7,375,092	-12,230,580	0	0	-7,375,092	-12,230,580
Net profit for the period	38,739,704	57,904,767	309,910	196,453	39,049,613	58,101,220	1,375,549	1,658,983	40,425,162	59,760,203

	Port activity		Other		Total		Consolidation bookings		Total Group	
(in EUR)	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Total assets	593,273,790	568,559,107	4,136,624	3,732,392	597,410,414	572,291,499	0	-49,439	597,410,414	572,242,060
Whereof shares and interests in associates	6,737,709	6,737,709	0	0	6,737,709	6,737,709	7,062,484	7,017,106	13,800,193	13,754,815
Liabilities	177,658,244	177,831,811	662,814	580,883	178,321,058	178,412,694	0	-49,439	178,321,058	178,363,255

32 Additional Notes to the Income Statement

Note 1. Revenue

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Revenue generated on sales with domestic customers from contracts with customers	72,995,545	66,896,404	76,339,987	69,372,676
- services	72,953,673	66,879,741	76,298,115	69,356,013
- goods and material	41,872	16,663	41,872	16,663
Revenue generated on sales with foreign customers from contracts with customers	150,080,998	154,576,859	150,857,225	155,590,250
- services	150,080,998	154,576,859	150,857,225	155,590,250
Revenue generated on sales with domestic customers from rentals	1,635,136	1,503,783	1,476,166	1,339,268
Revenue generated on sales with foreign customers from rentals	4,160	3,344	4,160	3,344
Total	224,715,839	222,980,390	228,677,538	226,305,538

In 2019 as well as the previous year, in the Company and in the Group, the item of total revenue comprises one individual customer that exceeds 10 percent of total sales

Note 2. Capitalised own products and services

Under the item of capitalised own products and own services, the Company and the Group record services that increase the value of property, plant and equipment. In 2019, the Company recorded capitalised income in the amount of EUR 69,629, as opposed to no capitalised income in 2018. The increase in the Company is due to the transfer of part of business from the subsidiary Luka Koper INPO, d. o. o. In the Group, capitalised income amounted to EUR 74,414 in 2019, as compared to EUR 1,315,298 in 2018. The decrease mostly resulted from lower own production.

Note 3. Other income

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Other operating income	974,452	3,602,095	2,682,573	5,221,872
Reversal of provisions	770,313	1,775,337	770,954	1,777,691
Subsidies, grants and similar income	0	0	1,677,752	1,636,905
Revaluation operating income	204,139	1,826,758	233,867	1,807,276
Income on sale of property, plant and equipment, and investment property	1,200	787,761	17,939	764,354
Collected written-off receivables and written-off liabilities	202,939	1,038,997	215,928	1,042,922
Other income	2,229,223	10,442,708	2,245,490	10,473,623
Compensations and damages	1,472,252	10,364,447	1,477,671	10,392,369
Other income	756,971	78,262	767,819	81,254
Total	3,203,675	14,044,803	4,928,063	15,695,495

Reversal of provisions amounting to EUR 770,313 relates to a final legal proceeding and to the changed assessment of legal disputes. In the Group, such income in 2019 amounted to EUR 770,954.

Subsidies, grants and similar income recorded in the Group primarily relate to income from utilising retained wage contributions in the amount of earmarked funds used in the subsidiary Luka Koper INPO, d. o. o.

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 2019, both categories were lower than in the preceding year.

In 2019, compensations and damages amounted to EUR 1,472,525 in the controlling company, and EUR 1,447,671 in the Group. They mostly refer to compensations received for the damage caused and the deferred compensation received for the collapsed gantry crane.

Other income is mostly composed of income for covering the costs from EU projects and from charged contractual penalties, primarily in the controlling company.

Note 4. Cost of material

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Cost of material	0	0	1,572	596
Costs of auxiliary material	2,733,696	2,577,619	2,841,051	2,971,799
Cost of spare parts	6,635,333	5,778,797	6,475,900	5,619,380
Cost of energy	7,368,135	7,648,345	7,581,630	7,915,814
Cost of office stationery	235,769	196,371	248,613	207,217
Other cost of material	461,184	402,969	488,803	436,711
Total	17,434,117	16,604,101	17,637,569	17,151,517

Note 5. Cost of services

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018*	2019	2018*
Cost of port services	24,534,303	31,824,313	22,117,941	29,508,650
Cost of transportation	327,771	276,596	232,702	201,279
Cost of maintenance	9,365,336	7,402,200	9,126,008	6,318,099
Rentals	108,394	365,237	175,884	487,045
Reimbursement of labour-related costs	415,992	309,618	439,075	327,803
Costs of payment processing, bank charges and insurance premiums	1,153,228	872,277	1,227,497	957,867
Costs of intellectual and personal services	1,506,684	1,512,778	1,545,905	1,548,642
Advertising, trade fairs and hospitality	1,474,579	1,054,590	1,487,497	1,062,749
Costs of services provided by individuals not performing business activities	330,593	369,685	343,086	385,048
Sewage and disposal services	1,082,194	924,857	603,061	492,479
Information support	2,792,966	2,813,899	2,939,897	2,989,826
Concession-related costs	7,643,293	7,814,485	7,643,293	7,814,485
Transshipment fee	4,811,027	0	4,811,027	0
Cost of other services	2,278,482	2,354,015	2,115,632	2,780,265
Total	57,824,842	57,894,550	54,808,505	54,874,237

*The Company/Group applied the new IFRS 16 standard as at 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The effects of using the new standard are disclosed in item 32.1.30.3 Changes in accounting policies.

As in previous years, the cost of port services amounting to EUR 24,534,303 in the Company and EUR 22,117,941 in the Group account for the largest portion among the cost of services. Their decrease mostly results from the implementation of the port service provision strategy in 2019. In 2019, the cost of maintenance increased in the Company and in the Group, mostly as a result of increased maintenance of port infrastructure.

Beginning with March 2019, the controlling company began to pay the transshipment fee in accordance with the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line, which in this year amounted to EUR 4,811,027.

Rental costs are lower in comparison to the preceding year, which is mostly due to the implementation of the new standard IFRS 16. The Company/Group has applied the retrospective method, using which there is no need to adjust the comparative data. Costs of rental that were not recognised as right-of-use based on the exceptions allowed by the new standard are disclosed in Changes in accounting policies [32.1.30.3].

Note 6. Cost of labour

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Wages and salaries	46,369,105	37,134,127	50,173,071	41,394,878
Wage compensations	6,958,659	5,633,291	7,604,689	6,350,952
Costs of additional pension insurance	1,909,533	1,540,591	2,098,678	1,745,361
Employer's contributions on employee benefits	8,879,029	7,035,212	9,588,985	7,830,223
Annual holiday pay, reimbursements and other costs	6,980,225	4,685,187	7,627,756	5,331,347
Total	71,096,551	56,028,408	77,093,179	62,652,761

In 2019, the average number of employees in the Company grew by 390 against the preceding year, which is reflected in higher cost of labour in 2019. Higher labour costs are primarily a result of implementing the port service provision strategy. For the same reason, in the Group, the average number of employees grew by 440 compared to 2018.

In December 2019, employees of all companies in the Group except for board members and employees under individual employment contracts received pay for performance and/or holiday bonus. In the controlling company, part of the bonus for the 2019 business year was calculated and paid in 2020.

For the 18th year in a row, the Company/Group has been paying for its employees 70 to 90 percent (depending on the employee's age) of the tax deductible supplementary pension scheme premium.

The annual holiday pay was between EUR 1,200 and 1,700 per employee in 2019 (2018: EUR 1,200).

Average number of employees in the Group by education:

Level of education	Luka Koper, d. d.		Luka Koper Group	
	Average number of employees 2019	Average number of employees 2018	Average number of employees 2019	Average number of employees 2018
VIII/2	1	1	1	1
VIII/1	25	24	27	26
VII	120	106	129	114
VI/2	196	168	200	172
VI/1	100	80	106	89
V	400	298	487	333
IV	398	266	482	328
III	26	14	21	26
I-II	122	40	153	83
Total	1,387	997	1,612	1,172

Note 7. Amortisation and depreciation expense

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018*	2019	2018*
Depreciation of buildings	13,106,069	12,972,739	13,588,615	13,474,593
Depreciation of equipment and spare parts	12,307,370	14,248,704	12,817,826	14,854,242
Depreciation of small tools	16,899	16,439	17,574	17,885
Depreciation of investment property	571,859	613,204	242,742	265,385
Amortisation of intangible assets	689,059	682,654	744,738	738,351
Depreciation of investment into foreign-owned assets	11,667	11,667	17,574	16,719
Depreciation of right-of-use assets	317,585	0	349,474	0
Total	27,020,508	28,545,407	27,778,543	29,367,175

*The Company/Group applied the new IFRS 16 standard as at 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The effects of using the new standard are disclosed in item 32.1.30.3 Changes in accounting policies.

In 2019, the Company/Group examined the useful life of assets; resulting from this, the depreciation cost in 2019 decreased by EUR 2,113,376.

Note 8. Other expenses

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Provisions	2,050,720	425,252	2,050,720	425,252
Impairment costs, write-offs and losses on property, plant and equipment and investment property	65	130,349	65	180,584
Expenses for allowances for receivables	514,659	248,042	524,353	554,390
Levies that are not contingent upon cost of labour and other types of cost	6,855,925	7,074,643	6,859,726	7,082,361
Donations	465,160	135,450	468,660	138,000
Environmental levies	177,729	181,493	162,336	163,460
Awards and scholarships to students inclusive of tax	17,149	8,590	17,429	10,191
Awards and scholarship to students	2,800	2,600	2,800	2,600
Other costs and expenses	953,499	1,001,805	968,046	1,006,303
Total	11,037,706	9,208,224	11,054,135	9,563,141

In 2019, the controlling company formed provisions for legal disputes amounting to EUR 2,050,720.

Levies that are not contingent upon cost of labour and other types of cost mostly relate to the fee for the use of construction land.

Other costs and expenses mainly consist of compensations for damage to assets owned by third persons. The damage occurred during the handling of goods in the port.

