

2018



LUKA KOPER GROUP

**NON-AUDITED REPORT OF LUKA
KOPER GROUP AND LUKA KOPER,
D. D., JANUARY – MARCH 2018**

Table of contents

2018

LUKA KOPER GROUP

NON-AUDITED REPORT OF LUKA KOPER GROUP AND LUKA KOPER, D. D., JANUARY – MARCH 2018

INTRODUCTION		1
1	Performance highlights of Luka Koper Group, January - Marec 2018	1
2	Introductory note	7
3	Presentation of Luka Koper Group	8
4	Corporate Management and Governance	10
MANAGEMENT REPORT		12
5	Significant events, news and achievements January – March 2018	12
6	Relevant post-balance events	13
7	Performance analysis of Luka Koper Group in January – March 2018	14
8	Marketing: product groups and sales	28
9	Non-financial investments	33
10	Development activity	34
11	LKPG share	36
12	Risk management	39
SUSTAINABLE DEVELOPMENT		40
13	Natural environment	41
14	Human resources	47
15	Committment to the community	52
ACCOUNTING REPORT		53
16	Separate Financial Statements of Luka Koper, d. d.	53
17	Notes to the Separate Financial Statements	59
18	Additional Notes to Separate Income Statements	61
19	Additional Notes to the Separate Statement of Financial Position	65
20	Consolidated Financial Statements of the Luka Koper Group	79
21	Notes to the Consolidated Financial Statements	1
22	Additional Notes to the Consolidated Income Statement	4
23	Additional Notes to the Consolidated Statement of Financial position	8
25	Statement of the Management responsibility	22

INTRODUCTION

1 Performance highlights of Luka Koper Group, January - Marec 2018

In the first quarter of 2018, the maritime throughput of Luka Koper Group stood at 6 million tonnes, which stood at the level of the first half of 2017. In March 2018, a record monthly maritime throughput of 2.3 million tonnes was achieved.

6 MILLION TONNES

MARITIME THROUGHPUT 2018/2017 **+0 %**

In January – March 2018, the containers throughput amounted to 239 thousand TEUs and it was 5 percent ahead on the comparable period in 2017. In March 2018, a record monthly throughput of 92.3 thousand TEUs was achieved in Luka Koper, d.d. history.

239 THOUSAND TEUS

CONTAINERS 2018/2017 **+5 %**

In January – March 2018, the throughput of cars amounted to 205 thousand cars and was by 30 percent ahead on the comparable period in 2017. In March 2018, the highest monthly throughput in the amount of 81.6 cars was achieved in the port's history.

205 THOUSAND

CARS 2018/2017 **+30 %**

In the first quarter of 2018, net revenue from sale amounted to 56 million eur and exceeded by 6 percent the achieved net revenue from sale in 2017.

56 MILLION EUR

NET REVENUE FROM SALE 2018/2017 **+6 %**

In January – March, the operating profit (EBIT) amounted to EUR 17 million, which is a year-on increase of 8 percent.

17 MILLION EUR

OPERATING PROFIT (EBIT) 2018/2017 **+8 %**

In the firstz quarter of 2018, the net operating profit achieved EUR14 million, which is 3 percent increase in comparison with 2017.

14 MILLION EUR

NET OPERATING PROFIT 2018/2017 **+3 %**

In the first quarter of 2018, Luka Koper Group allocated EUR 2.1 million for investments. Major implemented investments were the following:

- Recontruction of the existing diesel RTG cranes with aim to reduce the noise emissions
- Construction of the railwaytrack 61 with aim to increase the safety of the railway transport and traffic decongestion.
- Purchase of two terminal trailers for the traction of heavy cargoes from RO-RO vessels.

In the first quarter of 2018, 15 new employments were realised in Luka Koper Group, which was an increase of 4 percent resp. 44 employments, and reached the number of 1,106 employees.

1,106

NUMBER OF EMPLOYEES 2018/2017 **+4 %**

Return ON Equity (ROE)¹ in January – March 2018 amounted to 16 percent, which is 2 percent rep. 0.4 percentage point decline compared with 2017.

16 %

RETURN ON EQUITY (ROE) 2018/2017 **-2 %**

¹ The indicator is calculated on the basis of annualised data

1.1 Financial indicators

Key performance indicators of Luka Koper, d. d., and Luka Koper Group in January – March 2018, in comparison to January – March 2017

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
	1 – 3 2018	1 – 3 2017	IND 2018/ 2017	1 – 3 2018	1 – 3 2017	IND 2018/ 2017
Income statement						
Net sales	55,190,441	52,163,248	106	56,265,931	53,289,763	106
Earnings before interest and taxes (EBIT)	16,940,678	15,772,250	107	17,382,256	16,147,705	108
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	24,081,847	22,042,934	109	24,743,465	22,652,828	109
Profit or loss from financing activities	-394,714	-213,318	185	-358,094	-169,113	212
Profit before tax	16,545,964	15,558,932	106	17,458,760	16,427,716	106
Net profit or loss	13,460,356	12,959,299	104	14,307,031	13,916,249	103
Added value ²	36,678,219	33,878,787	108	38,981,701	36,058,261	108

Statement of financial position	31. 3. 2018	31. 12. 2017	IND 2018/ 2017	31. 3. 2018	31. 12. 2017	IND 2018/ 2017
	Assets					
Assets	530,790,023	518,952,909	102	548,432,920	536,478,688	102
Non-current assets	440,651,160	447,568,391	98	452,807,157	459,505,654	99
Current assets	90,138,863	71,384,518	126	95,625,763	76,973,034	124
Equity						
Equity	333,986,949	320,652,651	104	364,617,861	350,437,387	104
Non-current liabilities with provisions and long-term accruals and	154,676,066	156,033,161	99	141,358,578	142,700,743	99
Short-term liabilities	42,127,008	42,267,097	100	42,456,481	43,340,558	98
Financial liabilities	128,882,256	133,114,842	97	112,882,256	117,114,842	96

Statement of cash flows	1 – 3 2018	1 – 3 2017	IND 2018/ 2017	1 – 3 2018	1 – 3 2017	IND 2018/ 2017
	Expenditure on investments in property, plant and equipment, investment property and intangible assets					
Expenditure on investments in property, plant and equipment, investment property and intangible assets	1,947,001	15,564,968	13	2,111,775	15,627,598	14

² Added value = operating revenue + capitalised own products and services + other revenue – costs of goods, material, services – other operating expenses without operating expenses from revaluation.

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
	1 – 3 2018	1 – 3 2017	IND 2018/ 2017	1 – 3 2018	1 – 3 2017	IND 2018/ 2017
Ratios (in %)						
Return on sales (ROS) ³	30.7%	30.2%	102	30.9%	30.3%	102
Return on equity (ROE) ⁴	16.4%	16.7%	99	16.0%	16.4%	98
Return on assets (ROA) ⁵	10.3%	10.7%	96	10.5%	11.1%	95
EBITDA margin ⁶	43.6%	42.3%	103	44.0%	42.5%	103
EBITDA margin related to market activity ⁷	44.4%	43.2%	103	44.8%	43.4%	103
Financial liabilities/equity	38.6%	39.4%	98	31.0%	31.5%	98
Net financial debt/EBITDA ⁸	0.9	1.3	70	0.7	1.0	65

	1 – 3 2018	1 – 3 2017	IND 2018/ 2017	1 – 3 2018	1 – 3 2017	IND 2018/ 2017
Maritime throughput (in tons)						
Maritime throughput	6,077,098	6,051,436	100	6,077,098	6,051,436	100

	1 – 3 2018	1 – 3 2017	IND 2018/ 2017	1 – 3 2018	1 – 3 2017	IND 2018/ 2017
Number of employees						
Number of employees	928	882	105	1,106	1,062	104

³ Return on sales (ROS) = operating profit (EBIT) / net revenue from the sale

⁴ Indicator calculated on the basis of annualised data

⁵ Indicator calculated on the basis of annualised data

⁶ EBITDA margin = Operating Earning Before Amortisation (EBITDA) / net revenue from the sale

⁷ EBITDA margin from the sale = Operating Earning before amortisation izid iz poslovanja pred amortizacijo (EBITDA) / net revenue from the sale from market activity

⁸ Net financial indebtedness / EBITDA = (financial liabilities – cash and cash equivalents) / EBITDA

The indicator is calculated on the basis of annualised data .

Key performance indicators of Luka Koper, d. d., and Luka Koper Group in January – March 2018 in comparison to Plan January – March 2018

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
Income statement	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018
Net sales	55,190,441	55,382,245	100	56,265,931	56,243,697	100
Earnings before interest and taxes (EBIT)	16,940,678	15,864,992	107	17,382,256	16,119,508	108
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	24,081,847	22,966,693	105	24,743,465	23,430,574	106
Profit or loss from financing activities	-394,714	-374,641	105	-358,094	-329,196	109
Profit before tax	16,545,964	15,490,351	107	17,458,760	16,145,992	108
Net profit or loss	13,460,356	13,086,670	103	14,307,031	13,698,528	104
Added value ⁹	36,678,219	35,463,659	103	38,981,701	37,521,164	104

Statement of financial position	31. 3. 2018	PLAN 31. 3. 2018	IND 2018/ PLAN 2018	31. 3. 2018	PLAN 31. 3. 2018	IND 2018/ PLAN 2018
Assets	530,790,023	518,635,588	102	548,432,920	536,602,067	102
Non-current assets	440,651,160	442,651,558	100	452,807,157	453,003,638	100
Current assets	90,138,863	75,984,030	119	95,625,763	83,598,429	114
Equity	333,986,949	346,084,861	97	364,617,861	376,012,726	97
Non-current liabilities with provisions and long-term accruals and	154,676,066	138,332,017	112	141,358,578	125,007,763	113
Short-term liabilities	42,127,008	34,218,710	123	42,456,481	35,581,578	119
Financial liabilities	128,882,256	130,140,695	99	112,882,256	114,140,801	99

⁹ Added value = operating revenue + capitalised own products and services + other revenue – costs of goods, material, services – other operating expenses without operating expenses from revaluation.

(in EUR)	Luka Koper, d. d.			Luka Koper Group		
Statement of cash flows	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018
Expenditure on investments in property, plant and equipment, investment property and intangible assets	1,947,001	3,748,219	52	2,111,775	3,989,644	53

Ratios (in %)	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018
Return on sales (ROS) ¹⁰	30.7%	28.6%	107	30.9%	28.7%	108
Return on equity (ROE) ¹¹	16.4%	15.7%	105	16.0%	15.1%	106
Return on assets (ROA) ¹²	10.3%	10.1%	102	10.5%	10.2%	103
EBITDA margin ¹³	43.6%	41.5%	105	44.0%	41.7%	106
EBITDA margin related to market activity ¹⁴	44.4%	42.9%	104	44.8%	43.0%	104
Financial liabilities/equity	38.6%	37.6%	103	31.0%	30.4%	102
Net financial debt/EBITDA ¹⁵	0.9	1.1	79	0.7	0.9	76

Maritime throughput (in tons)	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018
Maritime throughput	6,077,098	5,918,979	103	6,077,098	5,918,979	103

Number of employees	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018	1 - 3 2018	PLAN 1 - 3 2018	IND 2018/ PLAN 2018
Number of employees	928	956	97	1,106	1,113	99

¹⁰ Return on sales (ROS) = operating profit (EBIT) / net revenue from the sale

¹¹ Indicator calculated on the basis of annualised data

¹² Indicator calculated on the basis of annualised data

¹³ EBITDA margin = Operating Earning Before Aamortisation (EBITDA) / net revenue from the sale

¹⁴ EBITDA margin from the sale = Operating Earning before amortisation izid iz poslovanja pred amortizacijo (EBITDA) / net revenue from the sale from market activity

¹⁵ Net financial indebtedness /EBITDA = (financial liabilities – cash and cash equivalents) /EBITDA

The indicator is calculated on the basis of annualised data .

2 Introductory note

Compliant with the Market and Financial Instrument Act, Ljubljana Stock Exchange Rules as well as Guidelines and Disclosure for Listed Companies, Luka Koper, d. d., Vojkovo nabrežje 38, 6501 Koper discloses this Non-audited Report on the performance of Luka Koper Group and Luka Koper, d. d., for January – March 2018.

This Non-audited report on the performance of Luka Koper Group and Luka Koper, d. d., in January – March 2018 can be examined at Luka Koper, d. d., Vojkovo nabrežje 38, 6501 Koper and shall be accessible via the company's website www.luka-kp.si, from 25 May 2018 onwards.

The company promptly publishes any pertinent changes to information contained in the prospectus for stock exchange listing on SEOnet, the electronic information system.

This Non-audited Report on the performance of Luka Koper, d.d. and Luka Koper Group for January – March 2018 was addressed by the company's Supervisory Board at its regular session on 25 May 2018.

3 Presentation of Luka Koper Group

Luka Koper, a port operator and logistic provider, with its registered office in Koper, is the parent company of the Luka Koper Group.

3.1 Profile of the company Luka Koper, d. d., as of 25 May 2018

Company name	LUKA KOPER, pristaniški in logistični sistem, delniška družba
Short company name	Luka Koper, d. d.
Registered office	Koper
Registered office	Koper, Vojkovo nabrežje 38, 6000 Koper-Capodistria
Company's legal form	Joint stocking company
	Phone: 05 66 56 100
	Fax: 05 63 95 020
	Email: portkoper@luka-kp.si
	Website: www.luka-kp.si
	Sustainable development
Company registration	District Court of Koper, application No. 066/10032200
Company registration number	5144353000
Tax number	SI 89190033
Issued share capital	58.420.964,78 EUR
Number of shares	14.000.000 ordinary non-par-value share
Share listing	Ljubljana Stock Exchange
Share ticket symbol	LKPG
President of the Management Board	Dimitrij Zadel
Member of the Management Board	Metod Podkrižnik
Member of the Management Board	Irma Gubanec, M.Sc.
Member of the Management Board – Labour Director	Vojko Rotar
President of the Supervisory Board	Uroš Ilić
Luka Koper, d.d. core activity	Seaport and logistics system and service provider
Luka Koper Group activities	Various support and ancillary services in relation to core activity

3.2 Luka Koper Group Structure

Companies consolidated within the Luka Koper Group provide various services which accomplish the comprehensive operation of the Port of Koper.

Luka Koper Group as of 31 March 2018

- Luka Koper, d. d.
- Subsidiary companies
 - Luka Koper INPO, d. o. o., 100 %
 - Adria Terminali, d. o. o., 100 %
 - Luka Koper Pristan, d. o. o., 100 %
 - Logis Nova, d. o. o., 100 %
 - Adria Investicije, d. o. o., 100 %
 - TOC, d. o. o., 68,13 %

Associated companies

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

4 Corporate Management and Governance

Luka Koper, d. d., Management

As at 31 March 2018, Luka Koper, d. d., management Board was comprised of the following members:

- Dimitrij Zadel, President of the Management Board, appointed on 29 December 2017 for a five-year term,
- Metod Podkrižnik, Member of the Management Board, commenced a five-year term on 29 December 2017,
- Irma Gubanec, M.Sc., Member of the Management Board, commenced a five-year term on 29 December 2017,
- Vojko Rotar, Labour Director, commenced a five-year term on 16 February 2018.

At its regular session held on 16 February 2018, the Supervisory Board concluded a consensual termination of the management agreement with Stojan Čepar, who terminated his mandate of the Member of the Management Board – Labour Director. On the employees' proposal the Workers' Council appointed Vojko Rotar on this post.

A presentation of Luka Koper, d.d. Members of the Management Board is available on the company's website <https://luka-kp.si/slo/vodstvo-druzbe-193>.

Luka Koper, d. d. Supervisory Board

The Luka Koper, d. d., supervisory Board is composed of nine members, six of whom are elected by the General Shareholders' Meeting and three by the Workers' Council. They are elected for a four-year term.