Note 9. Finance income and finance expenses

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018*	2019	2018*
Finance income from shares and interests	3,139,677	3,038,483	1,601,140	1,469,259
Finance income from shares and interests in Group companies	231,514	301,634	0	0
Finance income from shares and interests in associate companies	1,330,171	1,280,634	0	0
Finance income from shares and interests in other companies	1,577,992	1,456,215	1,601,140	1,469,259
Finance income - interest	14,640	8,074	14,816	8,320
Interest income - other	14,640	8,074	14,816	8,320
Finance income from operating receivables	169,778	215,460	177,434	221,009
Finance income from operating receivables due from others	169,778	215,460	177,434	221,009
Total finance income	3,324,095	3,262,017	1,793,390	1,698,588
Finance expenses for financial liabilities	-8,724	0	-8,724	0
Finance expenses – interest	-741,523	-1,155,723	-607,945	-1,017,964
Interest expenses – Group companies	-134,240	-137,759	0	0
Interest expenses – banks	-602,591	-1,017,964	-602,591	-1,017,964
Finance expenses for lease liability to others	-4,388	0	-5,354	0
Finance expenses for lease liability to Group companies	-304	0	0	0
Finance expenses for operating liabilities	-54,248	-51,003	-60,100	-56,324
Finance expenses for trade payables	-647	-48	-647	-80
Finance expenses for other operating liabilities	-53,601	-50,955	-59,453	-56,244
Total finance expenses	-804,495	-1,206,726	-676,769	-1,074,288
Net financial result	2,519,600	2,055,291	1,116,621	624,300

*The Company/Group applied the new IFRS 16 standard as at 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The effects of using the new standard are disclosed in item 32.1.30.3 Changes in accounting policies.

The controlling company records finance income from shares in Group companies and presents shared profits of these companies, i.e. Luka Koper INPO, d. o. o., in the amount of EUR 172,067, Adria Terminali, d. o. o., in the amount of EUR 36,300, Adria Investicije, d. o. o., in the amount of EUR 14.281, and Logis-Nova, d. o. o. in the amount of EUR 8.867.

Finance income from shares and interests in associates recorded by the controlling company in 2019 refer to sharing of profits of companies Adria Transport, d. o. o. (EUR 200,000), Adria-Tow, d. o. o. (EUR 350,000), Avtoservis, d. o. o. (EUR 680,171), and Adriaфин, d. o. o. (EUR 100,000).

Finance income from shares and interests in other entities recorded by the Company/Group refers to dividends paid under investments into securities.

Finance expenses arising on interest in 2019 amounted to EUR 741,523 in the Company, whereas the Group recorded EUR 607,945. Interest expenses in 2019 were mostly lower owing to a rescheduling of part of loans, which was implemented in early 2019 by the controlling company.

Note 10. Taxes and effective tax rate

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Profit before tax	46,095,019	70,799,794	47,800,254	71,990,783
Income tax (19%)	8,758,054	13,451,961	9,113,020	13,661,195
Non-taxable income and increase in expenditure	-381,803	-805,000	-389,921	-811,679
Non-taxable dividends received	-570,583	-548,812	-570,583	-548,812
Tax incentives	-1,542,909	-710,848	-1,846,433	-971,427
Expenses not recognised for tax purposes	1,062,204	629,120	1,106,711	673,441
Impairment loss not recognised for tax purposes	-44,709	182,964	-44,709	182,964
Other reduction in the tax base	-32,375	-16,739	-38,368	-17,050
Other increase in the tax base	28,529	28,153	45,375	61,948
Change in tax rate	7,276,408	12,210,799	7,375,092	12,230,580
Effective tax rate	15.79%	17.25%	15.43%	16.99%

During the income tax calculation, the controlling company and 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 2019, the Company reported net profit in the amount of EUR 38,818,611 (2018: EUR 58,588,995). The Group reported net profit in the amount of EUR 40,425,162 (2018: EUR 59,760,203), whereof EUR 40,397,079 is attributable to the owner of the controlling company (2018: EUR 59,741,723) and EUR 28,083 to owners of non-controlling interests (2018: EUR 18,480). The non-controlling interest belongs to the co-owner of subsidiary TOC, d. o. o.

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Net profit for the period	38,818,611	58,588,995	40,397,079	59,741,723
Total number of shares	14,000,000	14,000,000	14,000,000	14,000,000
Basic and diluted earnings per share	2.77	4.18	2.89	4.27

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.

33 Additional Notes to the Statement of Financial Position

Note 12. Property, plant and equipment

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
	31 Dec 2019	Restated 31 Dec 2018*	Restated 1 Jan 2018	31 Dec 2019	Restated 31 Dec 2018*	Restated 1 Jan 2018
Land	15,165,920	15,117,508	15,117,508	18,416,144	18,407,884	18,608,043
Buildings	236,619,770	235,321,649	245,729,683	245,246,634	244,601,048	256,773,809
Plant and equipment	87,434,051	82,744,918	91,568,985	89,891,722	84,648,570	94,289,995
Property, plant and equipment being acquired and advances given	24,398,527	18,112,371	15,321,975	24,410,377	18,127,221	15,497,002
Right-of-use assets	438,707	0	0	615,026	0	0
Total	364,056,975	351,296,446	367,738,151	378,579,903	365,784,723	385,168,849

*The modification relates to the reclassification of advances given for the purchase/construction of property, plant and equipment. The effects of using the new standard and of the applied change of accounting policies are disclosed in item 32.1.30.3 Changes in accounting policies.

No items of Company's/Group's property, plant and equipment were pledged as collateral or under a finance lease.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2019 equalled zero, is recorded in the Company at EUR 256,645,650 (2018: EUR 253,120,759). In the Group, such assets amounted to EUR 264,448,260 on 31 December 2019 (2018: EUR 260,552,454).

As at 31 December 2019, the outstanding trade payables of the Company to suppliers of items of property, plant and equipment amounted to EUR 8,675,054 (2018: EUR 4,231,531), and the Group recorded such payables at EUR 8,769,934 (2018: EUR 4,283,275).

In 2019, total investments in property, plant and equipment amounted to EUR 38,097,691 in the Company, and EUR 39,618,241 in the Group. The largest investments comprise:

- Purchase of eight terminal tractors with trailers,
- Purchase of five E-RTG cranes for the container terminal,
- Completed construction of the road link to the new Sermin entrance,
- Continued construction of a RO-RO berth in Basin III,
- Continued construction of the 6th group of railway tracks,
- Completion of installation of a fire pump comprising two vertical pumps.

In the reference period, the Company/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 8).

The change of accounting policies is explained in item 32.1.30.3 Changes in accounting policies.

Movements in property, plant and equipment in 2019 - Company

(in EUR)	Land	Buildings	Plant and equipment	Assets being acquired	Total
Cost					
Balance at 31 Dec 2018	15,117,508	477,559,208	297,378,096	22,654,994	812,709,806
Change in accounting policy	0	0	0	-4,542,623	-4,542,623
Balance at 1 Jan 2019	15,117,508	477,559,208	297,378,096	18,112,371	808,167,183
Additions	0	0	0	38,097,691	38,097,691
Transfer from investments in course of construction	0	13,033,503	17,007,564	-30,041,067	0
Disposals	0	-66	-286,458	-208	-286,732
Write-offs	0	-6,392,424	-9,278,085	0	-15,670,509
Transfer to intangible assets	0	0	0	-100,453	-100,453
Transfer from intangible assets	0	0	5,904	0	5,904
Transfer to investment property	0	0	0	-1,669,807	-1,669,807
Transfer from investment properties	48,412	2,275,264	0	0	2,323,676
Balance at 31 Dec 2019	15,165,920	486,475,485	304,827,021	24,398,527	830,866,953
Accumulated depreciation					
Balance at 31 Dec 2018	0	242,237,559	214,633,178	0	456,870,737
Depreciation	0	13,117,736	12,324,269	0	25,442,005
Disposals	0	-66	-286,392	0	-286,458
Write-offs	0	-6,392,424	-9,278,085	0	-15,670,509
Transfer from investment properties	0	892,910	0	0	892,910
Balance at 31 Dec 2019	0	249,855,715	217,392,970	0	467,248,685
Carrying amount					
Balance at 31 Dec 2018	15,117,508	235,321,649	82,744,918	22,654,994	355,839,069
Balance at 1 Jan 2019	15,117,508	235,321,649	82,744,918	18,112,371	351,296,446
Balance at 31 Dec 2019	15,165,920	236,619,770	87,434,051	24,398,527	363,618,268

Movements in property, plant and equipment in 2018 - Company

(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
Change in accounting policy	0	0	0	-79,988	-79,988
Balance at 1 Jan 2018	15,117,508	475,067,096	292,601,591	15,321,975	798,108,170
Additions	0	0	0	15,922,705	15,922,705
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 1 Jan 2018	15,117,508	245,729,683	91,568,985	15,321,975	367,738,151
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 in 2019 - Group

(in EUR)	Land	Buildings	Plant and equipment	Assets being acquired	Total
Cost					
Balance at 31 Dec 2018	18,407,884	493,341,643	307,976,661	22,907,812	842,634,000
Change in accounting policy	0	0	0	-4,780,591	-4,780,591
Balance at 1 Jan 2019	18,407,884	493,341,643	307,976,661	18,127,221	837,853,409
Additions	0	8,219	549,490	38,618,241	39,175,950
Transfer from investments in course of construction	0	13,041,393	17,523,224	-30,564,617	0
Disposals	0	-6,392,487	-9,825,842	-208	-16,218,537
Transfer to intangible assets	0	0	0	-100,452	-100,452
Transfer from intangible assets	0	0	5,904	0	5,904
Transfer to investment property	0	0	0	-1,669,807	-1,669,807
Transfer from investment properties	0	1,911,136	0	0	1,911,136
Balance at 31 Dec 2019	18,407,884	501,909,904	316,229,437	24,410,378	860,957,603
Accumulated depreciation					
Balance at 31 Dec 2018	0	248,740,595	223,328,091	0	472,068,686
Depreciation	0	13,606,188	12,835,400	0	26,441,588
Disposals	0	-6,392,490	-9,825,776	0	-16,218,266
Transfer from investment properties	0	892,911	0	0	892,911
Reclassifications within property, plant and equipment	-8,260	-183,934	0	0	-192,194
Balance at 31 Dec 2019	-8,260	256,663,270	226,337,715	0	482,992,725
Carrying amount					
Balance at 31 Dec 2018	18,407,884	244,601,048	84,648,570	22,907,812	370,565,314
Balance at 1 Jan 2019	18,407,884	244,601,048	84,648,570	18,127,221	365,784,723
Balance at 31 Dec 2019	18,416,144	245,246,634	89,891,722	24,410,378	377,964,878

Movements in property, plant and equipment in 2018 - Group

(in EUR)	Land	Buildings	Plant and equipment	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
Reclassifications* and change in accounting policy	321,284	-1,189,959	0	-79,988	-948,663
Balance at 1 Jan 2018	18,608,043	493,621,306	305,280,362	15,497,002	833,006,713
Additions	0	29,405	273,983	16,239,168	16,542,556
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
Reclassifications*	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	15,497,002	385,168,849
Balance at 31 Dec 2018	18,407,884	244,601,048	84,648,570	22,907,812	370,565,314

*Reclassifications of cost and value adjustment for property, plant and equipment are a consequence of them being reclassified as fixed assets.

Right-of-use assets

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018*	31 Dec 2019	31 Dec 2018*
Land	359,534	0	359,534	0
Buildings	69,622	0	104,155	0
Equipment	9,551	0	151,337	0
Total	438,707	0	615,026	0

*The Company/Group applied the new IFRS 16 standard as at 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The effects of using the new standard are disclosed in item 32.1.30.3 Changes in accounting policies.

Right-of-use assets refer to the assets recorded by the Company/Group after implementing the new standard IFRS 16 – Leases, which is presented in more detail in item 32.1.30.3 Changes in accounting policies.

Movements in right-of-use assets in 2019 - Company

(in EUR)	Land	Buildings	Plant and equipment	Total
Cost				
Balance at 31 Dec 2018	0	0	0	0
Change in accounting policy	590,624	80,224	9,570	680,417
Balance at 1 Jan 2019	590,624	80,224	9,570	680,417
Additions	0	61,529	14,346	75,876
Balance at 31 Dec 2019	590,624	141,753	23,916	756,293
Accumulated depreciation				
Balance at 31 Dec 2018	0	0	0	0
Change in accounting policy	0	0	0	0
Balance at 1 Jan 2019	0	0	0	0
Depreciation	231,090	72,131	14,365	317,585
Balance at 31 Dec 2019	231,090	72,131	14,365	317,585
Carrying amount				
Balance at 31 Dec 2018	0	0	0	0
Balance at 1 Jan 2019	590,624	80,224	9,570	680,417
Balance at 31 Dec 2019	359,534	69,622	9,551	438,707

The Company/Group applied the new IFRS 16 standard as at 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The effects of using the new standard are disclosed in item 32.1.30.3 Changes in accounting policies.

Movements in right-of-use assets in 2019 - Group

(in EUR)	Land	Buildings	Plant and equipment	Total
Cost				
Balance at 31 Dec 2018	0	0	0	0
Change in accounting policy	926,706	256,290	106,343	1,289,339
Balance at 1 Jan 2019	926,706	256,290	106,343	1,289,339
Additions	3,994	61,529	220,102	285,626
Balance at 31 Dec 2019	930,700	317,820	326,445	1,574,965
Accumulated depreciation				
Balance at 31 Dec 2018	0	0	0	0
Change in accounting policy	0	0	0	0
Balance at 1 Jan 2019	0	0	0	0
Depreciation	571,166	213,665	156,006	940,837
Balance at 31 Dec 2019	571,166	213,665	156,006	940,837
Carrying amount				
Balance at 31 Dec 2018	0	0	0	0
Balance at 1 Jan 2019	926,706	256,290	106,343	1,289,339
Balance at 31 Dec 2019	359,534	104,155	170,439	634,127

*The Company/Group applied the new IFRS 16 standard as at 1 January 2019 using the modified retrospective method, therefore, comparable data has not been revised. The effects of using the new standard are disclosed in item 32.1.30.3 Changes in accounting policies.

Note 13. Investment property

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Investment property - land	14,506,711	14,546,862	11,256,486	11,256,486
Investment property - buildings	9,776,572	10,069,239	3,830,735	3,614,092
Total	24,283,283	24,616,101	15,087,221	14,870,578

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)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Rental income on investment property	1,508,794	1,408,249	996,272	943,631
Depreciation of investment property	571,859	613,204	242,742	265,385

As at 31 December 2019, the value of investment property was EUR 24,283,283 (2018: EUR 24,616,101) in the Company and EUR 15,087,221 (2018: EUR 14,870,578) in the Group.

Investment properties are not pledged as collateral.

Fair value of investment property as at 31 December 2019 amounted to EUR 25,936,855 in the Company and EUR 15,993,133 in the Group.

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 2019 - Company

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2018	14,546,862	18,024,826	32,571,688
Transfer from investments in course of construction	0	1,669,807	1,669,807
Transfer to property, plant and equipment	-48,411	-2,275,266	-2,323,677
Balance at 31 Dec 2019	14,498,451	17,419,367	31,917,818
Accumulated depreciation			
Balance at 31 Dec 2018	0	7,955,587	7,955,587
Depreciation	0	571,859	571,859
Transfer to property, plant and equipment	-8,260	-884,651	-884,651
Balance at 31 Dec 2019	-8,260	7,642,795	7,634,535
Carrying amount			
Balance at 31 Dec 2018	14,546,862	10,069,239	24,616,101
Balance at 31 Dec 2019	14,506,711	9,776,572	24,283,283

Movements in investment property in 2018 - Company

(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
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 2019 - Group

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2018	11,256,486	7,387,094	18,643,580
Transfer from investments in course of construction	0	1,415,791	1,415,791
Transfer to property, plant and equipment	0	-1,657,122	-1,657,122
Balance at 31 Dec 2019	11,256,486	7,145,763	18,402,249
Accumulated depreciation			
Balance at 31 Dec 2018	0	3,773,002	3,773,002
Depreciation	0	242,743	242,743
Transfer to intangible long-term assets	0	-700,717	-700,717
Balance at 31 Dec 2019	0	3,315,028	3,315,028
Carrying amount			
Balance at 31 Dec 2018	11,256,486	3,614,092	14,870,578
Balance at 31 Dec 2019	11,256,486	3,830,735	15,087,221

Movements in investment property in 2018 - Group

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2017	11,577,770	5,889,708	17,467,478
Reclassification*	-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
Reclassification*	0	1,298,346	1,298,346
Balance at 1 Jan 2018	0	3,435,983	3,435,983
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 31 Dec 2018	11,256,486	3,614,092	14,870,578

*Reclassifications of cost and value adjustment for property, plant and equipment are a consequence of them being reclassified as fixed assets.

Note 14. Intangible assets

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Long-term property rights	2,053,785	2,605,462	2,286,740	2,894,095
Total	2,053,785	2,605,462	2,286,740	2,894,095

In the Company, the cost of the intangible assets in use, of which the carrying value as at 31 December 2019 equalled zero, is recorded at EUR 5,811,055 (2018: EUR 5,725,149). In the Group, such assets amounted to EUR 5,816,760 as at 31 December 2019 (2018: EUR 5,730,854).

In the Company/Group, the outstanding trade payables to suppliers for intangible assets amounted to EUR 12,372 as at 31 December 2019 (2018: EUR 51,744).

Intangible assets were not pledged as collateral as at 31 December 2019.

Intangible assets of the Company/Group 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 117,224 recorded in the Group 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).

Movements in intangible assets in 2019 - Company

(in EUR)	Industrial property and other rights	Intangible assets being acquired	Total
Cost			
Balance at 31 Dec 2018	12,409,044	62,123	12,471,167
Additions	0	42,834	42,834
Transfer from investments in course of construction	142,755	-42,303	100,452
Transfer to property, plant and equipment	0	-5,904	-5,904
Balance at 31 Dec 2019	12,551,799	56,750	12,608,549
Accumulated depreciation			
Balance at 31 Dec 2018	9,865,705	0	9,865,705
Depreciation	689,059	0	689,059
Balance at 31 Dec 2019	10,554,764	0	10,554,764
Carrying amount			
Balance at 31 Dec 2018	2,543,339	62,123	2,605,462
Balance at 31 Dec 2019	1,997,035	56,750	2,053,785

Movements in intangible assets in 2018 - Company

(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 to 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 2019 - Group

(in EUR)	Development costs	Industrial property and other rights	Intangible assets being acquired	Total
Cost				
Balance at 31 Dec 2017	390,746	12,647,769	70,009	13,108,524
Additions			42,834	42,834
Transfer from investments in course of construction	0	142,755	-42,304	100,451
Transfer to property, plant and equipment	0	0	-5,904	-5,904
Balance at 31 Dec 2018	390,746	12,790,524	64,635	13,245,905
Accumulated depreciation				
Balance at 31 Dec 2017	234,447	9,979,980	0	10,214,427
Depreciation	39,075	705,663	0	744,738
Balance at 31 Dec 2018	273,522	10,685,643	0	10,959,165
Carrying amount				
Balance at 31 Dec 2017	156,299	2,667,789	70,009	2,894,097
Balance at 31 Dec 2018	117,224	2,104,881	64,635	2,286,740

Movements in intangible assets in 2018 - Group

(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	-14,183	51,442
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 from 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

Note 15. Other non-current assets

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Balance at 31 Dec	0	0	0	0
Change in accounting policy	4,542,623	79,988	4,780,591	79,988
Balance at 1 Jan	4,542,623	79,988	4,780,591	79,988
Increase	19,561,694	4,982,204	19,663,194	5,224,611
Transfer to property, plant and equipment	-6,351,477	-519,569	-6,590,745	-524,008
End of period	17,752,840	4,542,623	17,853,040	4,780,591

Under non-current assets, the Company/Group records advances given for purchase of property, plant and equipment. In 2019, the Company amended its accounting policy, which is presented in more detail in Item 32.1.30.3 Change in accounting policy.

Increase of other non-current assets is a result of a more intense investment cycle that the Company/Group entered in accordance with the strategy it had adopted.

Note 16. Shares and interests in Group companies

Investments in subsidiaries

Recorded only by the controlling company, investments in subsidiaries amounted to EUR 4,533,063 as at 31 December 2019 (there was no change since the previous year end).

Investments in subsidiaries are not pledged as collateral.

Detailed presentation of transactions with subsidiaries is provided in Note 31 of this report.

Investments in subsidiaries

(in EUR)	Equity interest (in %)	Investments at 31 Dec 2019	Net sales revenues in 2019	Net profit or loss for 2019	No of employees as at 31 Dec 2019
Subsidiaries					
Luka Koper INPO, d. o. o.	100%	1,336,288	6,694,325	1,446,318	130
Luka Koper Pristan, d. o. o.,	100%	485,000	346,551	-85,757	4
Adria Terminali, d. o. o.	100%	226,000	2,664,959	320,876	24
Adria Investicije, d. o. o.	100%	1,775,775	41,586	10,469	0
Logis-Nova, d. o. o.	100%	710,000	19,839	10,872	0
TOC, d. o. o.	68.13%	0	499,074	88,122	4

Note 17. Shares and interests in associates

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Shares and interests in associates	6,737,709	6,737,709	13,800,193	13,754,815
Total	6,737,709	6,737,709	13,800,193	13,754,815

The Company/Group's shares and interests in associates are not pledged as collateral. In 2019, there was no change in ownership of associates.