As of 31 March 2018, the Supervisory Board comprised:

Representatives of the shareholders

- Uroš Ilić, M.Sc, President of the Supervisory Board, commenced a four-year term on 1 July 2017 (28th General Shareholders' Meeting),
- Andraž Lipolt, M.Sc., Deputy President of the Supervisory Board, commenced a four-year term on 1 July 2017 (28 General Shareholders' Meeting),
- Rado Antolovič, Member of the Supervisory Board, commenced a four-year term on 1 July 2017 (28th Shareholders' Meeting),

- Milan Jelenc, M.Sc., Member of the Supervisory Board, commenced a four-year mandate on 1 July 2017 (28th General Shareholders' Meeting),
- Barbara Nose, Member of the Supervisory Board, commenced a four-year term on 1 July 2017 (28th General Shareholders' Meeting),
- Sabina Mozetič, Member of the Supervisory Board, representative of the Municipality of Koper, commenced a four-year term on 21 August 2015 (26th General Shareholders' Meeting).

Representatives of Employees

- Mladen Jovičić, member of the Supervisory Board, commenced a four-year term on 8 April 2017,
- Marko Grabljevec, Member of the Supervisory Board, commenced a four-year term on 18 January 2016,
- Rok Parovel, Member of the Supervisory Board, commenced a four-year mandate on 12 September 2016.

External Member of the Supervisory Board Audit Committee

Mateja Kupšek, appointed for the term from 30 August 2017 until revocation.

MANAGEMENT REPORT

5 Significant events, news and achievements January – March 2018

JANUARY

- The Government of the Republic of Slovenia adopted a decree amending the ed decree on the management and administration of the Port of Koper and so enabled the expansion of the concession area for the construction of a new entrance into the port at Sermin.
- Luka Koper organised a conference within the framework of the European project ELEMED, of which goal is the establishment of the infrastructure for alternative fuels.

FEBRUARY

- Ladja Arethusa inaugurated the cruise season 2018.
- The Supervisory Board gave the approval to the Business Plan of Luka Koper, d.d. and Luka Koper Group.
- The Supervisory Board concensually terminated the management agreement with Stojan Čepar and at his post appointed Vojko Rotar as the Member of the Management Board – Labour Director.
- The Management Board of Luka Koper and Trade Union of crane operators signed a social pact which ensures a long term social peace to the company.

MARCH

- Adria kombi established a new direct railway service, which will connect three times per week the container terminal of Luka Koper with the container terminal Riem in München.
- Luka Koper presented itself at the biggest cruise trade fair Seatrade Cruise Global 2018.
- At 20th anniversary of awarding the recognitions of the Republic of Slovenija for business excellence, Luka Koper, d.d. was awarded a jubilee recognition.
- Luka Koper rganised a traditional Port of Koper Day and the Day of Slovenian Logistics in Kairo and Alexandria for business partners from iz Egypt.
- The railway operator Integrail introduced an new regular container connection between the container terminal of Luka Koper andMahart Container center in Budapest.
- In March, Luka Koper achieved the highest monthly maritime throughput so far and the

highest monthly throughput at the container and car terminal.

- Luka Koper, d.d. sold the building Prisoje to the University of Primorska, which once was a workers' dormitory, and then a holiday complex.
- The company's Supervisory Board at its regular 26th session held on 26 March 2018 discussed the course of the company's business restructuring and acquainted with the proposal of the IPS (port's service providers) prepared by the Management Board. Afterwards, the strategy will be verified also by the external expert opinion, primarily from the point of view of the legality, cost effectiveness, autonomy and business performance. Meanwhile, the Management Board will prepare also an action plan for strategy implementation and start with key preparatory actions.
- Luka Koper, d. d., concluded a contingent court settlement with Panslovenian Shareholders Association (VZMD), on the basis of which VZMD renounced to the claim related invalidity resp. the revocation of the General Shareholders' resolutions, on the basis of which Milan Jelenc, Andraž Lipolt and Barbara Nose were appointed.

6 Relevant post-balance events

APRIL

- The Japanese shipping company Ocean Network Express – ONE established a new container service from Koper with the most important port's centers in Egypt and Greece.
- Within the framework of the European project SUPAR, Luka Koper organised an strokovno meeting with the representatives of local communities and the inhabitants about the noisy ships.
- Luka Koper published a call for the allocation of sponsorships and donations from the Living with the Port fund.
- The French shipping company CMA CGM established a new regular container line between the ports Koper, Pireum, Limassol, Alexandria, Bejrut and Mersin.
- The Taiwan shipping company Yang Ming established a new regular container service between Koper and the ports of Pireum and Damietta.
- The railway operator Adria Transport, d. o. o., ki je v polovični lasti Luke Koper, purchased a new, most advanced electric locomotive Siemens 193 type Vectron, and thus increased his fleet on six locomotives.
- According to the information of a specialized review Automotive Logistics in 2017, the Port of Koper was a ninth largest port in Europe and in the Mediterranean area in the quantity

of handled cars.

- Panslovenian Shareholders Association (VZMD), withdrew from the contingent court settlement in the court proceeding, conducted at the District Court in of Koper, where it appeals against the declaration of invalidity resp. revocation of the resolutions, on the basis of which Milan Jelenc, Andraž Lipolt and Barbara Nose were appointed.

7 Performance analysis of Luka Koper Group in January – March 2018

7.1 Summary of performance of LUKA KOPER GROUP in January – March 2018

Comparison of achieved results of Luka Koper Group in January – March 2018 and 2017

In January – March 2018, Luka Koper Group net revenue amounted to EUR 56.3 million, which is 6 percent resp. EUR 3 million ahead on the first quarter in 2017. In comparison to the previous year, the net revenue from sale of Luka Koper Group increased from the performance of the primary activity of loading and unloading of goods, stuffing and unstuffing of containers, storage and provision of additional services and from the revenues from rentals.

In the first quarter of 2018, capitalised own products and services amounted to EUR 398 thousand. Among the capitalised own products and services the Group accounted the maintenance works on the infrastructure, which were to a greater extent performed by the associated company Luka Koper INPO, d. o. o.

Other revenue of Luka Koper in the first quarter of 2018 amounted to EUR 2.2 million, which is 193 percent resp. EUR 1.5 million ahead on the comparable period in 2017. A major share of other revenue in January – March 2018 were revalued operating expenses in the amount of EUR 941 thousand. The reversal of provisions in the amount of EUR 643, 4 thousand is related to the judgement, on the basis of which the liability was settled and the lawsuit was finally resolved.

In January -March 2018, the operating expense of Luka Koper Group amounted to EUR 41.5 million, which is a year-on increase of 9 percent resp. EUR 3.5. Within the framework of

operating expenses, comparably to the equivalent period in 2017, increased all types of costs. In the first quarter of 2018, the cost of material of Luka Koper Group achieved EUR 4.3 million, which is 3 percent resp. EUR 118.7 thousand ahead on 2017. A major share of cost of material were the costs of energy, which in comparison with 2017 increased by 5 percent resp. by EUR 97.8 thousand. A major increase was recorded in the consumption of the electricity consumption. Due to a larger volume of maintenance works, also the costs of spare parts increased. In January – March 2018, the cost of services of Luka Koper Group amounted to EUR 13.6 million, which is 14 percent resp. EUR 1.6 million ahead on the comparable period in 2017. A major share of costs of services represented the costs of port's services. This increase resulted from the increased volume of the throughput and provided services.

An important share within the framework of the costs of services were the costs of other services which amounted to EUR 3.8 million, which is 15 percent resp. EUR 490.9 thousand ahead on 2017. The labour costs of Luka Koper Group in January – March 2018 amounted to EUR 14 million, which is 5 percent resp. EUR 709.3 thousand increase in comparison with 2017. This increase was primarily due to a growing staff number. In the first quarter of 2018, other operating expense amounted to EUR 2.2 million, which is 7 percent resp. EUR 138 thousand ahead on the first quarter of 2017.

The share of operating expense within net revenue from sale in the first quarter of 2018 amounted to 73.8 percent, which is 2.4 percentage point ahead on 2017. In comparison with 2017 the share of cost of services and amortisation within the net revenue from sale, labour costs and other operating expense stood at the same level.

The operating profit (EBIT) of Luka Koper Group in January – March 2018 amounted to EUR 17.4 million, which is 8 percent resp. EUR 1.2 million increase in comparison with 2017.

In January – March 2018, the EBITDA of Luka Koper Group amounted to EUR 24.7 million, which is 9 percent resp. EUR 2.1 million ahead on the first on the comparable period of the previous year.

EBITDA margin of Luka Koper Group in the first quarter of 2018 amounted to 44 percent, which is 3 percent resp. 1.5 percentage point ahead on the first quarter of 2017.

The financial result in the first quarter of 2018 amounted to - EUR 358.1 thousand, whilst in the comparable period in 2017, Luka Koper Group achieved the financial result in the amount of -EUR 169.1 thousand. The results of associated companies in January – March 2018 increased the profit before tax of Luka Koper Group for EUR 434.6 thousand, which is 3 percent resp. EUR 14.5 thousand decline than the comparable period in 2017.

Net profit of Luka Koper Group in the first quarter of 2018 amounted to EUR 14.3 million, which is 3 percent resp. EUR 390.8 thousand increase on 2017.

The Return On Equity (ROE) in January – March 2018 amounting to 16 percent, is by 2 percent resp. 0.4 percentage point decline in comparison with 2017.

Financial liabilities of Luka Koper Group as at 31 March 2018 amounted to EUR 112.9 million, which is 4 percent resp. EUR 4.2 million decrease in comparison with the situation at 31 December 2017. Due to the repayment of loans, the volume of borrowings from banks decreased.

Non-current financial towards banks of Luka Koper Group as at 31 March 2018 were 86.8 percent of total financial liabilities. In comparison to 31 st December 2017, their share increased by 0.8 percentage point.

In the first quarter of 2018, Luka Koper Group allocated EUR 2.1 million for investments.

Realisation of plans

Net revenue from sale of Luka Koper Group in January – March 2018 amounted to EUR 56.3 million, and stood at the level of planned net revenue from sale.

Net revenue from sale of Luka Koper Group from from the market activity in January – March 2018 exceeded the planned net revenue from sale by 2 percent resp. by EUR 838.7 thousand, whilst the revenue from the performance of the public utility service regular maintenance of the port's infrastructure destined to public traffic lagged behind the plan by 45 percent resp. by EUR 816.5 thousand, which consequently resulted that the total revenue of Luka Koper Group in January – March 2018 stood at the level of planned revenue.

The operating profit (EBIT) of Luka Koper Group in in January – March 2018 amounting to EUR 17.4 million, exceeded the planned operating profit by 8 percent resp. EUR 1.3 million.

In January – March 2018, the EBITDA of Luka Koper Group amounted to EUR 24.7 million, exceeded by 6 percent resp. by EUR 1.3 million the planned EBITDA.

In the first quarter of 2017, the EBITDA margin of Luka Koper Group exceeded the planned EBITDA margin by 6 percent resp. by 2.3 percentage point.

In January – March 2018, Luka Koper, d. d., planned the formation of lower deferred revenue than actually realised for the performance of the public utility service of the regular maintenance of the port's utility service of the regular maintenance of the port's

infrastructure. Therefore, Luka Koper Group places emphasis on the EBITDA margin from the market activity, which in 2017 amounted to 44.8 percent and was by 4 percent ahead on the planned.

Net profit of Luka Koper Group in the first quarter of 2018 amounted to EUR 14.3 million, which is EUR 608,5 thousand ahead on the planned.

7.2 Summary of the performance of LUKA KOPER, D. D., January – March 2018

Comparison of achieved results of Luka Koper, d. d., January – March 2018 and 2017

In January – March 2018, the net revenue from sale of Luka Koper, d. d., amounted to EUR 55.2 million which is 6 percent resp. EUR 3 million ahead on the first quarter of 2017. Net revenue from sale of Luka Koper, d.d. in comparison to the previous year, increased from the core activity of loading and loading, stuffing and unstuffing of containers, warehousing and additional services and the revenue from rentals.

Other revenue of Luka Koper, d. d., in the first quarter of 2018 amounted to EUR 1.8 million, which is EUR 1.5 million ahead on the comparable period in 2017. The major share of other revenue in January – March 2018 represented the revalued operating expenses in the amount of EUR 926 thousand. The reversal of provisions in the amount of EUR 643.4 thousand is related to the judgement, on the basis of which the liability was settled and the lawsuit was finally resolved.

In January – March 2018, the operating expenses of Luka Koper, d. d., amounted to EUR 40.1 million, which is 9 percent resp. EUR 3.3 million ahead on 2017. Within the operating expenses comparably to the same period last year all types of costs increased. In the first quarter of 2018, the costs of material of Luka Koper, d. d., amounted to EUR 4.1 million, which is 12 percent resp. EUR 428.7 thousand ahead on 2017. The major share of costs of material were the costs of energy, which in comparison to 2017, increased by 4 percent resp. EUR 76.1 thousand. A major increase was in the consumption of the electricity. Due to a larger volume of maintenance works an increase was recorded also in the cost of spare parts. The cost of services of Luka Koper, d. d., in January - March 2018 amounted to EUR 14.3 million, which is 10 percent resp. EUR 1.3 million ahead on the comparable period 2017. The major share of costs of services were the costs of port's services. The increase of costs of port's services is attributable to the increased volume of throughput and a major volume of provided services.

An important share within the costs of services were the costs of other services, which amounted to EUR 3.6 million, which is 1 percent resp. EUR 25.2 decline when compared with 2017. Labour costs of Luka Koper, d. d., in January – March amounted to EUR 12.4 million, which is 6 percent resp. EUR 690.8 thousand ahead on 2017. This increase is attributable to the larger number of employees. In the first quarter of 2018, other operating expense of Luka Koper, d. d., amounted to EUR 2.1 million, which is 4 percent resp. EUR 89.1 thousand ahead on the comparable period in 2017.

The share of operating expenses within the net revenue from sale in the first quarter of 2018 amounted to 72.6 percent, which is 2.2 percentage point ahead on 2017. In comparison with 2017, the share of costs and amortisation within net revenue from sale, the share of costs of material, labour costs and other operating expense stood at the same level.

The operating profit (EBIT) of Luka Koper, d. d., in January – March 2018 amounted to EUR 16.9 million, which is 7 percent resp. EUR 1.2 million ahead on 2017.

In January – March 2018, the EBITDA of Luka Koper, d. d., amounted to EUR 24.1 million, which is 9 percent resp. EUR 2 million ahead on the comparable period in 2017.

In the first quarter of 2018 EBITDA margin of Luka Koper, d. d., in the first quarter of 2018 amounted to 43.6 percent, which is 3 percent resp. 1.4 percentage point ahead of the same point as in 2017.

In the first quarter of 2018, the financial result amounted to EUR -394,7 thousand, in the comparable period in 2017, Luka Koper Group achieved the financial result in the amount of EUR -213,3 thousand.

Net operating profit of Luka Koper, d. d., in the first quarter of 2018, amounted to EUR 13,5 million, which is 4 percent resp. EUR 501,1 thousand ahead on 2017.

Return On Equity (ROE) in January – March 2018 amounted to 16,5 percent, which is 1 percent resp. 0,2 percentage point decrease in comparison with 2017.

Financial liabilities of Luka Koper, d. d., as at 31 March 2018 amounted to EUR 128,9 million, which is 3 percent resp. EUR 4,2 million decline in comparison with the balance as at 31 December 2017. The volume of borrowings from banks decreased due to the repayment of loans.

Non-current financial liabilities towards banks of Luka Koper, d. d., as at 31 March 2018 represented 76 percent of total financial liabilities. In comparison to the situation as at 31

December 2018, their share increased by bveznosti. Njihov delež se je v primerjavi z zadnjim dnem leta 2017 povečal za 0,4 odstotne točke.

In the first quarter of 2018, Luka Koper, d. d., allocated EUR 1.9 million for investments.

Realisation of plans

Net revenue from sale of Luka Koper, d. d., in January – March 2018 amounted to EUR 55.2 million, which is at the level of planned net revenue from sale.