Movements in shares and interests in associates - Group

(in EUR)	2019	2018
Balance at 1 Jan	13,754,815	13,376,467
Increase		
Attributable profits	1,375,549	1,658,983
Decrease		
Dividends paid	-1,330,171	-1,280,634
Balance at 31 Dec	13,800,193	13,754,816

Profits in the total amount of EUR 1,375,549 were generated in 2019 in connection with investments in associates, of which EUR 287,178 relating to Adria Transport, d. o. o., EUR 672,737 to Adria-Tow, d. o. o., EUR 68,114 to Adriaфин, d. o. o., and EUR 347,519 to Avtoservis, d. o. o.

Significant data on associates in 2019

(in EUR)	Equity interest (in %)	Assets	Liabilities	Revenue	Net profit or loss	Profit or loss attributable to the Group	Payment of previous year's profit
Adria Transport, d. o. o.	50.0	14,643,357	10,539,895	11,042,732	574,356	287,178	200,000
Adria-Tow, d. o. o.	50.0	14,773,104	3,578,305	6,313,097	1,345,473	672,737	350,000
Adriaфин, d. o. o.	50.0	10,504,432	6,388	4,699	136,229	68,114	100,000
Avtoservis, d. o. o.	49.0	3,242,198	421,973	4,305,942	873,427	347,519	680,171

Significant data on associates in 2018

(in EUR)	Equity interest (in %)	Assets	Liabilities	Revenue	Net profit or loss	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
Adriaфин, 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

Note 18. Other non-current investments

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Other investments measured at fair value through profit or loss	920,103	928,827	3,405,878	3,414,602
Other investments in securities measured at fair value through the statement of other comprehensive income	35,888,758	30,508,658	36,769,252	32,109,556
Total	36,808,861	31,437,485	40,175,130	35,524,158

Other non-current investment 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 2019 was EUR 33,689,644 in the Company, and EUR 34,570,138 in the Group, and in mutual funds, whose value was EUR 2,199,114 in the Company and Group.

Other investments measured at fair value through profit or loss refer to investments in other companies, where the Company's/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 within the Group.

Movements in other non-current investments

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Balance at 1 Jan	31,437,485	30,499,584	35,524,158	34,217,435
Increase				
Revaluation to fair value through the statement of other comprehensive income	5,380,100	937,901	4,659,696	1,306,723
Decrease				
Revaluation to fair value through profit or loss	-8,724	0	-8,724	0
Balance at 31 Dec	36,808,861	31,437,485	40,175,130	35,251,158

Note 19. Deferred tax assets and deferred tax liabilities

(in EUR)	Luka Koper, d. d.				Luka Koper Group			
	Receivables		Liabilities		Receivables		Liabilities	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Deferred tax assets and deferred tax liabilities relating to:								
- impairment of investments in subsidiaries	538,738	538,738	0	0	538,738	538,738	0	0
- impairment of other investments and deductible temporary differences arising on securities	9,155,381	9,270,524	3,755,633	2,732,988	9,176,547	9,291,691	3,871,451	2,985,684
- allowances for trade receivables	252,010	205,643	0	0	326,549	284,026	0	0
- provisions for retirement benefits	348,268	285,021	0	0	392,450	319,373	0	0
- provisions for jubilee premiums	63,807	54,374	0	0	68,718	58,924	0	0
- non-current accrued costs and deferred income for public utility service	453,983	453,983	0	0	453,983	453,983	0	0
Total	10,812,187	10,808,283	3,755,633	2,732,988	10,956,985	10,946,736	3,871,451	2,985,684
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-3,755,633	-2,732,988	-3,755,633	-2,732,988	-3,871,451	-2,985,684	-3,871,451	-2,985,684
Total	7,056,554	8,075,295	0	0	7,085,534	7,961,052	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. In 2019, deferred taxes increased the Company's operating result by EUR 25,802 (2018: EUR 67,353), and the Group's operating result by EUR 24,758 (2018: EUR 17,163).

As at 31 December 2019, the Company conducted an off-set of part of its deferred tax liabilities with receivables in the amount of EUR 3,755,633 (2018: EUR 2,732,988), whereas in the Group the off-set amount was EUR 3,871,451 (2018: EUR 2,985,684).

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, are not excluded. They 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.

Movements in deferred tax assets and deferred tax liabilities in 2019 - Luka Koper, d. d.

(in EUR)	Receivables				Liabilities		
	Balance at 31 Dec 2018	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2019
Deferred tax assets and deferred tax liabilities relating to:							
- impairment of investments in subsidiaries	538,738	0	0	538,738	0	0	0
- impairment of other investments and deductible temporary differences arising on securities	9,270,524	-115,144	0	9,155,380	2,732,988	1,022,644	3,755,632
- allowances for trade receivables	205,643	46,367	0	252,010	0	0	0
- provisions for retirement benefits	285,021	33,541	29,706	348,268	0	0	0
- provisions for jubilee premiums	54,374	9,434	0	63,808	0	0	0
- non-current accrued costs and deferred income for public utility service	453,983	0	0	453,983	0	0	0
Total	10,808,283	-25,802	29,706	10,812,187	2,732,988	1,022,644	3,755,632
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,732,988	0	-1,022,644	-3,755,632	-2,732,988	-1,022,644	-3,755,632
Deferred tax assets in the Company's statement of financial position	8,075,295	-25,802	-992,938	7,056,555	0	0	0

Movements in deferred tax assets and deferred tax liabilities in 2018 - Luka Koper, d. d.

(in EUR)		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 deferred tax 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	-4,884	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 Company's statement of financial position	8,325,304	-67,353	-182,656	7,056,555	0	0	0

Movements in deferred tax assets and deferred tax liabilities in 2019 - Luka Koper Group

(in EUR)	Receivables				Liabilities		
	Balance at 31 Dec 2018	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2019	Balance at 31 Dec 2018	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2019
Deferred tax assets and deferred tax liabilities relating to:							
- impairment of investments in subsidiaries	538,738	0	0	538,738	0	0	0
- impairment of other investments and deductible temporary differences arising on securities	9,291,691	-115,144	0	9,176,547	2,985,684	885,767	3,871,451
- allowances for trade receivables	284,026	42,524	0	326,550	0	0	0
- provisions for retirement benefits	319,373	38,068	35,009	392,450	0	0	0
- provisions for jubilee premiums	58,924	9,794	0	68,718	0	0	0
- non-current accrued costs and deferred income for public utility service	453,983	0	0	453,983	0	0	0
Total	10,946,736	-24,758	35,009	10,956,987	2,985,684	885,767	3,871,451
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,985,684	0	-885,767	-3,871,451	-2,985,684	-885,767	-3,871,451
Deferred tax assets in the Group's statement of financial position	7,961,052	-24,758	-850,758	7,085,536	0	0	0

Movements in deferred tax assets and deferred tax liabilities in 2018 - Luka Koper Group

(in EUR)	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 deferred tax 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

Note 20. Inventories

As at 31 December 2019, inventories in the Company/Group are recorded at EUR 1,422,498 (2018: EUR 1,322,412). A larger portion thereof relates to maintenance material and spare parts, as well as to overhead-related material and auxiliary material.

Note 21. Trade and other receivables

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Current operating receivables:				
domestic market	19,133,717	17,894,351	19,612,271	18,602,598
foreign markets	17,324,285	19,996,725	17,462,130	20,214,049
Current operating receivables due from Group companies	294,598	394,926	0	0
Current operating receivables due from associates	78,263	193,348	78,263	193,348
Current trade receivables	36,830,862	38,479,350	37,152,665	39,009,995
Advances and collaterals given	64,999	3,090,406	65,451	3,090,899
Current receivables related to finance income	0	0	0	1
Receivables due from the state	2,340,993	2,590,916	2,471,790	2,701,347
Other current receivables	220,511	107,015	250,896	124,861
Trade receivables	39,457,365	44,267,687	39,940,802	44,927,103
Current deferred costs and expenses	3,447,639	251,036	3,450,094	251,669
Accrued income	437,832	416,881	437,831	417,573
Other receivables	3,885,471	667,917	3,887,925	669,242
Total	43,342,836	44,935,604	43,828,727	45,596,345

As at 31 December 2019, the value of trade and other receivables in the Company was EUR 43,342,836 which is a decrease by EUR 1,592,768 from the previous year-end. The Group presented EUR 43,828,727 of trade and other receivables at the end of 2019, which is a decrease by EUR 1,767,618 from the previous year-end. In 2019, the controlling company received from the Financial Administration of the Republic of Slovenia a notice regarding the assessment of corporate income tax for 2017 amounting to EUR 3,058,642 and settled the obligation. The liability was presented under current deferred costs and expenses since the Company appealed the tax notice.

With most trade receivables, the Company/Group has an option to enforce a legal lien over the stored goods in its possession.

The Company/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 Company/Group formed for the first time in 2018 revaluation adjustment for receivables for not matured claims per key risk criteria. On that basis, the Company/Group had less than one percent of such outstanding and not matured claims that included the risk of default. In 2019, the Company and the Group formed allowances for receivables in the amount of EUR 514,659 and EUR 524,353 and eliminated the allowance for collected or written-off receivables amounting to EUR 207,999 and EUR 237,845 respectively.

As at 31 December 2019, the Company/Group recorded no receivables from Members of the Management Board or the Supervisory Board.

Other receivables of the Company and the Group include short-term accrued income in the amount of EUR 437,832 and EUR 437,831 respectively, 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 3,447,639 and EUR 3,450,094 respectively.

Maturity of trade receivables and receivables relating to finance income

Luka Koper, d. d.

(in EUR)	31 Dec 2019	Allowances 2019	31 Dec 2018	Allowances 2018
Outstanding and undue trade receivables	31,369,533	-54,731	32,876,470	-68,560
Past due receivables:				
up to 30 days	3,749,175	-37,492	5,216,604	-52,710
31 to 60 days overdue	764,795	-76,480	329,195	-33,688
61 to 90 days overdue	494,431	-98,886	115,422	-24,916
91 to 180 days overdue	1,016,842	-296,350	157,425	-55,747
more than 180 days overdue	593,986	-593,961	635,473	-615,619
Total	37,988,762	-1,157,900	39,330,589	-851,240

Note: the amount comprises trade receivables due from subsidiaries and associates.

Luka Koper Group

(in EUR)	31 Dec 2019	Allowances 2019	31 Dec 2018	Allowances 2018
Outstanding and undue trade receivables	31,436,955	-57,137	33,075,479	-69,940
Past due receivables:				
up to 30 days	3,945,120	-39,450	5,486,120	-54,306
31 to 60 days overdue	830,886	-83,089	394,334	-40,316
61 to 90 days overdue	496,075	-99,215	121,865	-26,400
91 to 180 days overdue	1,023,518	-298,619	162,490	-57,860
more than 180 days overdue	970,320	-972,700	1,033,409	-1,014,881
Total	38,702,874	-1,550,210	40,273,698	-1,263,703

Note: the amount comprises trade receivables due from subsidiaries and associates.

As at 31 December 2019, the Company disclosed allowances for receivables amounting to EUR 1,157,900, an increase from the preceding year end by EUR 306,660. The increase is a result of late settlement of claims by one of the major clients. As at 31 December 2019, the Group disclosed allowances for receivables amounting to EUR 1,550,210 which is an decrease from the preceding year end by EUR 286,507, mainly resulting from the described movement in the controlling company.

Movements in allowances for receivables

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Balance at 1 Jan	851,240	2,941,841	1,263,702	3,054,942
Increase:				
Formation of allowances in the year	514,659	248,042	524,353	554,390
Transfer between accounts			0	0
Decrease:				
Collected receivables written off	-195,844	-1,028,617	-208,833	-1,032,542
Final write-off of receivables	-12,155	-1,310,026	-29,012	-1,313,088
Balance at 31 Dec	1,157,900	851,240	1,550,210	1,263,702

Note 22. Cash and cash equivalents

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Cash in hand	140	253	11,397	10,834
Bank balances	15,846,452	23,376,053	21,038,923	27,592,459
Current deposits	50,000,000	50,000,000	51,980,000	51,980,000
Total	65,846,592	73,376,306	73,030,320	79,583,293

Note 23. 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 ownership structure, the movement of the share price and the dividend policy are outlined in detail in the Business Report of the Luka Koper Group, Section 15 'The LKPG Share'.

Capital surplus (share premium) and revenue reserves

The Company/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 Company/Group has no statutory reserves, as they are not envisaged under its articles of association. Pursuant to Article 230 (3) of the Companies Act, the controlling company formed at the year-end of 2019 additional other revenue reserves in the amount of a half of net profit or loss, which equalled EUR 19,409,306.

(in EUR)	31 Dec 2019	31 Dec 2018
Share premium	89,562,703	89,562,703
Legal reserves	18,765,115	18,765,115
Other revenue reserves	175,546,044	156,136,738
Total	283,873,862	264,464,556

Reserves arising from valuation at fair value

At the year-end of 2019, 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 18,187,055 in the Company, and EUR 18,656,400 in the Group. After deducting deferred taxes, they are recorded at EUR 14,581,468 and 14,948,316 respectively.

Retained earnings

Retained earnings consist of the unappropriated portion of the net profit for the period, which as at 31 December 2019 amounted to EUR 19,409,306 in the Company and EUR 20,987,773 in the Group, and net profit brought forward that was recorded at EUR 10,604,358 and EUR 40,619,540 respectively.

Use of accumulated profit

The Management and Supervisory Board proposed to the Shareholders' Meeting to appropriate the accumulated profit, which as at 31 December 2018 amounted to EUR 29,252,442, 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.

During the 31st Shareholders' Meeting of Luka Koper, d. d. on 28 June 2019, the proposal for the distribution of the accumulated profit by the Management and Supervisory Board was voted through.

The statement of accumulated profit for the financial year 2019 is provided in Section 34 'Statement of Accumulated Profit'.

Note 24. Provisions

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Provisions for pensions and similar liabilities	5,298,377	4,204,831	5,815,145	4,680,214
Provisions for legal disputes	15,913,397	15,255,961	15,913,397	15,255,961
Total	21,211,774	19,460,792	21,728,542	19,936,175

Provisions for pensions and similar liabilities are composed of provisions for termination benefits and jubilee premiums as well as post-employment benefits (one-off payment on retirement).

As at 31 December 2019, the Company/Group recorded EUR 960,747 liabilities under post-employment benefits, which are paid by some companies in the Group.

Based on actuarial calculation, the unrealised actuarial loss from the current and preceding year with respect to termination benefits in the Company amounting to EUR 311,074 was recorded in other comprehensive income, whereas the Group recorded EUR 368,540 of actuarial loss. The Company/Group recognised in the income statement the current service cost with respect to termination benefits and jubilee premiums in the amount of EUR 472,796 in the Company, and EUR 532,582 in the Group, and the interest cost amounting to EUR 51,252, and EUR 57,057 respectively. In 2019, payments under jubilee premiums and termination benefits amounted to EUR 142,505 in the Company, and EUR 173,149 in the Group.

As at 31 December 2019, provisions for lawsuits in the Company/Group were up by EUR 657,436, mainly due to forming provisions for legal obligations. In accordance with Article 92 of IAS 37 – Provisions, Contingent Liabilities and Contingent Assets, the Company/Group does not disclose information on its legal obligations as such disclosure would result in a judgement on the position of the Company/Group in disputes with other parties.

Movements in provisions - Luka Koper, d. d.

(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
Movement:						
Formation	777,894	153,642	960,740	1,869,662	2,011,284	3,880,946
Transfer	0	0	-207,453	-207,452	0	-207,452
Use	-89,523	-52,982	-424,803	-567,308	-584,891	-1,152,199
Reversal	-22,613	-1,356	0	-1,356	-768,957	-770,313
Balance at 31 Dec 2019	3,665,974	671,656	960,746	5,298,377	15,913,397	21,211,774

Movements in provisions - Luka Koper Group

(in EUR)	Termination benefits	Jubilee premiums	Defined contribution retirement benefit plan	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2017	3,054,775	614,266	0	3,669,041	17,032,786	20,701,827
Movement:						
Formation	492,488	77,666	725,545	1,295,699	279,418	1,575,117
Transfer from current borrowings	0	0	216,280	216,280	0	216,280
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	19,936,174
Movement:						
Formation	899,477	170,524	960,740	2,008,127	2,011,284	4,019,411
Use	-107,632	-65,517	-698,131	-871,279	-584,891	-1,456,170
Reversal	-22,613	-1,917	0	-1,917	-768,957	-770,874
Balance at 31 Dec 2019	4,131,053	723,344	960,746	5,815,144	15,913,397	21,728,541

Note 25. Deferred income

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Non-current deferred income for regular maintenance	20,154,593	19,208,191	20,154,593	19,208,191
Non-refundable grants received	4,267,657	4,443,150	4,539,574	4,868,526
Other non-current deferred income	0	0	1,357,654	1,491,178
Total	24,422,250	23,651,341	26,051,821	25,567,895

Non-current deferred income of the Company/Group comprises deferred 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 public utility services. 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 grants 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 - Luka Koper, d. d.

(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	4,472,390	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
Movement:			
Formation	946,402	109,933	1,056,335
Transfer from other liabilities	0	14,159	14,159
Transfer to other liabilities	0	-35,225	-35,225
Use	0	-264,360	-264,360
Balance at 31 Dec 2019	20,154,593	4,267,657	24,422,250

Movements in deferred income - Luka Koper Group

(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
Reversal	0	-35,706	0	-35,706
Discounting	0	-176,718	0	-176,718
Balance at 31 Dec 2018	19,208,191	4,868,526	1,491,178	25,567,895
Movement:				
Formation	946,402	1,456,359	0	2,402,761
Transfer from other liabilities	0	14,159	0	14,159
Transfer to other liabilities	0	-35,225	0	-35,225
Use	0	-1,764,245	-133,524	-1,897,769
Balance at 31 Dec 2019	20,154,593	4,539,574	1,357,654	26,051,821

Note 26. Non-current loans and borrowings

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Non-current financial liabilities to Group companies	16,000,000	16,000,000	0	0
Non-current borrowings from banks in Slovenia	57,058,740	50,464,286	57,058,740	50,464,286
Non-current borrowings from banks abroad	24,672,131	26,967,213	24,672,131	26,967,213
Total	97,730,871	93,431,499	81,730,871	77,431,499

Non-current financial liabilities to Group companies recorded by the controlling company, Luka Koper, d. d., remained at the same level as the previous year-end. whereas in the Luka Koper Group, such liabilities are excluded in the consolidation process.

Luka Koper, d. d., began the procedure of refinancing part of its non-current loans payable in 2018 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 43,716,356, each bank providing a half. By refinancing part of its loans, the Company/Group 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.

As at the balance sheet date, non-current borrowings from banks in the Company/Group amounted to EUR 81,730,871 and have thus increased by 5.6 percent or EUR 4,299,372 as compared to the year-end of 2018. The increase resulted from the previously mentioned rescheduling of borrowings.

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.

Movements in non-current borrowings

Luka Koper, d. d.

(in EUR)	Lender		
	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
New borrowings	0	43,716,356	43,716,356
Repayments	0	-28,895,809	-28,895,809
Transfer to current borrowings – the portion that matures within 1 year	0	-10,521,175	-10,521,175
Balance at 31 Dec 2019	16,000,000	81,730,871	97,730,871

Luka Koper Group

(in EUR)	Lender	
	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
New borrowings	43,716,356	43,716,356
Repayments	-28,895,809	-28,895,809
Transfer to current borrowings – the portion that matures within 1 year	-10,521,175	-10,521,175
Balance at 31 Dec 2019	81,730,871	81,730,871

Loan principals (non-current and current borrowings)

Luka Koper, d. d.

(in EUR)	Currency of loan	Interest rate	Date of maturity	Approved principal amount	Principal at 31 Dec 2019
Loans A	EUR	from 0.839 to 0.850	from 31 Dec 2021 to 31 Dec 2028	59,716,356	58,534,832
Loans B	EUR	Euribor3m + from 0.650 to 0.706	from 1 Jul 2019 to 21 Jul 2031	63,000,000	49,717,213
Total				122,716,356	108,252,046
- whereof current portion					10,521,175

(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					10.521.175

Luka Koper Group

(in EUR)	Currency of loan	Interest rate	Date of maturity	Approved principal amount	Principal at 31 Dec 2019
Loans A	EUR	0,850	31 Dec 2028	43,716,356	42,534,832
Loans B	EUR	Euribor3m + from 0.650 to 0.706	from 1 Jul 2019 to 21 Jul 2031	63,000,000	49,717,213
Total				106,716,356	92,252,046
- whereof current portion					10,521,175

(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	91,117,057

Balance of non-current and current borrowings from banks at par value and by their maturity

Luka Koper, d. d.