In January – March 2018, net revenue from sale of Luka Koper Group exceeded the planned by 1 percent resp. by EUR 624.7 thousand, whilst the revenue from the performance of the public utility service of regular maintenance of the port's infrastructure destined to the public transport lagged behind the plan by 45 percent resp. by EUR 816.5 thousand, which consequently resulted in a total exceeding of planned revenue of the Group in January – March 2018 at the level of planned revenue.

The operating profit (EBIT) of Luka Koper, d. d., in January – March 2018 amounting to EUR 16.9 million exceeded the planned operating profit by 7 percent resp. EUR 1.1 million.

In January – March 2018, the EBITDA of Luka Koper, d. d., amounted to EUR 24.1 million, which is 5 percent resp. EUR 1.1 million ahead on the planned EBITDA.

In 2017, EBITDA margin of Luka Koper, d. d., was 5 percent resp. by 2.2 percentage point ahead on the planned.

In January – March 2018, Luka Koper, d. d., planned lower long-term deferred revenue for the performance of the public utility service of the regular maintenance of the port's infrastructure than the realised. Therefore, Luka Koper, d. d., gives emphasis on the EBITDA margin from the market activity, which in 2017 amounted to 44.,4 percent and it was by 4 percent higher than planned.

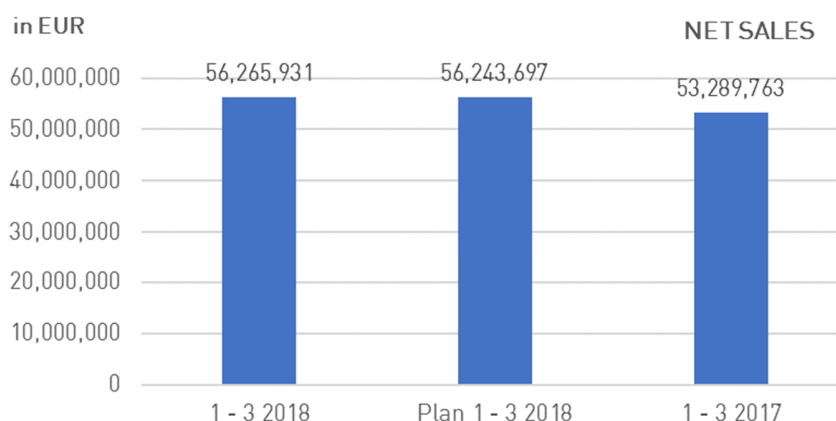
Net profit of Luka Koper, d. d., in the first quarter of 2018 amounted to EUR 13.5 million, which is EUR 373.7 thousand ahead on the planned.

More detailed analysis of performance set out below refers to the performance of Luka Koper

NET REVENUE FROM SALE

In January – March, the net revenue from sale of Luka Koper Group amounted to EUR 56.3 million EUR, which is 6 percent resp. EUR 3 million increase on the first quarter of 2017. In comparison with the previous year, the net revenue from sale of Luka Koper Group increased from the core activity of loading and unloading of goods, stuffing and unstuffing of containers, storage, additional services and from rentals.

Net revenue from sale of Luka Koper Group



CAPITALIZED OWN PRODUCTS AND SERVICES

Capitalised own products and services in the first quarter of 2018 amounted to EUR 398 thousand. Among the capitalized own products and services, Luka Koper Group accounted maintenance works on the infrastructure, which were to the major extent performed by the subsidiary company Luka Koper INPO, d. o. o.

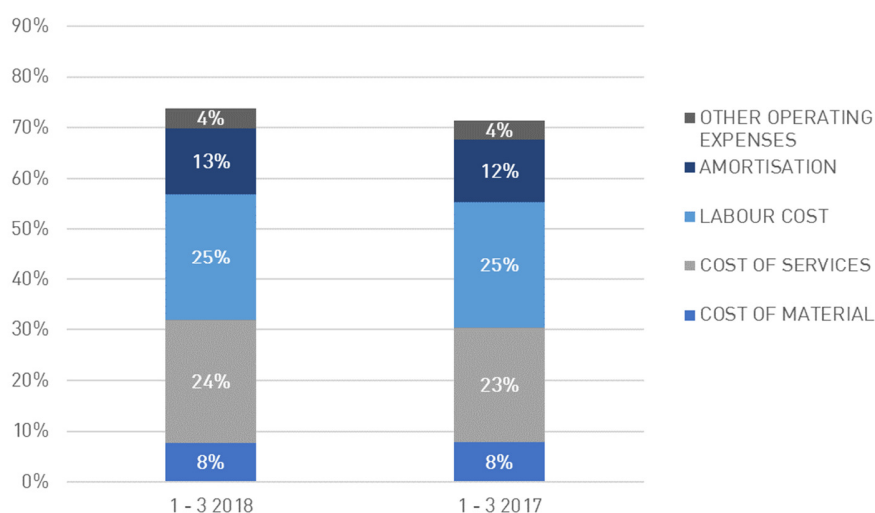
OTHER REVENUE

Other revenue of Luka Koper Group in the first quarter of 2018 amounted to EUR 2.2 million which is 193 percent resp. EUR 1.5 million increase on the comparable period in 2017. The major share of other revenue in January - March 2018 were revalued operating expenses in the amount of EUR 941 thousand. The major share relates to the sale of the building Pristan. The reversal of provisions in the amount of EUR 643,4 thousand is related to the judgement, on the basis of which the liability was settled and the lawsuit was finally resolved.

OPERATING EXPENSES

In January – March 2018, the operating expenses of Luka Koper Group amounted to EUR 41.5 million, which is 9 percent resp. EUR 3.5 million ahead on the equivalent period in 2017. Within the operating expenses, in comparison with the same period in 2017, all types of costs increased. The share of operating expenses within net revenue from sale in the first quarter of 2018 amounted to 73.8 percent, which is 2.4 percentage point ahead on 2017. In comparison with 2017, the share of costs of services and amortisation within the net revenue from sale, the share of costs of material, labour costs and other operating costs stood at the same level.

Share of single operating expense within net revenue from sale of Luka Koper Group



Cost of material

In the first quarter of 2018, the cost of material of Luka Koper Group amounted to EUR 4.3 million, which is 3 percent resp. EUR 118.7 thousand ahead on the comparable period in 2017. The major share of costs of material were the energy costs, which in comparison with 2017 increased by 5 percent resp. by EUR 97.8 thousand. A major increase was recorded in the electricity consumption from the replacement of the diesel-powered equipment by electricity powered devices. Due to a larger volume of maintenance works, also the costs of auxiliary material, costs of spare parts increased.

Cost of services

In January – March 2018, the cost of services of Luka Koper Group amounted to EUR 13.6 million, which is 14 percent resp. EUR 1.6 million ahead on the comparable period in 2017. The major share of costs of services represented the costs of ports' services, which amounted to EUR 7,5 million, which is 12 percent resp. EUR 799.2 thousand ahead on the comparable period in 2017. The increase of costs of port's services resulted from the increased volume of the throughput and provided services.

An important share within the cost of services represented also the costs of other services amounting to EUR 3.8 million, which is 15 percent resp. EUR 490.9 ahead on 2017.

Cost of labour

In January – March 2018, the Luka Koper Group labour costs amounted to EUR 14 million, which is 5 percent resp. EUR 709.3 thousand increase in comparison with 2017. This year-on increase can be attributed to a major number of employees.

As at 31 March 2018, Luka Koper Group had a total of 1,106 employees, which is a year-on increase of 4 percent resp. of 44 employees.

Depreciation costs

In January -March 2018, the depreciation costs of Luka Koper Group amounted to EUR 7.4 million, which is 13 percent resp. EUR 856.1 thousand ahead on the comparable period in 2017.

Other operating expenses

In the first quarter of 2018, other operating expense of Luka Koper Group amounted to EUR 2.2 million, which is 7 percent resp. EUR 138 thousand ahead on the comparable period in 2017.

OPERATING PROFIT

In January – March 2018, the operating profit (EBIT) of Luka Koper Group amounted to EUR 17.4 million, which is 8 percent resp. EUR 1.2 million ahead on the equivalent period 2017. Higher operating profit EBIT resulted from higher mnet revenue from sale.

The EBITDA of Luka Koper Group in January – March 2018 amounted to EUR 24.7 million, which is 9 percent resp. EUR 2.1 million ahead on the comparable period 2017.

The EBITDA margin of Luka Koper Group in the first quarter of 2018 amounted to 44 percent, which is 3 percent resp. 1.5 percentage point ahead on the first quarter 2017.

FINANCEV INCOME AND FINANCE EXPENSES

In the first quarter of 2018, the finance income of Luka Koper Group amounted to EUR 60.1 thousand, which is 41 percent resp. EUR 17.5 thousand ahead on the achieved finance income in 2017. The finance income from operating receivables increased.

Finance expense of Luka Koper Group in the first quarter of 2018 amounted to EUR 418.2 thousand, which is 98 percent resp. EUR 206.5 thousand ahead on 2017. The finance income from operating receivables increased by EUR 187.8 thousand.

In the first quarter of 2018, the financial result amounted to -358.1 thousand, whilst in the comparable period 2017, Luka Koper Group achieved the financial result in the amount of EUR -169.1 thousand.

RESULTS OF ASSOCIATED COMPANIES

In January – March 2018, results of associated companies increased the the profit before tax of Luka Koper Group by EUR 434.6 thousand, which is 3 percent resp. EUR 14.5 thousand decline in comparison with 2017.

PROFIT BEFORE TAX AND PROFIT FOR THE PERIOD

Profit before tax of Luka Koper Group in the first quarter of 2018 amounted to EUR 17.5 million, which is 6 percent resp. EUR 1,00 million ahead on 2017.

Net operating profit of Luka Koper Group in the first quarter of 2018 amounted to EUR 14.3 million, which is 3 percent resp. EUR 390.8 thousand ahead on 2017.

Income tax and deferred taxes in January – March 2018 reduced the net operating profit of Luka Koper Group by EUR 3.2 million, whilst in the comparable period in 2017 it was reduced by EUR 2.5 million.

FINANCIAL SITUATION AND FINANCIAL MANAGEMENT

As at 31 March 2018, the balance sheet of Luka Koper Group amounted to EUR 548.4 million, which is 2 percent resp. EUR 12 million ahead on 31 December 2017.

As at 31 March 2018, non-current assets of Luka Koper Group amounted to EUR 452.8 million, which is 1 percent resp. EUR 6.7 million decline in comparison with 31 December 2017. As at 31 March 2018, non-current assets represented 83 percent of Luka Koper Group balance.

Due to the sale of the building Prisoje, the property, plant and equipment decreased from the amortisation.

As at 31 March 2018, current assets of Luka Koper Group amounted to EUR 95.6 million, which is 24 percent resp. EUR 18.7 million ahead on 31 December 2017.

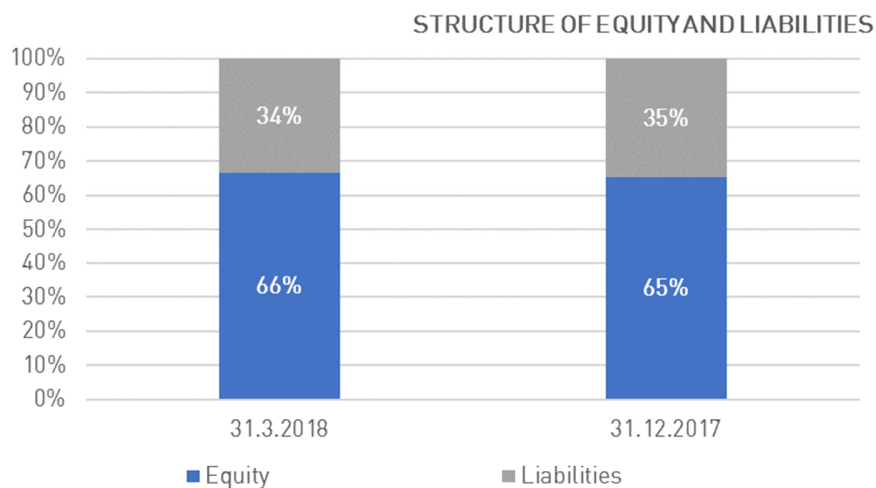
The inventories of maintenance material as of 31 March 2018 amounted to EUR 1.1 million, which is 7 percent resp. EUR 70.1 thousand ahead on 31 December 2017. Operating receivables and other receivables increased from higher trade receivables which amounted to EUR 39.6 million and were 11 percent resp. EUR 3.9 million higher than in 2017. Cash and cash equivalents increased by EUR 14.1 million due to the increase of cash on accounts.

As at 31 March 2018, the equity of Luka Koper Group amounted to EUR 364.6 million which is an increase of 4 percent resp. EUR 14.2 million with respect to 31 December 2017. This increase is due to the transfer of the net operating profit. As at 31 March 2018, the equity represented 66 percent of the balance sheet.

As at 31 March 2018, non-current liabilities with long-term provisions and long-term accrued costs of Luka Koper Group amounted to EUR 141.4 million, which is 1 percent resp. EUR 1.3 million decrease with respect to 31 December 2017. Deferred revenue for the regular maintenance increased, whilst the non-current loans from the transfer of a share of liabilities to a current liabilities, decreased. Non-current operating liabilities increased from higher securities for excise duties. As at 31 March 2018, non-current liabilities with long-term provisions and long-term accrued costs represented 25.8 percent of liabilities.

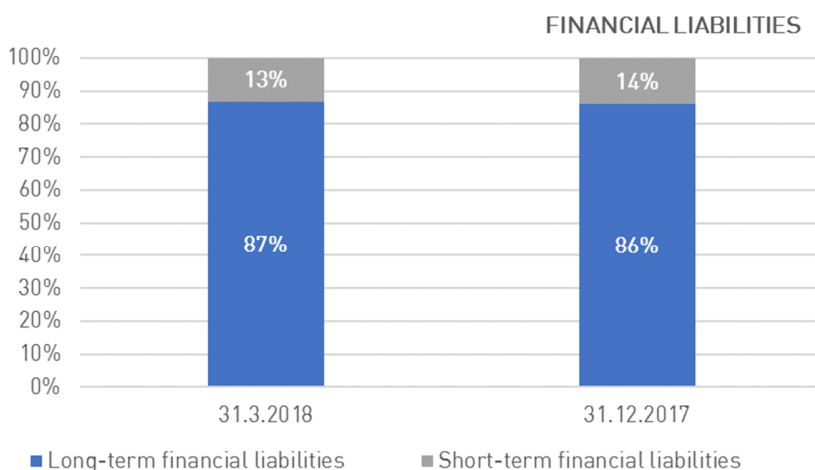
As at 31 March 2018, current liabilities of Luka Koper Group amounted to EUR 42.5 million, which is 2 percent resp. EUR 884.1 decrease with respect to 31 December 2017. The volume of loans from banks due to repayment and trade payables decreased, whilst other operating liabilities from accrued costs increased.

Structure of Luka Koper Group's financial liability

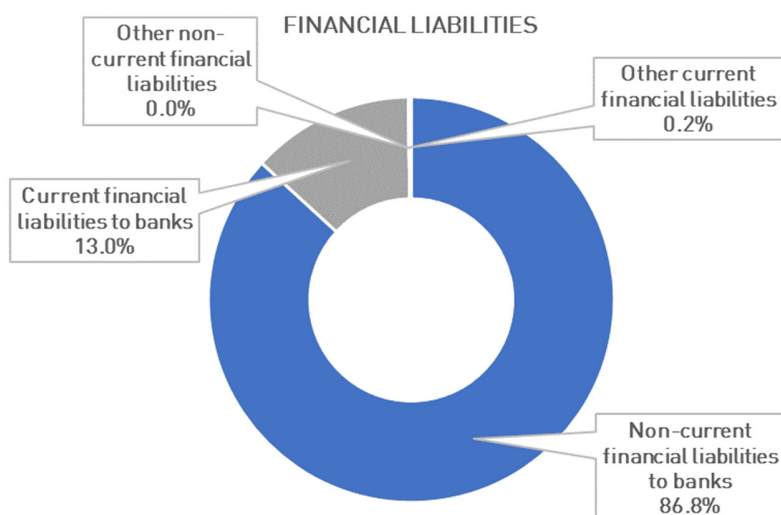


As at 31 March 2018, the financial liabilities of Luka Koper Group amounted to EUR 112.9, which is 4 percent resp. EUR 4.2 million decline with respect to 31 December 2017. The liabilities towards the banks decreased due to the repayment of borrowings.