(in EUR)	Principal at 31 Dec 2019	2020	2021	2022	2023	2024	Period 2025-2031
Balance of received loan principals by maturity	108,252,046	10,521,175	26,521,175	10,521,175	10,521,175	10,521,175	39,646,174
Expected interest	2,976,220	707,786	636,777	431,774	361,011	291,111	547,761
Total	111,228,266	11,228,960	27,157,952	10,952,949	10,882,185	10,812,286	40,193,935

(in EUR)	Principal at 31 Dec 2018	2019	2020	2021	2022	2023	Period 2024-2031
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

Luka Koper Group

(in EUR)	Principal at 31 Dec 2019	2020	2021	2022	2023	2024	Period 2025-2031
Balance of bank loan principals by maturity	92,252,046	10,521,175	10,521,175	10,521,175	10,521,175	10,521,175	39,646,174
Expected interest	2,707,740	573,546	502,537	431,774	361,011	291,111	547,761
Total	94,959,786	11,094,720	11,023,712	10,952,949	10,882,185	10,812,286	40,193,935

(in EUR)	Principal at 31 Dec 2018	2019	2020	2021	2022	2023	Period 2024-2031
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 27. Non-current operating liabilities

Non-current operating liabilities comprise non-current collaterals for the operation of the tax warehouse at the liquid cargoes terminal and non-current collaterals received for leased premises. As at 31 December 2019, they amounted to EUR 933,707 (2018: EUR 1,304,783) in the Company, and EUR 965,934 (2018: 1,380,528) in the Group.

Note 28. Current loans and borrowings

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Current borrowings from banks in Slovenia	8,226,093	11,390,476	8,226,093	11,390,476
Current borrowings from banks abroad	2,295,082	2,295,082	2,295,082	2,295,082
Total	10,521,175	13,685,558	10,521,175	13,685,558

Current borrowings from banks as at 31 December 2019 refer to the portion of non-current principal amounts which mature in 2020 according to amortisation schedules.

Movements in current loans and borrowings

(in EUR)	Luka Koper, d. d.	Luka Koper Group
	Lender Banks	Lender Banks
Balance at 31 Dec 2017	16,060,399	16,060,399
Repayments	-16,060,399	-16,060,399
Transfer from non-current borrowings – the portion that matures within 1 year	13,685,558	13,685,558
Balance at 31 Dec 2018	13,685,558	13,685,558
Repayments	-13,685,558	-13,685,558
Transfer from non-current borrowings – the portion that matures within 1 year	10,521,175	10,521,175
Balance at 31 Dec 2019	10,521,175	10,521,175

Note 29. Trade and other payables

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Current liabilities to domestic suppliers	21,406,588	16,727,441	21,673,532	17,063,746
foreign suppliers	1,241,252	474,164	1,253,926	491,391
Current liabilities to Group companies	489,859	513,790	0	0
Current liabilities to associates	91,305	84,498	91,305	84,498
Current trade payables	23,229,004	17,799,893	23,018,763	17,639,635
Current liabilities from advances	3,496,747	1,623,279	3,665,707	1,780,057
Current liabilities to employees	5,280,131	6,016,943	5,640,827	6,362,944
Current liabilities to the state and other institutions	11,729	3,861	21,023	12,814
Total operating liabilities	32,017,611	25,443,976	32,346,320	25,795,450
Accrued costs and expenses	3,795,541	4,508,226	4,226,725	5,175,849
Other operating liabilities	3,795,541	4,508,226	4,226,725	5,175,849
Total	35,813,152	29,952,202	36,573,045	30,971,299

As at 31 December 2019, current trade and other payables increased year-on-year both in the Company and in the Group. The highest increase was recorded among current liabilities to domestic and foreign suppliers with regard to increased liabilities for the purchase of property, plant and equipment.

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 30. Contingent liabilities and financial commitments

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Guarantees given	2,610,000	1,610,000	2,940,709	2,154,763
Securities given	2,832,122	3,360,506	2,832,122	3,360,506
Contingent liabilities under legal disputes	2,792,791	5,974,481	2,792,791	5,974,481
Commitments for the purchase of assets	25,082,672	32,160,873	25,316,472	32,160,873
Total contingent liabilities	33,317,586	43,105,859	33,882,095	43,650,623

As at 31 December 2017, the guarantees given refer to customs operations amounting to EUR 2,610,000 in the Company, and EUR 2,860,000 in the Group, and to performance guarantees recorded by the Group and amounting to EUR 80,709.

Securities in the amount of EUR 2,832,122 were given by the controlling company to the company Adria Transport, d. o. o. to cover a lease of locomotives. The company that received the guarantee from the controlling company regularly paid its liabilities in this regard and as at 31 December 2019 disclosed no outstanding instalments.

As at 31 December 2019, contingent liabilities under legal disputes amounted to EUR 2,792,791, down EUR 3,181,689 from the preceding year-end. The highest decrease relates to the reversal of contingent liabilities in the amount of EUR 3,041,855 regarding the tax inspection for which the Company/Group has paid the tax imposed with the notice and recorded it under deferred costs after appealing against the notice of assessment.

Financial commitments for the purchase of assets relate to concluded contracts for the purchase/construction of an asset in a future period.

Note 31. Related party transactions

Remuneration of Members of the Management Board in the company Luka Koper, d. d. in 2019 (in EUR)

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
Dimitrij Zadel, President of the Management Board since 29 Dec 2017	196,153	28,160	1,357	225	5,523	231,418
Metod Podkrižnik, Member since 29 Dec 2017	175,629	25,314	1,357	225	13,479	216,004
Irma Gubanec, Member since 29 Dec 2017	176,520	25,329	1,357	225	7,426	210,856
Vojko Rotar, Worker Director since 1 Mar 2018	156,683	18,765	1,357	394	9,403	186,602
Total	704,986	97,569	5,427	1,068	35,831	844,880

Remuneration of Members of the Management Board in the company Luka Koper, d. d. in 2018 (in EUR)

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 16 Feb 2018	35,188	0	0	56	2,516	37,760
Dimitrij Zadel, President of the Management Board since 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

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, the Company/Group applied several quantitative indicators, which contribute to the long-term 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 the company Luka Koper, d. d. in 2019 (in EUR)

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	802,554	5,427	1,068	35,831	844,880
Members of the Supervisory Board	246,242	0	2,024	48,195	296,461
Employees with individual employment contracts	2,756,945	37,667	0	179,644	2,974,256
Total	3,805,741	43,094	3,092	263,670	4,115,597

Remuneration of groups of persons in the company Luka Koper, d. d. in 2018 (in EUR)

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	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 the Luka Koper Group in 2019 (in EUR)

Gross remuneration of groups of persons	Gross wages (fixed and variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total
Members of the Management Board	802,554	5,427	1,068	35,831	844,880
Members of the Supervisory Board	246,242	0	2,024	48,195	296,461
Employees with individual employment contracts	2,810,285	39,024	0	184,632	3,033,941
Managing Directors of subsidiaries	347,357	5,669	0	21,807	374,833
Total	4,206,438	50,120	3,092	290,465	4,550,115

Remuneration of groups of persons in the Luka Koper Group in 2018 (in EUR)

	Gross wages (fixed and variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total
Gross remuneration of groups of persons					
Members of the Management Board	791,725	4,600	731	34,242	831,298
Members of the Supervisory Board	336,036	0	2,024	85,884	423,944
Employees with individual employment contracts	2,698,368	30,400	0	166,904	2,895,672
Managing Directors of subsidiaries	356,805	4,800	0	29,500	391,105
Total	4,182,934	39,800	2,755	316,529	4,542,019

Gross remuneration of Members of the Supervisory Board and its Committees in Luka Koper, d. d. in 2019 (in EUR)

Name and Surname	Performance of function	Insurance premium benefits (SB)	Attendance fees and reimbursement of costs	Total gross earnings
Rado Antolovič, Member since 1 Jul 2017	18,750	225	46,379	65,354
Sabina Mozetič, member from 21 Aug 2015 to 21 Aug 2019	13,558	163	1,993	15,714
Mladen Jovičić, Member since 8 Apr 2017	18,750	225	3,740	22,715
Marko Grabljevec, Member since 18 Jan 2016	18,750	225	4,752	23,727
Rok Parovel, Member since 12 Sep 2016	22,500	225	6,240	28,965
Uroš Ilić, Member since 1 Jul 2017	28,204	225	4,796	33,225
Andraž Lipolt, Member since 1 Jul 2017	21,656	225	4,259	26,141
Milan Jelenc, Member since 1 Jul 2017	22,500	225	9,891	32,616
Barbara Nose, Member since 1 Jul 2017	22,500	225	8,595	31,320
Tamara Kozlovič, Member since 22 Aug 2019	6,069	62	2,554	8,685
Mateja Kupšek, External Member of the SB's Audit Committee from 31 Aug 2017 to 22 Feb 2019	871	0	715	1,586
Mateja Treven, External Member of the SB's Audit Committee since 23 Feb 2019	4,582	0	1,832	6,414
TOTAL	198,689	2,024	95,748	296,461

Gross remuneration of Members of the Supervisory Board and its Committees in Luka Koper, d. d. in 2018 (in EUR)

Name and Surname	Performance of function	Insurance premium benefits (SB)	Attendance fees and reimbursement of costs	Total gross earnings
Rado Antolovič, Member since 1 Jul 2017	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 8 Apr 2017	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

Remuneration in 2019 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 Chair 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, and the Deputy Chair is entitled to the supplement of 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 annual amounts stated above.

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 2019 the Supervisory Board allocated EUR 4,491 for training of its Members.

Transactions with the Government of the Republic of Slovenia

(in EUR)	Luka Koper, d. d.				Luka Koper Group			
	Payments in 2019	Costs/expenses in 2019	Payments in 2018	Costs/expenses in 2018	Payments in 2019	Costs/expenses in 2019	Payments in 2018	Costs/expenses in 2018
Concessions and the water fee	8,523,160	7,643,293	7,774,610	7,814,485	8,523,160	7,643,293	7,774,610	7,814,485
Transshipment fee	4,421,684	4,811,027	0	0	4,421,684	4,811,027	0	0
Dividends	9,496,200	0	8,782,200	0	9,496,200	0	8,782,200	0
Corporate income tax (taxes and advance payments)	20,385,874	6,966,362	3,151,706	12,143,446	20,464,147	7,066,090	3,265,037	12,213,417
Other taxes and contributions	8,182,362	8,879,029	6,652,954	7,035,212	8,895,765	9,588,985	7,421,799	7,830,223
Total	51,009,280	28,299,711	26,361,470	26,993,144	51,800,956	29,109,395	27,243,646	27,858,125

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 2,071,950 and the company Kapitalska družba, d. d. in the amount of EUR 926,450.