Structure of Luka Koper Group liabilities by maturity



As at 31 March 2018, non-current financial liabilities of Luka Koper Group towards banks represented 86.8 percent of total financial liabilities. In comparison to 31 December 2017, their share increased by 0.8 percentage point.

Luka Koper Group financial liabilities as at 31 March 2018

Among the financial liabilities of Luka Koper Group prevail the liabilities related to a variable interest rate. The Group manages the interest rate by entering into an interest hedge for EUR 30.9 million of non-current borrowing, which represents almost 27.5 percentage share of all financial liabilities from received loans of Luka Koper Group as at 31 March 2018, meaning that 27.5 percent of all Group's loans are hedged against an eventual increase of interest rates. An eventual change of variable interest rates would consequently have an impact on 72.5 percent of all Group's loans, which is half a percent decrease with respect to 31 December 2017.

The share of financial liabilities in equity as at 31 March 2017 amounted to 31 percentm, which is 0.5 percentage point decline in comparison wit the balance as at 31 December 2017.

7.3 Forecast of net revenue from sale of Luka Koper Group in 2018¹⁶

Luka Koper Group glede na trenutne napovedi ocenjuje, da bodo net revenue from sale in 2018 predvidoma amount to EUR 228.7 million and will be by one percent under the planned level, primarily due to a lower volume of the performance of the services of general economic interest relating to the regular maintenance of the port's infrastructure destined for the public transport, than planned, and meanwhile 8 percent higher in comparison with 2017. Net revenue from sale of Luka Koper Group from the market activity until the end of 2018 is expected to amount to EUR 219 million and will stay at the level of the planned and will be 5 percent ahead on the achieved net revenue from sale in 2017, whilst the revenue from the regular performance of the services of general economic interest relating to regular maintenance of the port infrastructure destined for the public transport, and from public commercial service of waste collection, are expected to amount to EUR 9.7 million and lagged behind the plan by 26 percent, and by 175 percent exceeded the achieved revenue in 2017. The revenue from the performance of the service of general economic interest relating to the regular maintenance of the port infrastructure, destined for the public transport will be lower than planned due to an expected lower volume than planned, since in May 2018, the company received the last approval for the regular maintenance of the port infrastructure plan from the Ministry for Infrastructure.

Luka Koper Group does not estimates other impacts on the net operating profit, except the changes in the throughput volume and therefore net revenue from sale.

¹⁶ The forecast is based on the current expectations and is subject to risks and uncertainties, which may have have an impact on actual results and may materially differ due to various factors, over some of these Luka Koper Group has no control. These factors include, but they are not necessarily limited to the following: customers' demand and market conditions in markets where operate final consignees of goods, transshipped through the Port of Koper, relevant losses or a decline of key customers' business, political instability and unfavourable economic conditions in countries of provenance and countries of destination of goods handled in the the Port of Koper, competition pressure to reduce the prices, limited storage capacities due to delayed obtainment of adequate consents from the competent authorities, high occupancy of stacking areas and therefore lower productivity and higher operating cost due to additional shifts of goods, insufficient entry capacity into the port and thereby the decongestion of the the port, which is affecting the higher operating costs. In case, when one or more risks resp. uncertainties materialize or that the aforesaid assumptions show as incorrect, the actual results may materiall differ from those indicated in the notice as expected, estimated or projected. Luka Koper allows any up-dating or auditing of these forecasts as far as the future developments would differ from the expected.

8 Marketing: product groups and sales

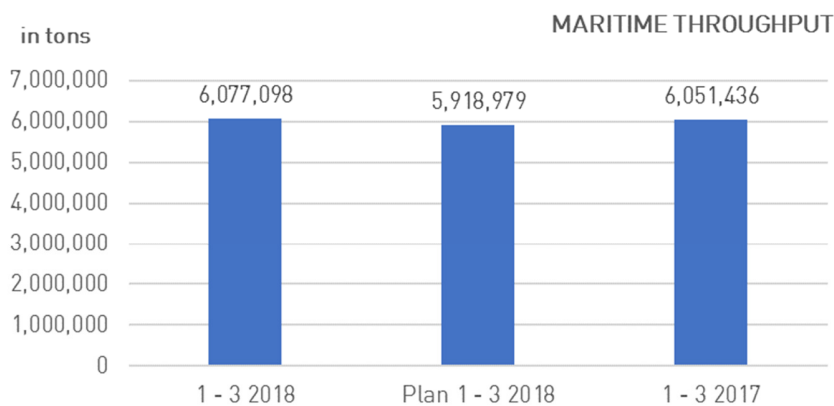
8.1 Maritime throughput

The maritime throughput of Luka Koper Group in January – March 2018 totalled 6.1 million of goods, which is 3 percent increase on planned quantities, in comparison with the throughput in the comparable period previous year, it stood at the same level. In March 2018, a record monthly maritime throughput totalled 2.3 million tonnes, 92.323 TEU and 81.561 vehicles was achieved.

With respect to the previous year, Luka Koper Group's throughput growth was achieved in product groups of general cargoes, containers and cars.

In January – March 2018, Luka Koper Group generated 5 percent growth onto and 2 percent decrease of loaded goods onto and from vessels.

January – March 2018 and 2017 cargo tonnage throughput and plan for 2018

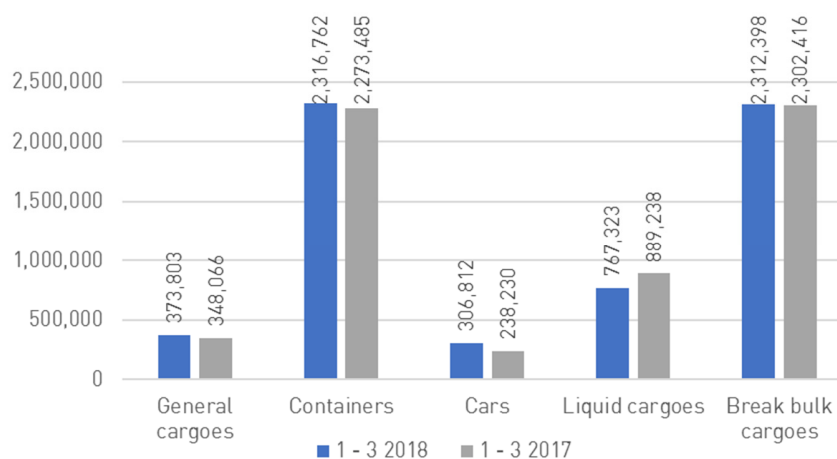


8.2 Cargo structure by types

In the whole structure of the maritime throughput prevail containers, of which share increased by one percentage point. The share of liquid cargoes decreased, the share of other cargo types stood at the same level.

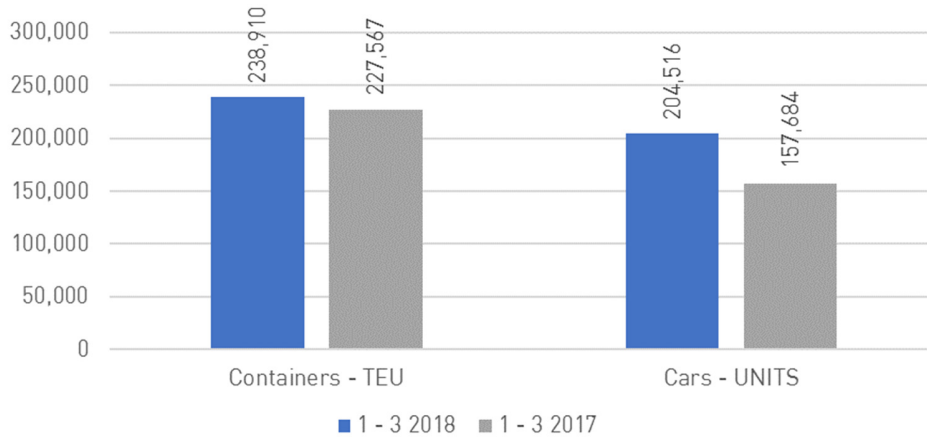
Maritime throughput in tonnes per cargo types, in 2018 and 2017

CARGO TYPES (in tonnes)	1 – 3 2018	1 – 3 2017	Index 2018/2017
General cargoes	373,803	348,066	107
Containers	2,316,762	2,273,485	102
Vehicles	306,812	238,230	129
Liquid cargoes	767,323	889,238	86
Dry bulk and bulk cargoes	2,312,398	2,302,416	100
TOTAL	6,077,098	6,051,436	100

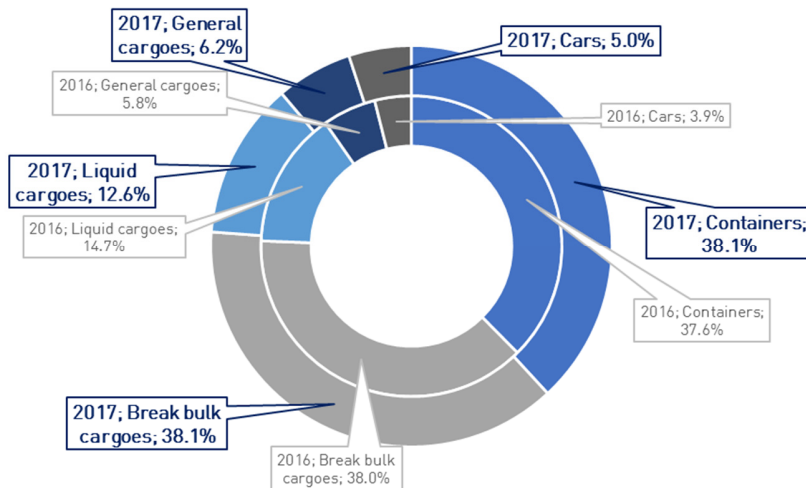


Containers (in TEU) and vehicles (in units), in 2018 and 2017

CARGO TYPES	1 – 3 2018	1 – 3 2017	Index 2018/2017
Containers – in TEU	238,910	227,567	105
Vehicles – in UNITS	204,516	157,684	130



Structure of cargo throughput by product type, January - March 2018 and percentage change in relation to January – March 2017



GENERAL CARGOES

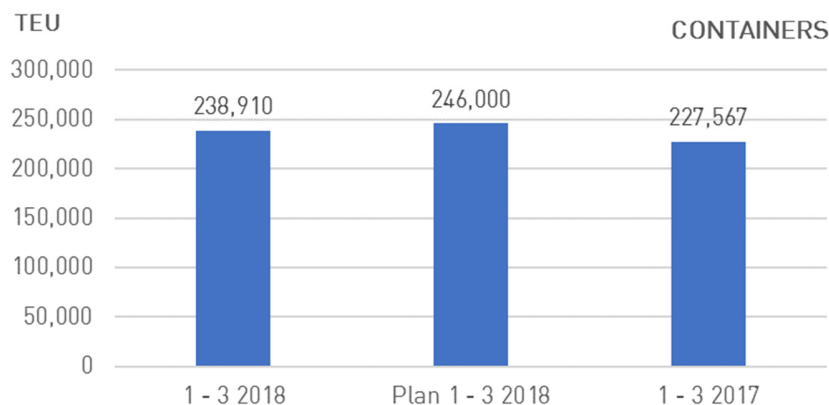
Within the general cargoes, Luka Koper Group concluded the January – March 2018 period with 7 percent higher maritime throughput than in January – March 2017.

The increase of the throughput in the reporting period was recorded in the throughput of iron and steel products, in the throughput of bananas by conventional vessels and in the throughput of the timber due to the reopening of the African market.

CONTAINERS

In January – March 2018, the Container terminal achieved the maritime throughput of 238.914 TEUs, and thereby exceeded by 5 percent the throughput generated in January – March 2017. In March 2018, a record monthly maritime throughput of 92.323 TEUs was achieved.

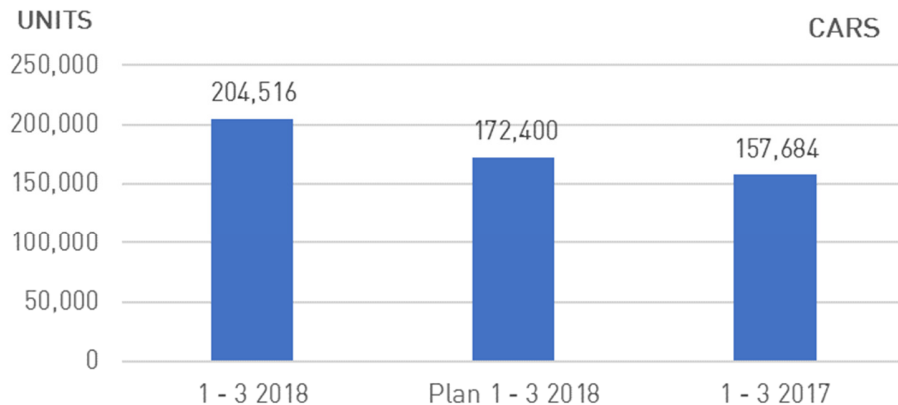
Container throughput, January – March 2018 and 2017 and the plan for 2018 (in TEUs)



CARS

In January – March 2018, 204.516 cars were handled, which is 30 percent ahead on the comparable period last year. The quantity of cars loaded on ships amounted to 124 thousand, and a quantity of cars unloaded from ships amounted to 80 thousand cars. In March 2018, a record monthly throughput of 81.561 cars was achieved. The increase of the throughput from the acquisition a new business for the Far East and due to the redirection of land logistic routes in/from Spain to the maritime transport.

Throughput of vehicles in January - March 2018 and 2017 and the plan for 2018 (in units)



LIQUID CARGOES

In January – March 2018, the throughput of liquid cargoes decreased by 14 percent in comparison with the equivalent period. The throughput of liquid cargoes registered 6 percent increase due to the increased turnover of the fuel destined to the hinterland and domestic market. In the throughput of the petroleum products, Luka Koper Group reached 18 percent decline in comparison with January – March 2017.

DRY AND BREAK BULK CARGOES

In January – March 2018, the maritime throughput of dry bulk and bulk cargoes stood at the same level as in January – March 2017.

In January – March 2018, the maritime throughput of the dry bulk cargoes dropped by 1 percent in comparison with the previous year.

The throughput in the product group of bulk cargoes in January – March 2018 achieved 9 percent increase in comparison with the equivalent period last year. The throughput of soya has still been increasing in the product group of dry bulk cargoes. Also the throughput of salt for the road salting has increased.

9 Non-financial investments

In January – March 2018, Luka Koper Group allocated EUR 2.1 million for the investments in the property, plant and equipment, investment property and intangible assets, which is 86 percent decline on the same period in 2017. In the first quarter of 2018, Luka Koper, d. d., allocated EUR 1.9 million for investments, which represents 92 percent of Luka Koper Group investments.

In the first quarter of 2018, Luka Koper Group implemented the following major investments:

- Reconstruction of the existing diesel RTG cranes with aim to reduce the noise emissions.
- Construction of the railway track 61 with aim to increase the safety of the railway traffic and to decongest the traffic.
- Purchase of two terminal trailers for the traction of heavy loads from RO-RO vessels.

10 Development activity

In January – March 2018, Luka Koper, d. d., further pursued its development and research activities related to the Port's development with regard to the trend in this line of business and long-term plans. Further systematic monitoring of the implementation of four strategic programmes which were set up at the end of 2016 and follow the company's strategic plans from 2015, was carried out. Strategic programmes comprise a series of activities, including both sales and infrastructure, as well as processes and human resources segment in order to provide adequate capacities at all levels. With respect to the set up strategic goals the company formed four strategic programmes: increase in the container throughput, increase in the car throughput, increase in the port's decongestion and increase of the containers' stuffing and unstuffing, where are the opportunities for the value-added logistics. Due to full occupancy of the existing port's capacities, an important emphasis is still put on a faster implementation of the priority infrastructure projects and the opportunities for the obtainment of grants for their financing. The challenges arise also in new technologies, disposal and processing of sediments in order to increase and maintain the port's depths, environmental (noise management), energy and safety topics, IT issues and also the novelties in the market.

In January - March 2018, intensive activities were carried out in relation to the European projects, primarily in the projects of the programme CEF, where Luka Koper, d. d. strived to optimally draw the granted funds for the projects with concrete development challenges and infrastructural needs of the port, also in the light of the implementation of the corridor policy of the European Union:

- The activities related to the projects NAPA4CORE, GAINN4MOS, Fresh Food Corridors, CarEsmatic in ELEMED (Luka Koper, d.d. is the coordinator in the projects NAPA4CORE, Fresh Food Corridors in CarEsmatic) were further implemented.
- Intensive preparations were made for the application on the call CEF Blending Call, which was submitted in 2018, and for Luka Koper the cofinancing of the entrance into the port at Sermin was proposed as a part of the Motorway of the Sea for the segment of the cars transshipment. The application was submitted jointly with the Port Authority of Valencia for the railway access to the car terminal in the Port of Sagunto. According to last information, there were a lot of applications, therefore the probability of the selection is relatively small.

Within the programme Obzorje 2020, dealing with development and research issues, the project SAURON, related to the information and cybernetic security, and of which implementation started in May 2017, was carried on.

As concerns the project related to the territorial cooperation, where the topics are regionally oriented and the cooperation concerns softer topics with emphasis on partnership projects, in the first quarter of 2018, three projects of a new programme ADRION: SUPAIR, related to the sustainable development of ports and mitigation of the environmental impacts were activated, as well as ADRIPASS and ISTEN, related to the intermodality and the decongestion in the logistic chains connecting the ports. There are the opportunities for the implementation of the company's concrete needs, both as concerns the IT solutions as well as the environmental issues (primarily the noise). Also the project SecNet on the cross-border programme Slovenia-Italy, where three North Adriatic ports cooperate (Koper, Trieste, Venice) and which addresses the port's security, was carried on. Luka Koper, d.d. applied with three projects to a new call of the programme Central Europe, but the results are still under the assessment.

The programmes of the European territorial cooperation are important since they place the Port of Koper within the European institutional setting mainly from the point of view of planning and development of national and trans-european transport infrastructure, logistic concepts, environmental protection, security, maritime protection, sustainable energy supply, informacijskih posodobitev, cultural heritage and similar.

Within the European Structural Funds, the Competence center Logistika, which supports then education and the development of competences, was carried on. Within the framework of intelligent specialization projects, the company continued the implementation of the project RRI (Exploitation of the bio-mass potential for the development of advanced materials and bio-based products), through the which Luka Koper studies the dredged sediments and the opportunity of their further use.

In the past period, Luka Koper still endeavoured to obtain a solution also on the cofunding of the Cruise terminal, since the project documentation is at an advanced stage and it is important to obtain a final response for the decision of Luka Koper with respect to the implementation of the project. There is still no final solution, since various variants of the cooperation with the Municipality of Koper and the support of the Ministry of the Economic Development and Technology.

From the point of view of the European institutional cooperation, in January 2018, Luka Koper, d.d. attended the executive committee of the European Sea Port Organisation ESPO and in March presented the development plans in the occasion of the Green Logistics held in Padova, which hosted the meeting of the Baltic-Adriatic and Mediterranean Corridor. In March Luka Koper made a presentation within the SBRA and at the conference of the Slovenian Transport and Logistics in Brussels.

However, it should be emphasized that the Port of Koper is well known to the European institutional stakeholders, but the support of the State and the understanding of the port's activity is of the utmost importance for further port's development.

11 LKPG share

As at 31 March 2018, the share of Luka Koper, identified as LKPG, is listed in the first quotation of Ljubljana Stock exchange. As at 31 March 2018, the share ended its trading with 2 percent higher value than in the comparable period last year. On the last trading day in the first quarter of 2018, the price of LKPG share in the first quarter of 2018 amounted to EUR 29.70 per share.

In the first quarter of 2018, the ownership structure of Luka Koper, d. d., slightly changed. As at 31 March 2018, 9.907 shareholders were registered in the register, which is 325 shareholders less than last year. The Republic of Slovenia is the company's major shareholder.

Ten largest shareholders in Luka Koper, d.d. as at 31 March 2018

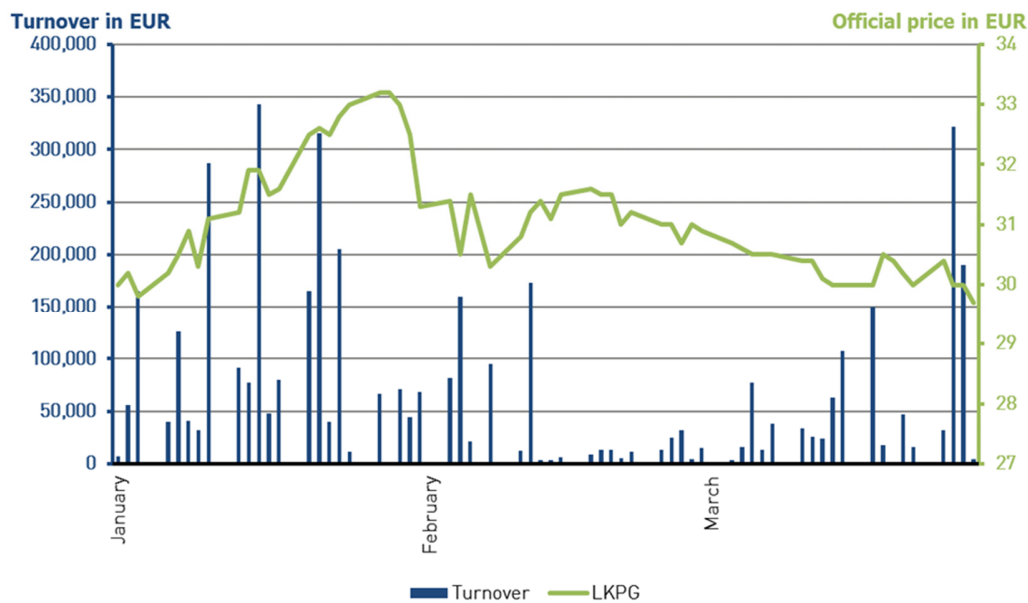
Shareholder	Number of shares 31. 3. 2018	Percentage stake 2018 (in %)	Number of shares 31. 3. 2017	Percentage stake 2017 (in %)
Republic of Slovenia	7,140,000	51.00	7,140,000	51.00
Slovenski državni holding, d. d.	1,557,857	11.13	1,557,857	11.13
Kapitalska družba, d. d.	696,579	4.98	696,579	4.98
Municipality of Koper	439,159	3.14	439,159	3.14
Citibank N.A. – fiduciary account	220,310	1.57	95,827	0.68
Aktsiaselts Trigon Asset Management	161,384	1.15	146,071	1.04
Hrvatska poštanska banka, d. d. – fiduciary account	129,582	0.93	129,582	0.93
Zavarovalnica Triglav, d. d.	113,568	0.81	104,756	0.75
Sei Global Investments Fund plc	102,392	0.73	102,392	0.73
Utilico Emerging Markets Limited	98,400	0.70	19,880	0.14
Total	10,659,231	76.14	10,432,103	74.52

11.1 Trading in LKPG

In the first quarter of 2018, the average daily share price of Luka Koper, d.d. stood at EUR 31.04, whilst its overall value fluctuated between EUR 29.70 and EUR 33.20. The highest daily price was EUR 35.00, the lowest EUR 29.70. As at 31 March 2018, the market capitalisation of Luka Koper, d.d. share amounted to EUR 415.800.000.

There were 867 transactions and block trades with aggregate value of EUR 4,261,440 whereby 137,166 shares changed ownership. In this period the SBITOP index achieved 1.36 percentage growth.

Changes in the daily LKPG share price and daily turnover, January – March 2018



Relevant data on LKPG share

	1 – 3 2018	1 – 3 2017
Number of shares as at 31 March	14,000,000	14,000,000
Number of ordinary no par value shares	14,000,000	14,000,000
Closing price as at 31 March (in EUR)	29.70	29.00
Book value of share as of 31 March (in EUR)	23.86	22.70
Ratio between average weighted price and average (P/B)	1.24	1.28
Average weighted market price (in EUR) ¹⁷	31.07	28.87
Average book value of share (in EUR) ¹⁸	23.51	22.37
Ratio between average weighted price and average book value of share	1.32	1.29
Net earning per share (EPS) (in EUR)	3.85	3.70
Ratio between market price and earnings per share (P/E)	7.72	7.83
Market capitalisation as of 31 March (in mio EUR)	415.8	406.0
Turnover – all transactions (in mio EUR)	4.3	12.0

11.2 Number of LKPG shares held by the Supervisory Board and Management Board Members

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

As at 31 March 2018, other Members of the Supervisory Board and Members of the Management Board of Luka Koper, d. d., did not own the company's shares.

11.3 Treasury shares, authorised capital, conditional capital increase

¹⁷ Weighted average market price is calculated as a ratio between total value of LKPG stock exchange transactions and the aggregate number of LKPG shares traded across the period.

¹⁸ Average book value of the LKPG is calculated on the basis of average monthly ratio between equity and number of ordinary shares.

As at 31 March 2018, Luka Koper, d. d., held no treasury shares. The applicable Articles of Association do not provide for categories of authorised capital up to which the Management Board could increase the share capital. The company had no basis for the conditional increase in the share capital.

11.4 Rules on restrictions and disclosure on trading with company's shares and shares of related parties

In compliance with Ljubljana Stock Exchange Luka Koper, d. d., recommendations Luka Koper, d.d., adopted the Rules on trading with issuer's shares. These Rules represents an additional assurance on equal information to all interested public on relevant business events in the company and are important in strengthening the trust of investors and the corporate reputation. The purpose of the Rules is to enable the persons to trade in shares of Luka Koper and to prevent any possible trading based on insider information. At the same time, the Rules enable mandatory reporting in accordance with the law on the sale and purchase of company's shares to the Securities Market Agency.

In the first quarter of 2018, the Luka Koper Group activities were directed in the implementation of a set up plan of risk management and the reduction of risks related to port services. The company's Supervisory Board at its regular session held on 26th March 2018 discussed the course of the company's business restructuring and acquainted with the proposal of the IPS (port's service providers) prepared by the Management Board. Afterwards, the strategy will be verified also by the external expert opinion, primarily from the point of view of the legality, cost effectiveness, autonomy and business performance. Meanwhile, the Management Board will prepare also an action plan for strategy implementation and start with key preparatory actions. The destiny of the Act on construction of the second track of the Divača – Koper railway line (ZIUGDT), which presents for Luka Koper, on one side, one of the key development milestones, and on the other side, additional financial burdens. Following the repealing of the outcome of the referendum on the Act on the construction, management and governance of the second track of the Divača – Koper railway line by the Supreme Court on 14 March 2018, which was challenged before the court by the initiator of the referendum Vili Kovačič, The National Electoral Commission 13 May 2018 for the revoting of the Referendum Act. Also after the revoting the turnout of the referendum was not successful, and the initiator of the referendum announced the repeal.

SUSTAINABLE DEVELOPMENT

13 Natural environment

Luka Koper has always taken care for the improvement of the quality of life in the whole area where the port is embedded. Besides the statutory compliance and the compliance with authorisations, a continuous improvement of environmental management system, objective and regular assessment of performance of such systems, provision of information about the environmental performance, open dialogue with public and interested parties and active involvement of employees are required. All Luka Koper, d. d., employees and meanwhile all responsible staff for the maintenance of the established system have contributed to the keeping the highest environmental standard.

13.1 Care for the environment

Being aware that the port's impacts on the environment occur, Luka Koper committed itself in its business policy to the sound environmental management wishing to preserve for future generations. Monitoring and management of environmental impacts has so become the part of regular working activities, whereby Luka Koper, d.d. cooperates with competent authorities.

The most important goals in the area of natural environment in 2018:

- To successfully carry out the sustainability report in compliance with GRI standards,
- To successfully carry out the audit in compliance with EMAS requirements,
- To reduce emissions of dust at all ten port's locations below 250 mg/m² per day and max 5 deviations from the 120/t measurements in the course of the year,
- To retain the value of PM10 particles (the size up to 10 µm) emissions below 30 µg/m³ in the entire Port's area (in direction towards Ankarani, Koper and Bertoki),
- To keep the percentage of separately collected waste above 89 percent,
- To decrease night-time noise to 48 dBA in the direction of Koper,
- To keep the daily -time noise level to 58 dB in front of closest buildings outside the Port's area and the night-time to 53 dB,
- To modernise the drainage at the Dry Bulk Terminal and the modernisation of the treatment plant at the Livestock Terminal and to replace some oil interceptors.
- to keep specific consumption of energy at the last year level, despite the increased throughput and enlarged storage areas and namely for motor fuel 0,25l/t, for electric energy 1,17 kWh/t, potable water 6,4 l/t,
- Without taking actions (inspection and internal) in environmental interventions,

- Without pollution outside the Port's aquatorium,
- To ensure an efficient and adequate system of the supply with the water for fire extinguishing in the entire port's area and the provision of an adequate provision of fire-fighting for specific buildings.

13.2 EMAS certificate

As early as in 2010, Luka Koper, d. d., was awarded the most important environmental certificate EMAS (SI 00004). By complying with norms for the attainment of the most significant environmental certificate EMAS, the company's strategic guidelines are achieved. In 2018, Luka Koper, d.d. must remedy the issue of noisy vessels.

13.3 Atmosphere

Striving for a constant reduction in emissions that are produced by the performance of port activities involves many activities. The most important measure for the reduction of dusting are the introduced technology of applying paper mill sludge to the coal and iron ore disposal area. Paper mill sludge builds a solid layer that prevents drifting of dust.

13.3.1 Total volume of dust at the Port

Control measurements of the total volume of dust are carried by Luka Koper, d. d., since from 2002 on ten measurement points in the Port. We have set a goal not to exceed 250 mg/m²day and the average of measurement values for the reported period is 119 mg/m²day. In this period we recorded one deviation. The law does not prescribe limit values resp. permitted deviations for such measurements.

13.3.2 Quantity of health hazardous dust particles (PM₁₀)

Statutory prescribed measurements of fine dust particles (PM₁₀), are carried out by an authorised organisation and are continuously measured on three points within the Port. The measurements taken in the first quarter of 2018 were below the target value of 30 µg/m³ and statutory set up volume of 40 µg/m³. The results from two measurement devices are shown automatically every hour on the Port's web page online Living with the Port www.zivetispristaniscem.si.

Comparison of mean values of PM₁₀ measurements , dobju January – March 2018 in 2017

	1 – 3 2018	1 – 3 2017	INDEKS 2018/2017
Ankaran - Rožnik	19 µg/m ³	22 µg/m ³	87
Bertoki	20µg/m ³	24 µg/m ³	84
Koper – Cruise terminal	16 µg/m ³	25 µg/m ³	64

13.3.3 Emissions of dust particles on key sources

Since the permitted values of dust particles emissions of key sources are stipulated by law, we perform measurements in the direct vicinity of dust-generating sources (e.g. at loading/unloading of wagons, trucks and ships). The threshold of permitted value of emissions is 20 mg/m³. The company has not yet performed the statutory measurements for 2018.