Beginning with March 2019, the controlling company began to pay the transshipment fee in accordance with the Act Regulating the Construction, Operation and Management of the Second Track of the Divača-Koper Railway Line.

No other transactions between the Government of the Republic of Slovenia and the Group were recorded.

Transactions with natural persons

In the business year 2019, there were no transactions between the Company/Group and Members of the Management and Supervisory Boards.

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 2019, sales transactions conducted between Luka Koper, d. d. and entities in which the state has directly dominant influence were recorded at EUR 11,933,860, and purchasing transactions amounted to EUR 9,469,485, whereas the transactions between the Luka Koper Group and such entities were recorded at EUR 11,955,937 and EUR 9,569,967 respectively. 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 2019, Luka Koper, d. d. recorded receivables of EUR 1,667,846 and liabilities of EUR 22,619,076 to such entities and the Luka Koper Group recorded EUR 1,701,603 and EUR 22,630,170 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 of Luka Koper, d. d.

Related party transactions have been concluded under market conditions.

(in EUR)	2019	2018
Sale to subsidiaries:		
Luka Koper INPO, d. o. o.	409,808	821,407
Luka Koper Pristan, d. o. o.,	27,750	46,384
Adria Terminali, d. o. o.	475,357	461,158
TOC, d. o. o.	4,295	4,258
Adria Investicije, d. o. o.	828	828
Logis-Nova, d. o. o.	1,200	1,200
Sale to associates:		
Adria Transport, d. o. o.	268,611	254,437
Adria-Tow, d. o. o.	98,318	157,088
Adriaфин, d. o. o.	474,365	328,934
Adriaфин, d. o. o.	13,440	13,440
Total	1,773,971	2,089,134

(in EUR)	2019	2018
Purchase from subsidiaries:		
Luka Koper INPO, d. o. o.	5,285,543	7,275,109
Luka Koper Pristan, d. o. o.,	8,570	179,490
Adria Terminali, d. o. o.	14,400	14,400
TOC, d. o. o.	15,440	17,387
Adria Investicije, d. o. o.	1,650	41,586
Purchase from associates:		
Adria Transport, d. o. o.	1,600	7,726
Adria-Tow, d. o. o.	32,132	37,535
Adriaфин, d. o. o.	939,403	1,049,993
Total	6,298,737	8,623,226

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)	2019	2018
Trade and other receivables due from subsidiaries:		
Luka Koper INPO, d. o. o.	250,371	350,725,20
Luka Koper Pristan, d. o. o.,	989	2,888
Adria Terminali, d. o. o.	42,971	40,886
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.	42,449	40,460,76
Adria-Tow, d. o. o.	7,839	8,632
Adriaфин, d. o. o.	26,609	142,889
Adriaфин, d. o. o.	1,366	1,366
Total	373,228	588,480

(in EUR)	2019	2018
Trade and other payables due to subsidiaries:		
Luka Koper INPO, d. o. o.	526,839	549,798
Luka Koper Pristan, d. o. o.,	634	39
Adria Terminali, d. o. o.	1,464	1,464
TOC, d. o. o.	1,952	3,518
Adria Investicije, d. o. o.	0	2,013
Trade and other payables due to associates:		
Adria Transport, d. o. o.	0	976
Adria-Tow, d. o. o.	0	8,887
Adriaфин, d. o. o.	91,305	74,635
Total	622,195	641,331

Finance income from shares and interests in subsidiaries refers to sharing of profits of such companies, i.e. Luka Koper INPO, d. o. o. (EUR 172,067), Adria Terminali, d. o. o. (EUR 36,300), Adria investicije, d. o. o. (EUR 14,281), and Logis-Nova, d. o. o., (EUR 8,867).

Finance income from shares and interests in associates refers to sharing of profits of companies Adria Transport, d. o. o. (EUR 200,000), Adria-Tow, d. o. o. (EUR 350,000), Avtoservis, d. o. o. (EUR 680,171), and Adriaфин, d. o. o. (EUR 100,000).

(in EUR)	31 Dec 2019	31 Dec 2018
Borrowings from subsidiaries:		
Luka Koper INPO, d. o. o.	16,000,000	16,000,000
Total	16,000,000	16,000,000

(in EUR)	2019	2018
Finance expenses for liabilities to subsidiaries:		
Luka Koper INPO, d. o. o.	134,240	137,759
Total	134,240	137,759

Transactions with associates of the Luka Koper Group

Income statement items from transactions with associates (in EUR)	Luka Koper Group	
	2019	2018
Net revenue from sales to associates	875,512	753,899
Cost of material charged to associates	114,428	120,561
Cost of services charged to associates	869,237	974,952
Profit of associates	1,375,549	1,658,983

Items of the statement of financial position to associates (in EUR)	Luka Koper Group	
	2019	2018
Non-current investments except loans to associates	13,800,193	13,754,815
Current operating receivables due from associates	78,263	193,348
Current operating liabilities to associates	91,305	84,498

Note 32. Financial instruments and financial risk management

Financial risks to which the Company/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.

In the Company/Group, management of financial risks has been organised within the departments of finance and accounting; accounts of subsidiaries are also kept within the controlling company. The existing economic environment makes 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/Group has consequently tightened the control over individual financial categories.

1. Risk management and change in fair value

Luka Koper, d. d. Company

At the end of 2019, 6.4% of the Company's assets were financial investments measured at fair value (2018: 5.7%). 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 2019, the value of non-current investments at fair value amounted to EUR 36,808,861.

Sensitivity analysis of investments at fair value:

Risk of change in fair value as at 31 December 2019

Luka Koper, d. d.	
Change of index (in %)	Impact on equity
-10%	-3,680,886
10%	3,680,886

Risk of change in fair value as at 31 December 2018

Luka Koper, d. d.	
Change of index (in %)	Impact on equity
-10%	-3,143,749
10%	3,143,749

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 3,680,886. 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 2019

Luka Koper, d. d.				
Valuation at fair value				
(in EUR)	Carrying amount at 31 Dec 2019	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	36,808,861	35,888,758	0	920,103

Fair value hierarchy in 2018

Luka Koper, d. d.				
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	31,437,485	30,508,658	0	928,827

Shares and interests measured at fair value were valued at publicly applicable exchange rates of the Ljubljana Stock Exchange and mutual funds quotations.

Luka Koper Group

At the end of 2019, 6.7% of the Group's assets were financial investments measured at fair value (2018: 6.2%). 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 2019, the value of non-current investments at fair value amounted to EUR 40,175,130.

Sensitivity analysis of investments at fair value:

Risk of change in fair value as at 31 December 2019

Luka Koper Group	
Change of index (in %)	Impact on equity
-10%	-4,017,513
10%	4,017,513

Risk of change in fair value as at 31 December 2018

Luka Koper Group	
Change of index (in %)	Impact on equity
-10%	-3,552,416
10%	3,552,416

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 4,017,513. 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 2019

Luka Koper Group				
Valuation at fair value				
(in EUR)	Carrying amount at 31 Dec 2019	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	40,175,130	36,769,252	0	3,405,878

Fair value hierarchy in 2018

Luka Koper Group				
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

Shares and interests measured at fair value were valued at publicly applicable exchange rates of the Ljubljana Stock Exchange and mutual funds quotations.

To calculate Level 3 value, the Company/Group uses the information available to it to compare the value of the investment that the Company/Group discloses in the books of account with the relative value in the equity of the investment company at the balance sheet date.

2. Management of interest rate risk

With respect to its liabilities structure, the Company/Group also faces interest rate risk as an unexpected growth in variable interest rates can have an adverse effect on the planned results.

Luka Koper, d. d. Company

As at 31 December 2019, the share of financial liabilities (excluding other financial liabilities) decreased in the overall structure of the Company's liabilities from 19.4% in 2018 to 18.7% in 2019. The effect of variable interest rates changes on future profit and loss after taxes is shown in the table below.

Possible interest rate fluctuations would consequently have an impact on 45.9 percent (2018: 85.1 percent) of Company's total borrowings. The remaining 54.1 percent of borrowings were concluded with a fixed interest rate.

Overview of exposure

(in EUR)	31 Dec 2019	Exposure 2019	31 Dec 2018	Exposure 2018
Borrowings received at variable interest rate (without interest rate hedge)	49,717,213	45.9%	91,117,057	85.1%
Borrowings received at nominal interest rate	58,534,833	54.1%	16,000,000	14.9%
Total	108,252,046	100.0%	107,117,057	100.0%

Sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations:

(in EUR)	Non-hedged bank borrowings under the variable interest rate	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
Balance at 31 Dec 2019				
3M EURIBOR	49,717,213	40,451	67,418	174,876
Total effect on interest expenses	49,717,213	40,451	67,418	174,876
Balance at 31 Dec 2018				
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

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. At the year-end of 2019, the Company's borrowings not hedged against interest rate risk were subject to the movement of the 3M Euribor.

Luka Koper Group

As at 31 December 2019, the share of financial liabilities (excluding other financial liabilities) decreased in the overall structure of the Group's liabilities from the initial 15.9% in 2018 to 15.4% in 2019. The effect of variable interest rates changes on future profit and loss after taxes is shown in the table below.

Possible interest rate fluctuations would consequently have an impact on 53.9 percent (2018: 100 percent) of Group's total borrowings. The remaining 46.1 percent of borrowings were concluded with a fixed interest rate.

Overview of exposure

(in EUR)	31 Dec 2019	Exposure 2019	31 Dec 2018	Exposure 2018
Borrowings received at variable interest rate (without interest rate hedge)	49,717,213	53.9%	91,117,057	100.0%
Borrowings received at nominal interest rate	42,534,833	46.1%	0	0.0%
Total	92,252,046	100.0%	91,117,057	100.0%

Sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations:

(in EUR)	Non-hedged bank borrowings under the variable interest rate	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
Balance at 31 Dec 2019				
3M EURIBOR	49,717,213	40,451	67,418	174,876
Total effect on interest expenses	49,717,213	40,451	67,418	174,876
Balance at 31 Dec 2018				
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

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. At the year-end of 2019, the Group's borrowings not hedged against interest rate risk were subject to the movement of the 3M Euribor.