13.4 Waste managemnt

Various types of waste are generated in the Port of Koper. In terms of Luka Koper, d.d. committment for the the environment, Luka Koper regularly provides for waste separation, recycling and waste processing. The waste separtions is carried out at all terminals, by the users of the economic zone and on ships. Separately collected waste materials are delivered to external waste-processing contractors and agents, whereas organic waste is processed at the composting plant in the port. Luka Koper, d.d. also collaborates with external companies in relation to waste processing.

In the first quarter of 2018, we achieved 90 percent of waste separation and we exceeded the set objective of 89 percent of sorted and separately collected waste.

13.5 Noise

Noise levels are continuously monitored by devices at three peripheral points around the port, and the results are published online via the Living with the Port www.zivetispristaniscem.si.

Average noise levels (in dB, recorded at locations around the Port, January – March 2018 and 2017

1 - 3 2018			1 - 3 2017			Threshold values
Eastern periphery (Bertoki)	Northern periphery (Ankaran)	Southern periphery (Koper)	Eastern periphery (Bertoki)	Northern periphery (Ankaran)	Southern periphery (Koper)	
L _D =54	L _D =54	L _D =63	L _D =53	L _D =54	L _D =63	L _D =73
L _V =52	L _V =51	L _V =63	L _V =52	L _V =52	L _V =62	L _V =68
L _N =49	L _N =51	L _N =62	L _N =50	L _N =49	L _N =60	L _N =63
L _{DVN} =57	L _{DVN} =58	L _{DVN} =69	L _{DVN} =57	L _{DVN} =57	L _{DVN} =67	L _{DVN} =73

Legend: L_D – daily noise level, L_V – evening noise level, L_N – night noise level, L_{DVN} – noise level day – evening – night

Level of noise in the first quarter of 2018, remained similar to those compared between the first quarter of 2018 and 2017, somewhere slightly increase, somewhere slightly decreased.

The results of the measurements in the front of the first residential buildings towards Koper show the exceeded evening, night and day-evening-night limit values. The daily noise level is within the statutory prescribed limits. The results of the noise measurement in the front of the first buildings towards Ankaran and Bertoki are complaint with the legislation. Yet in 2017, an action plan for the noise reduction was prepared and the pertaining activities have been intensively performed.

Main sources of noise in the Port of Koper nevertheless remain due to the goods handling operations and due to numerous construction sites. A significant source of noise in the port is attributable to the vessels, which due to ensuring smooth operation, must keep engines running. Unfortunately, the company has no impact on them.

13.6 Energy

Six 22 kW charging stations for electric vehicles for the customers' needs were placed in the port, which started to tranship the electric vehicles through the Port of Koper.

Within the EU project ELEMED, the study on technical options of connecting vessels to the external power network, when berthed in the port. Additional 78 MW power will be needed for the power supply of vessels in the port.

13.6.1 Consumption of energy and water

In the first quarter of 2018, due to the electrification of RTGs and the use of RMG cranes, a specific consumption of the motor fuel was slightly lower. The advantage of the use of the electric energy for the pogan dvigal is essentially a major exploitation of the equipment, lower noise and practically zero local emissions of exhaust gases. This is the main reason for the increase of the specific use of the electric power in the first quarter of 2018 in comparison with 2017. The reason in a lower specific water consumption in the first quarter of 2018 in comparison with 2017 lays in a slightly absolute water consumption and increased throughput.

Specific consumption of energy and water per handled tonne of the total throughput ¹⁹, January – March 2018 and 2017

	1 – 3 2018	1 – 3 2017	INDEX 2018/2017
Electricity consumption (kWh/t)	0.680	0.636	107
Motor fuel consumption (l/t)	0.127	0.140	91
Potable water consumption (l/t)	3.310	3.970	83

Electricity consumption

The major consumer of the electric power in the port is the Container terminal, followed by the Dry bulk and bulk terminal. Among major consumers in the port are primarily quay cranes, food stuff cold storage rooms at the Reefer terminal, conveyor belts for the transshipment of the dry bulk cargo, lighting and power supply to the reefer containers.

Motor fuel consumption

A lot of ground mechanisation, powered by diesel fuel is used in the port's working processes. The major consumers are rubber tired gantry cranes RtGs, terminal tractors, reach stackers, railway track vehicles, forklifts and tractors. In January - March 2018, the major consumer of the motor fuel was the Container terminal, which consumed 61 per cent of the motor fuel.

Water

The company pays a great attention to the water as a vital good and for this reasons numerous safety and treatment actions are implemented. Since the water is used mainly for sanitary purposes and for the supply of vessels, the concern for an adequate purity of water is important.

¹⁹ Total throughput = maritime throughput + stuffing/unstuffing of containers + land transshipment

Potable water

The consumption of the potable water does not depend directly on the throughput. Due to a growing occupancy of the port and a large number of trucks additional leakages on the water distribution network. In the first quarter of 2018, several measurements of the quality of the potable water within the port's network. No microbiological contamination was recorded in the water supply network.

Waste waters

In the port mainly urban waste waters are generated and to a lower extent industrial waste water. Generated industrial waste waters and prior to the discharge they are adequately treated in own waste water treatment plants, urban waste waters mainly in the Koper central waste treatment plant. In January - March 2018, the measurements of the industrial waste waters generated at the cleaning of containers and measurements of the urban waste water from small treatment plants were performed. The results were in compliance with the law.

13.7 Effects of lighting

In accordance with regulations for safe work, Luka Koper d.d. ensures proper lighting, which is required for continuous performance of work processes. The lighting, which illuminates warehousing areas, working sites, transport routes and tracks at night is the source of environmental pollution

The lighting in the port's area is in line with regulations and in a way that the light is not directed upwards. A new lighting plan, which is published on the company's website, was prepared.

13.8 Marine protection

Pursuant to the provisions of the Concession Agreement for the performance of port activity, management, development and regular maintenance of port's infrastructure in the Koper's cargo port area, Luka Koper, d.d. regularly takes care to prevent and remove the consequences of the sea pollution. To carry out such activities we need special equipment, boats and skilled staff. We therefore regularly train the staff, provide training and drills. In exceptional events at sea Luka Koper d.d. takes measures in compliance with the valid Protection and rescuing plan of Luka Koper, d.d. in case of industrial accidents.

In January - March 2018, 8 incidents were recorded in the Port's aquatorium. In all cases of pollution at sea, measures were taken in accordance to the activation scheme of forces and resources for minor accident, and the consequences of pollution were successfully dealt with within the concession area.

Statistical data on intervention at sea, January – March 2018 and 2017

	1 – 3 2018	1 – 3 2017	INDEX 2018/2017
Number of accidents at sea	8	5	106
Number of interventions in the Port's aquatorium	8	5	106
Number of incidents not requiring intervention	0	0	-
Number of pollution incidents outside the Port's aquatorium	0	0	-

The results of measurements from the modern measuring station for monitoring of the sea quality, which is installed at the entrance into the Port Basin III, are published on the website <http://www.zivetispristaniscem.si/> .

14 Human resources

Thanks to their knowledge, energy and eagerness for work Luka Koper Group employees demonstrate their collective commitment and contribution to create the company's future in partnership. The activity of Luka Koper requires flexible approach to the work organisation, therefore the employees have to conform to the need of the business environment and the community.

Skilled and motivated staff is strategic wealth and the condition for the development plans implementation. Cooperation, responsibility, respect, commitment and creativity of every individual are the values the Group implements in the practice.

14.1 Recruitment, turnover rate and employment structure

As at 31 March 2018, Luka Koper Group had 1.106 employees, which is 44 more than as at 31 March 2017, which is 4 percent increase. The upward of the employees recruitment has been continuing for the fourth year and is mainly due to the recruitment in Luka Koper, d. d.

In the first quarter of 2018, 15 employees were recruited in Luka Koper Group, which is far above than in the comparable period 2017. The majority of new employments involved jobs in the basis throughput process in the companies Luka Koper, d. d., and Luka Koper INPO, d. o. o. . This employment is carried out to a major extent from the providers of the port's services (IPS) in compliance with the annual HR plan. Likewise, the Strategy of Port's services providers was prepared and which will have an impact on the recruitment procedures in Luka Koper, d.d.

Number of employees in Luka Koper Group

	31.03.2018	31.03.2017	Index 2018/2017
Luka Koper, d. d.	928	882	105
Luka Koper INPO, d. o. o.	149	150	99
Luka Koper Pristan, d. o. o.	4	4	100
Adria Terminali, d. o. o.	21	22	96
TOC, d. o. o.	4	4	100
Total Luka Koper	1,106	1,062	104

Comparison between recruitment, termination and the turnover rate

	Number of new recruitments		Number of departures		TURNOVER RATE (IN %) ²⁰	
	1 – 3 2018	1 – 3 2017	1 – 3 2018	1 – 3 2017	1 – 3 2018	1 – 3 2017
Luka Koper, d. d.	9	3	7	7	0,7	0,8
Luka Koper Group	15	4	17	10	1,5	0,9

The number of employees' departures from Luka Koper Group was higher than last year. Among the reasons of the termination of the employment relationship prevail the retirements on the ground of age, besides that, to a lesser extent, expiry of a fixed-term employment contract, consensual termination of employment.

Consequently, the staff turnover in Luka Koper Group in the first quarter of 2018 was higher than in the equivalent period last year, but nevertheless it remains at a low level.

In comparison with the previous year, the education structure of Luka Koper Group improved despite the recruitment of the workers in the basic throughput process, mainly as a result of a higher number of retirements on the ground of age with a lower educational level.

14.2 Occupational health and safety

Health and safety at work in accordance with the guidelines of the BS OHSAS 18001, Luka Koper, d. d., are approved by internal and external audits. Likewise, the modifications of the international standard ISO 45001 are followed through various external trainings in order to be prepared for the transition when the standard is approved.

The company is striving to implement preventive actions with trainings, additional education, raising of the awareness of employees' and other persons present in the port. Each severe and recurrent injury is examined and adequate actions are taken in order to prevent any recurrence of similar incidents.

²⁰ Method for calculating turnover rate = number of departures/(initial number of employees + new recruitments) x100

Injuries at work

Parties involved	1 – 3 2018		1 – 3 2017	
	All injuries	Whereof major injuries	All injuries	Whereof major injuries
Luka Koper, d. d.	1	0	1	0
Providers of port's services	11	0	14	0
Outsourcing companies	1	0	6	0
Subsidiaries	1	0	6	0

Currently, the objective of maximum 17 occupational injuries per million hours worked at Luka Koper, d.d., has been achieved, since in the first quarter of 2018 the indicator shows 11,2 injuries per million hours worked.

In the first quarter of 2018, there was no serious injury at work and no collective injury at work in the port's area, so the objective of zero serious occupational injuries for 2018 was achieved. In the first quarter of 2018, 15 preventive rounds were performed, which is in compliance with with the goal for 2018, 40 extraordinary controls of occupational safety in the port's zone. No major material damage was recorded in the reporting period.

14.3 Education, training and development of employees

In the first quarter of 2018, Luka Koper, d. d., started the implementaion of the annual staff appraisals with all employees. For the first time, the implementation of the annual staff appraisals is organised for all employees thanks to IT support. Annual staff appraisals are in course also in the company Luka Koper INPO, d. o. o.

In the first quarter of 2018, Luka Koper Group provided on average 4,2 hours of training per employee, Luka Koper, d.d. 4,9 hoursur. 90 percent of training were in-house trainings, in particlular annual staff appraisals, protection of personal data, project management, team communication, foreign languages, quality standards, explosion protection and management of port machinery.

53 percent of employees in Luka Koper Group and 60 percent of employees in Luka Koper, d.d. were involved in trainings. Within the Competency center Logins, Luka Koper, d. d., and Adria Terminali, d. o. o., received funds from the 50 percentage cofinancing of employees training.

Through the training agreement Luka Koper Group co-funds 1 percent of employees with aim to obtain a higher level of education resp. specific educational training.

Luka Koper, d. d., allocated one scholarship for the academic year 2017/18.

In the first quarter of 2018, 19 employees were promoted horizontally resp. vertically, 38 employees achieved a higher level of qualification and flexibility at their post within the Luka Koper Group. Totally 57 employees resp. 5,1 percent of employees within Luka Koper Group were involved in one of career development forms. In Luka Koper, d. d., there were 18 promotions and 26 the classification in a higher level of qualification and flexibility, which is 4,7 percent of employees.

15 Commitment to the community

The extent of the Port of Koper and the volume and impact its activities, require from Luka Koper, that besides the economic impact, to be also responsible for people-friendly and developed environment, where the port is embedded. For many years, the company has been allocating substantial funds in projects and activities in the local and wider environment. In the company's Business strategy until 2030 is written that also in the future the company will be careful stakeholder of a sustainable development.

From the financial point of view, Luka Koper demonstrates the corporate social responsibility primarily through sponsorships and donations. Due to the delayed adoption of the company's Business plan for 2018, Luka Koper has avoided the conclusion contractual obligations in this area, therefore the amount of paid funds in the first quarter of 2018 was lower in comparison with the last year and amounted to almost EUR 100 thousand. Exclusively the contractual liabilities from previous years are concerned. Traditionally, a major support was given to sports activities.

Luka Koper communicates with its stakeholders transparently and proactively, therefore all activities in the field of corporate social responsibility and sustainable policy, are published on the corporate website Living with the Port www.zivetispristaniscem.si. The general public is promptly informed also through other channels, which are adapted to the relevant public, and namely on the corporate website www.luka-kp.si, monthly Port's gazette (distributed also in redesigned version to business partners, representatives of local communities and government bodies, which are directly connected with the Port's community and media), through media messages, journalist conferences, interviews, articles, publications on the Ljubljana Stock Exchange website and through the social media (Facebook, Instagram, LinkedIn and Youtube). Port's visits are organised throughout the year. In the first quarter of 2018, 1100 visitors, led by port's guides, visited the port, in majority school children.

Luka Koper strives to conduct a constructive dialogue with stakeholders from the local environment and with their cooperation seeks solutions also in case of negative environmental impacts of the port's activity. Recently, principally the noise, produced by some vessels, was a burning issue. Therefore, the company organised an expert meeting within the European project SUPAIR with the representatives of the local communities, government bodies, professionals and presented also foreign practices.

ACCOUNTING REPORT

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

16.1 Separate Income Statement

(in EUR)	1-3 2018	1-3 2017
Revenue	55,190,441	52,163,248
Other income	1,806,747	332,391
Cost of material	-4,105,386	-3,676,734
Cost of services	-14,259,220	-13,005,161
Employee benefits expense	-12,447,957	-11,757,115
Amortisation and depreciation expense	-7,141,169	-6,270,684
Other operating expenses	-2,102,778	-2,013,695
Operating profit	16,940,678	15,772,250
Finance income	58,658	41,189
Finance expenses	-453,372	-254,507
Profit or loss from financing activity	-394,714	-213,318
Profit before tax	16,545,964	15,558,932
Income tax expense	-3,085,608	-2,326,964
Deferred taxes	0	-272,669
Net profit for the period	13,460,356	12,959,299
Net earnings per share	0.96	0.93

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

16.2 Separate Statement of Other Comprehensive Income

(in EUR)	1-3 2018	1-3 2017
Profit for the period	13,460,356	12,959,299
Change in revaluation surplus of available-for-sale financial assets	-236,285	452,069
Deferred tax on revaluation of available-for-sale financial assets	44,894	-85,893
Change in fair value of cash flow hedging instruments	80,657	76,845
Deferred tax on the change in fair value of cash flow hedging instruments	-15,325	-14,601
Item that are or may be reclassified subsequently to profit or loss	-126,059	428,420
Total comprehensive income for the period	13,334,297	13,387,719

16.3 Separate Statement of the Statement of Financial Position

(in EUR)	31 Mar 2018	31 Dec 2017
ASSETS		
Property, plant and equipment	362,684,350	367,818,139
Investment property	25,062,365	26,467,395
Intangible assets	2,961,697	3,122,833
Shares and interests in Group companies	4,533,063	4,533,063
Shares and interests in associates	6,737,709	6,737,709
Other non-current investments	30,263,300	30,499,584
Deposits and loans given	12,030	22,592
Non-current operating receivables	41,772	41,772
Deferred tax assets	8,354,874	8,325,304
Non-current assets	440,651,160	447,568,391
Inventories	1,107,126	1,037,066
Deposits and loans given	16,900	8,413
Trade and other receivables	43,460,112	38,021,057
Income tax receivables	3,285,445	4,115,392
Cash and cash equivalents	42,269,280	28,202,590
Current assets	90,138,863	71,384,518
TOTAL ASSETS	530,790,023	518,952,909
EQUITY AND LIABILITIES		
Share capital	58,420,965	58,420,965
Capital surplus (share premium)	89,562,703	89,562,703
Revenue reserves	145,607,356	145,607,356
Reserves arising from valuation at fair value	9,673,658	9,799,716
Retained earnings	30,722,267	17,261,911
Equity	333,986,949	320,652,651
Provisions	19,923,815	20,217,568
Deferred income	19,645,773	18,166,217
Non-current loans and borrowings	113,987,127	116,682,274
Non-current operating liabilities	1,119,351	967,102
Non-current liabilities	154,676,066	156,033,161
Current loans and borrowings	14,629,399	16,060,399
Other current financial liabilities	265,730	372,169
Trade and other payables	27,231,879	25,834,529
Current liabilities	42,127,008	42,267,097
TOTAL EQUITY AND LIABILITIES	530,790,023	518,952,909

16.4 Separate Statement of Cash Flows

(in EUR)	1-3 2018	1-3 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	13,460,356	12,959,299
Adjustments for:		
Amortisation/Depreciation	7,141,169	6,270,684
Reversal and impairment losses on property, plant and equipment, and intangible assets	3,591	16,061
Gain on sale of property, plant and equipment, and investment property	-785,678	-91,492
Allowances for receivables	144,824	62,677
Collected written-off receivables and liabilities	-140,287	-87,733
Finance income	-58,658	-41,190
Finance expenses	453,372	254,508
Income tax expense and income (expenses) from deferred taxes	3,085,608	2,599,633
Profit before change in net current operating assets and taxes	22,660,901	21,942,447
Change in operating receivables	-5,445,200	-12,325,504
Change in inventories	-70,060	-127,883
Change in operating liabilities	1,549,599	18,261,620
Change in provision	370,063	-7,494
Change in non-current deferred income	1,479,556	1,249,918
Cash generated in operating activities	22,047,057	28,993,104
Interest expenses	-497,972	-294,733
Tax expenses	-2,255,661	-1,283,179
Net cash from operating activities	19,293,424	27,415,192
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	58,658	41,235
Proceeds from sale of property, plant and equipment, and intangible assets	785,680	91,493
Proceeds from sale, less investments and loans given	2,076	4,026
Acquisition of property, plant and equipment, and intangible assets	-1,947,001	-15,564,968
Acquisition of investments, increase in loans given	0	-60,000
Net cash used in investing activities	-1,100,587	-15,488,214
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of current borrowings	-4,126,147	-1,153,480
Net cash used in financing activities	-4,126,147	-1,153,480
Net increase in cash and cash equivalents	14,066,690	10,773,498
Opening balance of cash and cash equivalents	28,202,590	983,305
Closing balance of cash and cash equivalents	42,269,280	11,756,803

16.5 Separate Statement of Changes in Equity

Year 2018

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising on valuation at fair value			Total equity
						Investments	Financial instruments	Actuarial gains/losses	
Balance at 31 Dec 2017	58,420,965	89,562,703	18,765,115	126,842,241	17,261,911	10,893,272	-80,471	-1,013,085	320,652,651
Total comprehensive income for the period									
Profit for the period	0	0	0	0	13,460,356	0	0	0	13,460,356
Change in revaluation surplus of financial assets, less tax	0	0	0	0	0	-191,391	0	0	-191,391
Change in fair value of hedging instruments, less tax	0	0	0	0	0	0	65,332	0	65,332
	0	0	0	0	13,460,356	-191,391	65,332	0	13,334,297
Balance at 31 Mar 2018	58,420,965	89,562,703	18,765,115	126,842,241	30,722,267	10,701,881	-15,139	-1,013,085	333,986,948

Year 2017

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising on valuation at fair value			Total equity
						Investments	Financial instruments	Actuarial gains/losses	
Balance at 31 Dec 2016	58,420,965	89,562,703	18,765,115	110,270,537	20,321,603	8,333,091	-340,097	-907,968	304,425,949
Total comprehensive income for the period									
Profit for the period	0	0	0	0	12,959,299	0	0	0	12,959,299
Change in revaluation surplus of financial assets, less tax	0	0	0	0	0	366,175	0	0	366,175
Change in fair value of hedging instruments, less tax	0	0	0	0	0	0	62,244	0	62,244
	0	0	0	0	12,959,299	366,175	62,244	0	13,387,718
Balance at 31 Mar 2017	58,420,965	89,562,703	18,765,115	110,270,537	33,280,902	8,699,266	-277,853	-907,968	317,813,667

17 Notes to the Separate Financial Statements

Luka Koper, d. d., a port operator and logistic provider, (hereinafter: Company) with registered office at Vojkovo nabrežje 38, Koper in Slovenia is the controlling company of the Luka Koper Group.

The company's Financial Statements are compiled for January – March 2018 resp. as at 31 March 2018.

Statement of compliance

The interim Report has been compiled in accordance with the International Accounting standards 34 – Interim Financial Reporting. The company's financial statements have been compiled in accordance with International Reporting Standards as adopted by the International Accounting Standards (IASB) and European Union and in compliance with Companies Act RS.

Basis for the compilation of financial statements

The financial statements are compiled in euros (EUR), rounded to the nearest unit. Through these consolidated financial statements the company wants to provide the broadest sphere of users useful information on the company's performance from January – March 2018, in comparison with the comparable data for the previous year, together with the company's financial position as at 31 March 2018 in comparison with 31 December 2017.

Separate financial statements of Luka Koper, d. d., for the reporting period January – March 2018 are not audited, whilst the financial statements for the comparable period as at 31 December 2017, are audited.

Changes in accounting policies

The non-audited financial statements of the Luka Koper, d.d. for the reporting period are compiled in accordance with the same accounting policies and principles that were applicable in 2017, except for the following changes:

As from 1st January 2018, Luka Koper, d. d. started to apply two new standards and namely IFRS 9 – Financial instruments and IFRS 15 – Revenues from contracts with customers.

IFRS 9 – Financial instruments

The standard determines the requirements and rules for the recognition and the measurement of the financial instruments and replaces the standard IFRS 39 – Financial instruments: Recognition and Measurement.

IFRS 9 introduces new requirements relating to the classification and measurement of financial assets and liabilities, recognition of their impairment and the hedge accounting.

Classification of financial instruments according to IFRS 9:

Item	IAS 39	IFRS 9
Other investments, measured at cost	assets available for sale	Investments measured at fair value through the operating profit
Other investments, measured at fair value	assets available for sale	Investments measured at fair value through the comprehensive income
Given loans	loans and receivables	Assets valued at amortised cost
Operating receivables	loans and receivables	Assets valued at amortised cost
Cash and cash equivalents	loans and receivables	Assets valued at amortised cost

On the basis of a new standard, the company formed an impairment model for operating liabilities, which is not only based on realised credit losses, as applicable in case of IAS 39, but on expected credit losses. The company formed the value adjustment of receivables from outstanding liabilities with respect to the risk assessment, made for customers, of which overall turnover in a defined period exceeded 98 percent of all receivables.

IFRS 15 – Revenue from contracts with customers

The goal of the renewed standard is to give a robust framework for the recognition of revenues from contracts with customers, with clear principles and in-depth disclosures which should lead to the improved comparability of the revenue among the companies, line of business and capital markets. The basic principle of the framework is that the recognition of the revenue reflects the transfer of products and services to the customer in the amount which reflects the compensation for which the company expects it is justifiable, in exchange for these products and services. In order to achieve this goal, IFRS prescribes the application of five steps and namely:

- step 1 – identification of the contract,
- step 2 – identification of performance obligations,
- step 3 – determination of the price,
- step 4 – allocation of the transaction price,
- step 5 – recognition of the revenue

From the analyses of contracts with customers it results that the company fulfils the criteria of a new standard for the recognition of the revenue and that the obligations in contracts are adequately defined, which enables their classification and measurement as well the determination of the term of their fulfilment. Contracts with customers comprise sale of goods and services, which are accounted separately in financial statements.

The adoption of new standards IFRS 9 – Financial instruments and IFRS – Revenue from contracts with customers for Luka Koper, d. d. did not have any impact on the company's separate financial statements and meanwhile on the retained profit.

18 Additional Notes to Separate Income Statements

Revenue

(in EUR)	1-3 2018	1-3 2017
Revenue from sales with domestic customers based on contract with customer	16,308,603	15,821,343
- services	16,308,603	15,820,916
- goods and material	0	427
Revenue from sales with foreign customers based on contract with customer	38,512,890	35,985,622
- services	38,512,890	35,985,622
Revenue from sales with domestic customers from rentals	368,048	355,383
Revenue from sales with foreign customers from rentals	900	900
Total	55,190,441	52,163,248

On the basis of an analysis the company estimated that a new standard has no significant impact on the recognition of the net revenue from sale, therefore it only adjusted the structure of their accounting.

Other income

(in EUR)	1-3 2018	1-3 2017
Other operating income	1,569,361	179,223
Revaluation operating income	925,965	179,223
Income on sale of property, plant and equipment and investment property	785,678	91,492
Collected written-off receivables and written-off liabilities	140,287	87,731
Other income	237,386	153,168
Compensations and damages	142,406	105,144
Subsidies and other income not related to services	94,976	48,018
Other income	4	6
Total	1,806,747	332,391

Reversal of provisions in the amount of EUR 643,396 is related to the judgment, on the basis of which the liability was settled and the lawsuit was finally resolved.

Revaluation operating income are composed from revenue from sale of property, plant and equipment, investment property and from drawing of value adjustments from receivables. The company sold the building with the pertaining land and therefrom created EUR 736,455 of other revenue.

Cost of material

(in EUR)	1-3 2018	1-3 2017
Cost of auxiliary material	600,640	441,425
Cost of spare parts	1,354,514	1,148,944
Cost of energy	2,010,879	1,934,770
Cost of office stationary	50,352	39,229
Other cost of material	89,001	112,366
Total	4,105,386	3,676,734

Cost of services

(in EUR)	1-3 2018	1-3 2017
Port services	7,874,193	6,994,625
Cost of transportation	65,691	63,618
Cost of maintenance	1,861,079	1,430,110
Rentals	87,695	102,246
Reimbursement of labour-related costs	61,226	78,809
Costs of payment processing, bank charges and insurance premiums	201,690	174,141
Cost of intellectual and personal services	227,941	183,693
Advertising, trade fairs and hospitality	150,971	239,348
Costs of services provided by individuals not performing business activities	88,550	73,221
Sewage and disposal services	214,998	212,824
Information support	704,928	723,309
Concession-related costs	1,932,656	1,797,843
Costs of other services	787,602	931,374
Total	14,259,220	13,005,161

Within the costs of services, a major share represented cost of port services, and namely EUR 7,874,193. Providers of port's services perform port's services on goods (sorting, palletising, sampling, protection, marking, cleaning, transshipment and other), management of the of the port's machinery and similar.

Higher concession costs are attributable to higher revenue.

Employee benefits expense

(in EUR)	1-3 2018	1-3 2017
Wages and salaries	8,251,504	8,054,015
Wage compensations	1,200,988	997,236
Costs of additional pension insurance	371,819	346,045
Employer's contributions on employee benefits	1,550,802	1,479,566
Annual holiday pay, reimbursements and other costs	1,072,844	880,253
Total	12,447,957	11,757,115

In the first quarter of 2018, labour costs amounted to EUR 12,447,957, which is EUR 690,842 increase on the previous year. Higher costs are primarily attributable to new recruitments, since from March 2017 until March 2018 the company additionally employed 46 persons.

Amortisation and depreciation expense

(in EUR)	1-3 2018	1-3 2017
Depreciation of buildings	3,253,263	3,145,474
Depreciation of equipment and spare parts	3,563,715	2,804,055
Depreciation of small tools	5,065	5,285
Depreciation of investment property	157,990	157,591
Amortisation of intangible assets	161,136	158,279
Total	7,141,169	6,270,684

Other operating expenses

(in EUR)	1-3 2018	1-3 2017
Impairment costs, write-offs and losses on property, plant and equipment, and investment property	3,591	16,061
Expenses for allowances for receivables	144,824	62,677
Levies that are not contingent upon employee benefits expense and other types of cost	1,675,894	1,649,220
Donations	78,950	104,651
Environmental levies	35,624	22,579
Awards and scholarship to students inclusive of tax	2,653	5,096
Other costs and expenses	119,823	151,011
Total	2,102,778	2,013,695

Charges not depending on labour costs and other costs are substantially related to the use of building land which in January – March amounted to EUR 1,716,228 .

Other costs and expenses primarily represent damages in the amount of EUR 90,664 and legal costs in the amount of EUR 17,725.

Finance income and expenses

(in EUR)	1-3 2018	1-3 2017
Finance income - interest	298	601
Interest income - Group companies	0	232
Interest income - other	298	369
Finance income from operating receivables	58,360	40,588
Finance income from operating receivables due from others	58,360	40,588
Total finance income	58,658	41,189
Finance expenses – interest	-419,376	-238,416
Interest expenses – Group companies	-36,792	-43,620
Interest expenses – banks	-382,584	-194,796
Finance expenses for financial liabilities	-33,996	-16,091
Finance expenses for trade payables	-23	-54
Finance expenses for other operating liabilities	-33,973	-16,037
Total finance expenses	-453,372	-254,507
Net financial result	-394,714	-213,318

In January – March 2018, finance expenses for interests towards banks amounted to EUR 382,584, which is a year-on increase of EUR 187,788, primarily due to the loan drawing in 2017 and lower capitalization of interests costs.

Profit

In January – March 2018, Luka Koper, d. d. generated the operating profit in the amount of EUR 16,940,678, in the comparable period last year EUR 15,772,250. The financial result was negative and amounted to EUR – 394,714, likewise it was negative in the comparable period last year when it amounted to EUR –213,318. The profit before tax amounted to EUR 16,545,964, in the comparable period last year to EUR 15,558,932. Thus the company concluded the first quarter of 2018 with the net profit in the amount of EUR 13,460,356, whilst the net profit in the comparable period last year amounted to EUR 12,959,299. Income tax in the amount of EUR 3,085,608 has also been taken into account.

(in EUR)	31 Mar 2018	31 Mar 2017
Net profit for the period	13,460,356	12,959,299
Total number of shares	14,000,000	14,000,000
Basic and diluted earnings per share	0.96	0.93

19 Additional Notes to the Separate Statement of Financial Position

Property, plant and equipment

(in EUR)	31 Mar 2018	31 Dec 2017
Land	15,117,508	15,117,508
Buildings	242,892,429	245,729,683
Plant and machinery	89,244,284	91,568,985
Property, plant and equipment being acquired and advances given	15,430,129	15,401,963
Total	362,684,350	367,818,139

In the reporting period Luka Koper, d. d. invested in property, plant and equipment in the amount of EUR 1,947,001. The major investments were the following:

- Construction of the railway track 61,
- Purchase of two terminal tractors and
- Reconstruction of the engine housing and of exhaust pipes on the existing RTG cranes.

Investment property

(in EUR)	31 Mar 2018	31 Dec 2017
Investment property - land	14,546,862	14,747,020
Investment property - buildings	10,515,503	11,720,374
Total	25,062,365	26,467,394

Among investment property are land and buildings, under a lease and property, which increase the value of non-current investment. Investment property is valued using the cost model.

As at 31 March 2018, investment property amounted to EUR 25,062,365, which is EUR 1,405,029 decline in comparison with the previous year. This decrease is attributable to the sale of the building and the pertaining land in Prisoje.