3. Management of liquidity risk

Liquidity risk refers to the risk that the Company/Group would fail to settle its liabilities at maturity. The Company/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 its uniform policy of receivable management.

	Luka Koper, d. d.					
(in EUR)	Up to 3 months	3 to 12 months	1 to 2 years	3 to 5 years	Over 5 years	Total
31 Dec 2019						
Loans and borrowings*	2,630,294	7,890,881	26,521,175	31,563,524	39,646,174	108,252,046
Expected interest on all borrowings	181,866	525,920	636,777	1,083,896	547,761	2,976,220
Other financial liabilities	218,997	187,611	160,196	25,431	0	592,235
Payables to suppliers	23,229,004	0	0	0	0	23,229,004
Other operating liabilities	8,788,607	0	0	0	0	8,788,607
Total	35,048,767	8,604,413	27,318,148	32,672,851	40,193,935	143,838,112
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	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
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*The item also includes borrowings from subsidiaries

(in EUR)	Luka Koper Group					
	Up to 3 months	3 to 12 months	1 to 2 years	3 to 5 years	Over 5 years	Total
31 Dec 2019						
Loans and borrowings	2,630,294	7,890,881	10,521,175	31,563,524	39,646,174	92,252,046
Expected interest on all borrowings	148,420	425,126	502,537	1,083,896	547,761	2,707,740
Other financial liabilities	240,072	271,643	211,160	26,795	0	749,670
Payables to suppliers	23,018,763	0	0	0	0	23,018,763
Other operating liabilities	9,327,557	0	0	0	0	9,327,557
Total	35,365,106	8,587,649	11,234,871	32,674,215	40,193,935	128,055,776
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	151,375	624,217	674,557	1,236,980	469,072	3,156,201
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	28,207,625	12,194,338	11,326,782	33,193,654	35,291,671	120,214,071

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/Group 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/Group has accelerated collection-related activities in recent years and more consistently monitored trade receivables past due. In case of customers, regarding which the Company/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 Company's/Group's customers, which are predominantly major companies, freight forwarders and forwarding agents that have been the Company's/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 or cooperation has been terminated. Investments include loans, which are secured with blank bills of exchange and other movable and immovable property.

(in EUR)		Luka Koper, d. d.		Luka Koper Group	
	Note	31 Dec 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
Non-current loans given		5,078	13,876	10,594	19,378
Non-current operating receivables		41,122	41,108	41,122	70,818
Current deposits	22	0	0	71,052	71,086
Current loans given		8,798	8,716	8,798	8,716
Trade receivables	19	36,794,562	38,479,350	37,152,665	39,009,995
Other receivables	19	2,662,803	5,788,337	2,788,137	5,917,108
Cash and cash equivalents	20	65,846,592	73,376,306	73,030,320	79,583,293
Guarantees and collaterals granted	29	5,442,122	4,970,506	5,772,831	5,515,269
Total		110,801,077	122,678,198	118,875,519	130,195,663

6. Management of risk relating to adequate capital structure

Having identified the optimal capital structure, the Company/Group has set a non-current strategic goal of maintaining the debtor's share within the liabilities side below 55 percent. As at 31 December 2019, the percentage in the Company was at 33.1, which is a decrease by 1.4% year-on-year, whereas in the Group the share is 29.8%, a decrease of 1.3% from the preceding year.

(in EUR)	Luka Koper, d. d.				Luka Koper Group			
	31 Dec 2019		31 Dec 2018		31 Dec 2019		31 Dec 2018	
	in EUR	share (%)	in EUR	share (%)	in EUR	share (%)	in EUR	share (%)
Equity	386,889,959	66.9%	362,644,965	65.5%	419,089,356	70.2%	393,878,805	68.8%
Non-current liabilities	144,484,229	25.0%	137,848,415	24.9%	130,715,123	21.9%	124,316,097	21.7%
Current liabilities	46,740,936	8.1%	53,048,826	9.6%	47,605,935	8.0%	54,047,158	9.4%
Equity and liabilities	578,115,124	100.0%	553,542,206	100.0%	597,410,414	100.0%	572,242,060	100.0%

Note 33. Transactions with the audit firm

The contractual value of audit services render for the Company by BDO revizija d. o. o. for the financial year 2019 is recorded at EUR 34,333 (exclusive of VAT), whereas the value of audit services render for the Group amounted to EUR 44,157 (exclusive of VAT). BDO Revizija, d. o. o. provided the Company with 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 2019, the contractual value of which was EUR 1,640 (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 2019, which alongside the assurance provided to the Company was carried out for the Group by BDO revizija, d. o. o., amounted to EUR 2,706 (exclusive of VAT).

(in EUR)	Luka Koper, d. d.		Luka Koper Group	
	2019	2018	2019	2018
Audit services	34,333	34,333	44,157	44,157
Assurance services	1,640	1,640	2,706	2,706
Total	35,973	35,973	46,863	46,863

34 Statement of Accumulated Profit

In 2019, the controlling company Luka Koper, d. d. generated a net profit of EUR 38,818,611. At the year-end of 2019, the Company's Management Board earmarked half of the profit in the amount of EUR 19,409,306 to other revenue reserves pursuant to Article 230 (3) of the Companies Act. The company established that the accumulated profit equalled EUR 30,013,664 in 2019.

(in EUR)	31 Dec 2019	31 Dec 2018
Profit for the period	38,818,611	58,588,995
Retained net profit	10,604,358	-42,055
Increase in revenue reserves	-19,409,306	-29,294,497
Total accumulated profit	30,013,664	29,252,442

35 **Relevant** events after the end of the financial year

FEBRUARY 2020

- The coronavirus disease (COVID-19) outbreak in China at the end of 2019, and in Europe in February 2020, affected the global economy and logistics flows. In Slovenia, the government declared an epidemic on 12 March. Fear of the effects of the virus and efforts to prevent it from spreading will also affect supply chains and logistics flows and, consequently, Luka Koper, where the effects of reduced throughput and increased volume of goods in storage may be felt. Depending on developments, the COVID-19 coronavirus epidemic may have a negative impact on the operations of the Company and the Luka Koper Group, the extent of which is difficult to predict due to the high level of uncertainty associated with the virus itself and our ability to control it. Therefore, at this time, the Company and the Group are unable to provide an assessment of impact on the achievement of financial results in 2020. In accordance with IAS 10 – Events after the Reporting Period, events related to the impact of COVID-19 on operations are treated as non-adjusting events. For additional details please see Section 12 'Risk Management'.

36 Independent Auditor's Report



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 2019, 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 2019, 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.

Emphasis of Matter

As discussed in Note 35 Subsequent events to the financial statements, there is high estimation uncertainty in determining the consequences on business activities due to the ongoing impact of COVID-19 outbreak. Management has prepared the best possible assessment of the potential impact on business activities. Due to the high degree of uncertainty, the impact cannot be reliably measured at this time. The Company considers the consequences of the COVID-19 outbreak as a non adjusting event after the balance sheet date 31.12.2019.

Our opinion is not modified with respect to this matter.

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.

Revenue recognition

Key audit matter

Revenue for the year ended 31 December 2019 amounted to EUR 224.715.839 (2018: EUR 222.980.390).

The Company's core activities include transshipment 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.

Transshipment 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 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 separate financial statements Note 30.1 Basis for preparation of financial statements (revenue recognition judgement), Note 31.1.21 Revenue (accounting policy) and Note 32 Additional notes to the separate income statement, Note 1. Net revenue from sales (notes).



Provisions for Lawsuits

Key audit matter

The carrying amount of provisions for lawsuits as at 31 December 2019: EUR 15.913.397 (2018: EUR 15.255.961); contingent liabilities arising from lawsuits as at 31 December 2019: EUR 2.792.791 (2018: EUR 5.974.481).

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 24 Provisions and 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 24 Provisions, Note 30 Contingent liabilities, Basis for preparation of financial statements and the policies - Note 30.1 and Assessment of established provisions for lawsuits Note 31.1.11.1.

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

It is our responsibility to report, on the basis of our knowledge and understanding of the Company and its environment, during the audit, whether other information contains material misstatements. We have not identified any material misstatements regarding other information.

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 537/2014 of the European Parliament and of the Council

In compliance with Article 10 (2) of EU Regulation No. 537/2014 of the European Parliament and 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 2019 on 29th May 2019. 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 2020.

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 and those disclosed in the annual report and separate and consolidated financial statements, we have not provided any other services for the Company and its subsidiaries.

Ljubljana, 10th April 2020

BDO Revizija d.o.o.

Cesta v Mestni log 1, Ljubljana

(Signature on original Slovene independent auditor's report)

M.Sc. Nadja Kranjc, Certified auditor

Director





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 2019, 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 2019, 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). 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.

Emphasis of Matter

As discussed in Note 35 Subsequent events to the financial statements, there is high estimation uncertainty in determining the consequences on business activities due to the ongoing impact of COVID-19 outbreak. Management has prepared the best possible assessment of the potential impact on business activities. Due to the high degree of uncertainty, the impact cannot be reliably measured at this time. The Company considers the consequences of the COVID-19 outbreak as a non adjusting event after the balance sheet date 31.12.2019. Our opinion is not modified with respect to this matter.

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 2019 amounted to EUR 228,677,538 (2018: EUR 226,305,538).

The Group's core activities include transshipment 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.

Transshipment 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 30.1 Basis for preparation of financial statements (assessing the appropriateness of revenue recognition) , Note 31.1.21 Revenue (accounting policy) and Note 32 Additional notes to the consolidated income statement, Note 1. Net revenue from sales (notes).



Provisions for Lawsuits

Key audit matter

The carrying amount of provisions for lawsuits as at 31 December 2019: EUR 15.913.397 (2018: EUR 15.255.961); contingent liabilities arising from lawsuits as at 31 December 2019: EUR 2.792.791 (2018: EUR 5.977.395).

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 24 Provisions and 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 separate financial statements, Note 24 Provisions, Note 30 Contingent liabilities, Basis for preparation of financial statements and policies - 30.1. and Assessment of provisioning for lawsuits 31.1.11.1.



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 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 537/2014 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 2019 on 29th May 2019. 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 2020.

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 and those disclosed in the annual report and separate and consolidated financial statements, we have not provided any other services for the Company and its subsidiaries.

Ljubljana, 10th April 2020

BDO Revizija d.o.o.
Cesta v Mestni log 1, Ljubljana

(Signature on original Slovene independent auditor's report)

M.Sc. Nadja Kranjc, Certified auditor,
Director