Intangible assets

(in EUR)	31 Mar 2018	31 Dec 2017
Non-current property rights (concessions, patents, licences, trademarks and similar rights)	2,961,697	3,122,833
Total	2,961,697	3,122,833

Intangible assets of Luka Koper, d. d., account for rights, industrial property and other rights, comprising software, information systems and development-project programmes.

Shares and interests in Group companies

As at 31 March 2018, shares and interests in Group companies amounted to EUR 4,533,063. In the reporting period, there were no changes in shares and interests in Group companies.

Shares and interests in the associates

As at 31 March 2018, shares and interests amounted to EUR 6,737,709. In comparison with the situation as at 31 December 2017, their value stood at the same level.

Other non-current investments

(in EUR)	31 Mar 2018	31 Dec 2017
Other investments measured at cost	928,827	928,827
Other investments measured at fair value through equity	29,334,473	29,570,757
Total	30,263,300	30,499,584

Deferred tax

(in EUR)	Deferred tax assets		Deferred tax liabilities	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Deferred tax assets and liabilities relating to:				
impairment of investments in subsidiaries	415,238	415,238	0	0
impairment of investments in associates	0	0	0	0
impairment of other investments and deductible temporary differences arising on securities	9,329,991	9,329,990	2,510,319	2,555,213
financial instruments	3,550	18,875	0	0
allowances for trade receivables	359,877	359,877	0	0
provisions for retirement benefits	251,092	251,092	0	0
provisions for jubilee premiums	51,462	51,462	0	0
long-term accrued costs and deferred income from public commercial services	453,983	453,983	0	0
Total	10,865,193	10,880,517	2,510,319	2,555,213
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,510,319	-2,555,213	-2,510,319	-2,555,213
Total	8,354,874	8,325,304	0	0

Inventories

As at 31 March 2018, inventories were recorded at EUR 1,107,126, whilst at the end of 2017, they amounted to EUR 1,037,066. The major part of these inventories is related to the maintenance material and spare parts, as well as the overhead and auxiliary material.

Trade and other receivables

(in EUR)	31 Mar 2018	31 Dec 2017
Current trade receivables:		
domestic costumers	18,576,657	16,581,025
foreign costumers	20,075,571	18,273,278
Current operating receivables due from Group companies	583,665	363,927
Current operating receivables due from associates	74,035	55,902
Current trade receivables	39,309,928	35,274,132
Advances and collaterals given	21,459	94,103
Receivables due from the state	1,730,448	1,596,594
Other current receivables	90,561	72,904
Total trade receivables	41,152,396	37,037,733
Short-term deferred costs and expenses	2,043,132	540,338
Accrued income	264,584	442,986
Other receivables	2,307,716	983,324
Total	43,460,112	38,021,057

Current trade receivables from contracts with customers as at 31 March 2018 amounted to EUR 39,309,928 and were ahead on by EUR 4,035,796 in comparison with the situation as at 31 December 2017. This increase is due to a higher realisation.

As at 31 March 2018, the company pledged receivables in connection with collateralising a bank loan in the amount of EUR 2,900,000. On the reporting date, these receivables amounted to EUR 141,632.

Among other receivables short-term deferred costs and expenses in the amount of EUR 2,043,132, related primarily to deferred costs from the paid annual holiday pay, insurance costs, loan costs and various future expenses as well as accrued income, which represent accrued income in the amount of EUR 264,584, which refer to income arising on expenses for European development projects, co-financed by European institutions in the amount of EUR 264,584.

In compliance with IFRS 9 – Financial instruments and on the basis of the accounting policy, the company formed for the first time the value adjustments of receivables from outstanding receivables according to key risk criteria. It results that the company held less than a percent of such receivables within the outstanding receivables, which would be risky due to the non-payments.

Maturity of trade receivables and receivables related to financial revenues:

(in EUR)	31 Mar 2018	Allowances 31 Mar 2018	31 Dec 2017	Allowances 31 Dec 2017
Outstanding and undue trade receivables	35,230,034	-110.347	30,628,915	0
Past due receivables:				
up to 30 days	3,830,119	0	4,775,829	-519,624
31 to 60 days overdue	156,776	-15,678	197,593	0
61 to 90 days overdue	114,925	-545,283	79,277	0
91 to 180 days overdue	535,317	-2,713	33,257	0
more than 180 days overdue	2,389,135	-2,272,357	2,501,102	-2,422,217
Total	42,256,306	-2,946,378	38,215,973	-2,941,841

Cash and cash equivalents

(in EUR)	31 Mar 2018	31 Dec 2017
Cash in hand	91	51
Bank balances	42,269,189	28,202,539
Total	42,269,280	28,202,590

Equity

(in EUR)	31 Mar 2018	31 Dec 2017
Share capital	58,420,965	58,420,965
Capital surplus (share premium)	89,562,703	89,562,703
Revenue reserves	145,607,356	145,607,356
<i>Legal reserves</i>	<i>18,765,115</i>	<i>18,765,115</i>
<i>Other revenue reserves</i>	<i>126,842,241</i>	<i>126,842,241</i>
Reserves arising from valuation at fair value	9,673,658	9,799,716
Retained earnings	17,261,911	690,207
Net profit for the period	13,460,356	16,571,704
Equity	333,986,949	320,652,651

Provisions

(in EUR)	31 Mar 2018	31 Dec 2017
Provisions for retirement benefits and similar obligations	3,553,687	3,184,782
Provisions for legal disputes	16,370,128	17,032,786
Total	19,923,815	20,217,568

In comparison to the balance as at 31 December 2017, the provisions for retirement benefits and similar increased by EUR 368,905, and namely from the formation of the post-employment benefits, as one-off payments at retirement, whilst the provisions for legal disputes decreased in the amount of EUR 662,658. The impact on the decrease of the provisions for the legal disputes was the concluded judgement, on the basis of which the company settled the liability in the amount of EUR 58,681, eliminated the difference and recognised among other revenues.

In compliance with Article 92 of MRS 37 – Provisions, Contingent liabilities and Contingent Assets, the company does not disclose the information about legal obligations, since their disclosure would create the judgement on the situation of the company in dispute with other customers.

Deferred income

(in EUR)	31 Mar 2018	31 Dec 2017
Long-term deferred income for regular maintenance	15,183,087	13,693,827
Long-term deferred income	4,462,686	4,472,390
Total	19,645,773	18,166,217

Non-current deferred income comprise income on regular maintenance, since in compliance with the Concession Agreement, Luka Koper, d. d., has the right and obligation to collect port dues, which is an income intended to cover the cost of performing public commercial services. In connection with any annual surplus of revenue over costs, the company forms deferred income for covering costs for public commercial services relating to regular maintenance of the port infrastructure in the coming years. If the expenses exceeded the amount of revenue, the company would draw the long-term deferred income.

In the reporting period, the company increased the short-term deferred income in the amount of EUR 1,489,260, which is attributable to a low investment in the regular maintenance of the port's infrastructure, as result of an unissued approval of the regular maintenance plan by the Ministry for infrastructure.

Deferred income is related on received European funds and are drawn in accordance with the lifetime of the assets.

Non-current loans and borrowings

(in EUR)	31 Mar 2018	31 Dec 2017
Non-current financial liabilities to Group companies	16,000,000	16,000,000
Non-current borrowings from domestic banks	69,298,602	71,419,979
Non-current borrowings from foreign banks	28,688,525	29,262,295
Total	113,987,127	116,682,274

Non-current financial liabilities from borrowings as at 31 March 2018 amounted to EUR 113,987,127, were EUR 2,695,147 lower than as at 31 December 2017, and namely due to the transfer of a share of liabilities to non-current liabilities.

Non-current operating liabilities

As at 31 March 2018, non-current operating liabilities amounted to EUR 1,119,351 and in comparison with 31 December 2017 were higher for EUR 152,249. To the major extent they are related to the reinvoiced excise duties.

Current borrowings

(in EUR)	31 Mar 2018	31 Dec 2017
Current borrowings from domestic banks	12,334,317	13,765,317
Current borrowings from foreign banks	2,295,082	2,295,082
Total	14,629,399	16,060,399

As at 31 March 2018, current borrowings from banks, were composed of the net effect of the transfer of a share of liabilities from non-current liabilities and repayment of loan principal.

Other current financial liabilities

As at 31 March 2018, other current liabilities amounted to EUR 265,730, whilst on 31 December 2017 they amounted to EUR 372,169 and represent the liabilities for interests, liabilities for the distribution of profit and liability for the payment of interest swap, which was entered as interest rate hedging and the current item of other non-current financial liabilities from the interest rate hedging.

Trade and other payables

(in EUR)	31 Mar 2018	31 Dec 2017
Current liabilities to:		
domestic suppliers	9,963,474	16,066,533
foreign suppliers	727,775	402,988
Current liabilities to Group companies	1,271,842	841,474
Current liabilities to associates	77,075	83,775
Current trade payables	12,040,166	17,394,770
Current liabilities from advances	993,367	1,018,067
Current liabilities to employees	3,694,554	3,587,424
Current liabilities to state and other institutions	274,002	1,560
Total operating liabilities	17,002,089	22,001,821
Accrued costs	10,229,790	3,832,708
Other operating liabilities	10,229,790	3,832,708

Total	27,231,879	25,834,529
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As at 31 March 2018, the whole structure of operating and other liabilities amounted to EUR 27,231,879, which is EUR 1,397,350 increase in comparison with 31 December 2017, but in the reporting period, current liabilities to suppliers decreased by EUR 5,354,604. This decrease is attributable to the repayment of the compensation for the building site in the amount of EUR 1,849,427, lower liabilities from the reinvoiced excise duties in the amount of EUR 1,290,527 and in general lower liabilities from investments in infrastructure.

Current liabilities from advances are to a greater extent related to grants received from the European Union for cover expenses on cofinanced projects which will incur in the future.

The accrued costs comprise the accrued costs for concession costs, collective job performance, interests for loans, costs of job performance benefits under individual contracts, costs for unused annual holiday and accrued costs for invoices to be received.

Contingent liabilities

(in EUR)	31 Mar 2018	31 Dec 2017
Guarantees given	1,610,000	1,610,000
Securities given	4,071,243	4,200,467
Contingent liabilities under legal disputes	3,725,272	1,933,240
Total contingent liabilities	9,406,515	7,743,707

Contingent liabilities from lawsuits in comparison with the situation as at 31 December 2017, increased by EUR 1,792,032 on the basis of lawyers' reports the company defined there were no risks for which the contingent liabilities should have been compared among the provisions for lawsuits.

Related party transactions

Transactions with the Government of the Republic of Slovenia

Transactions between Luka Koper, d. d., and the Government of the Republic of Slovenia in January – March 2018 were the following:

(in EUR)	Payments in 1-3 2018	Costs/expenses in 1-3 2018
Concessions and water reimbursement	1,599,284	1,932,656
Corporate income tax (taxes and advance payments)	1,595,016	3,085,608
Other taxes and contributions	1,447,041	1,550,802
Total	4,641,341	6,569,066

The company did not have other transactions with the Government of the Republic of Slovenia.

Transactions with companies where Government of the Republic of Slovenia has, directly or indirectly, controlling influence

Companies with capital assets of the State are companies where the Government of the Republic of Slovenia and the Slovenian Sovereign Holding jointly hold at least 20 percent controlling interest. The list of these companies is published on the Slovenian Sovereign Holding website (<https://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

In January – March 2018, Luka Koper, d. d., transactions conducted between the company and the companies where the Government of the Republic of Slovenia has a direct influence amounted to EUR 6,569,550, and include sales to these companies in the amount of EUR 2,610,052 and purchases in the amount of EUR 3,959,499. Most of sales referred to services in connection with the port activity, with the largest sale relating to the services in connection with the port activity, followed by purchase of energy, costs of railway transport, and insurance costs. As at 31 March 2018, Luka Koper, d. d., recorded receivables to these companies in the amount of EUR 1,736,671 and liabilities in the amount of EUR 22,499,351. The larger part of liabilities includes the loan by SID - Slovenske izvozne in razvojne banke, d. d., which was raised under market terms.

Transactions with subsidiaries and associates

In January – March 2018, several legal actions were performed among the associated companies within Luka Koper Group, in which the parent company acted as the buyer, supplier, lessor or in other role. The legal base for these transactions were various contracts, orders, offers and similar, for which market terms used for the transactions with unrelated parties, were applied.

Sale, purchase, finance income and expenses with subsidiary and associated companies

(in EUR)	1-3 2018	1-3 2017
Sale to subsidiaries	1,355,727	198,203
Sale to associates	144,133	191,705
Purchase from subsidiaries	1,420,260	1,396,499
Purchase from associates	130,355	153,103
Finance expenses for liabilities to subsidiaries	36,792	43,620
Total	3,087,267	1,983,362

Receivables and liabilities to subsidiary and associated companies

(in EUR)	31 Mar 2018	31 Dec 2017
Trade and other receivables due from subsidiaries	583,665	363,927
Trade and other receivables due from associates	74,035	55,902
Operating liabilities to subsidiaries	1,271,842	841,474
Operating liabilities to associates	77,075	83,775
Borrowings from subsidiaries	16,000,000	16,000,000

Transaction with persons

In January - March 2018, Luka Koper, d. d. did not have relevant transactions with the Members of the Management Board and the Members of the Supervisory Board.

Financial instruments and financial risk management

The most significant risks to which the company is exposed, include:

1. risk management of the change in fair value,
2. management of interest rate,
3. management of liquidity risk,
4. management of currency risk,
5. management of credit risk and
6. risk management relating to adequate capital structure.

The company's management of financial risks has been organised within the company's finance and accounting department. The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of unpredictability and, consequently, higher level of risk. The company has consequently tightened the control over individual financial categories. The company has recorded also other, primarily non-financial risks, which are described in detail under the chapter Risk management.

1. Risk management relating to change in fair value

As at 31 March 2018, the company has invested 5,5 percent of its assets (at the end of the previous year 5,7 percent) in investments measured at fair value. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential gain on their disposal. This type of risk was identified in association with investments in market securities of Slovenian companies. As at 31 March 2018, the value of non-current available-for-sale investments measured at fair value through equity, amounted to EUR 29,334,473. This value was composed of the value of shares of Slovenian companies and units of mutual fund assets.

Sensitivity analysis of finance investments at fair value:**Risk of change at fair value of securities as at 31 March 2018**

Change of index in %	Impact on equity
-10%	-2,933,447
10%	2,933,447

Risk of change at fair value of securities as at 31 December 2017

Change of index in %	Impact on equity
-10%	-2,957,076
10%	2,957,076

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 2,933,447. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by the same amount.

In this case, the amount of the difference in fair value would be recognised as either an increase or decrease in other comprehensive income within equity.

Fair value hierarchy

(in EUR)	Valuation at fair value			
	Carrying amount at 31 Mar 2018	Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measured at fair value				
Other interests and shares	29,334,473	29,334,473	0	0
Liabilities measured at fair value				
Interest rate hedging for borrowings	18,689	0	18,689	0

(in EUR)	Valuation at fair value			
	Carrying amount at 31 Dec 2017	Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measured at fair value				
Other interests and shares	29,570,757	29,570,757	0	0

Liabilities measured at fair value				
Interest rate hedging for borrowings	99,346	0	99,346	0

Shares and interests measured at fair value were valued at publicly applicable exchange rates at the Ljubljana Stock Exchange and the list of quotations of mutual funds.

Fair value of the interest rate swap was calculated by the bank.

2. Management of interest rate risk

With respect of its liability structure, the company faces also interest rate risk as an unexpected growth in variable interest rates can have an adverse effect on the planned results. In January – March 2018, the company succeeded in reducing the share of financial liabilities within its total assets by 3.2 percent with respect to the balance as at the end of the previous business year; as at the reporting date, these liabilities were recorded at EUR 128,882,256.

The share of financial liabilities in overall structure of liabilities decreased from 25.7 percent at the end of 2017 to 24.3 percent in the first quarter of 2018. The effect of the eventual change of variable interest on the future net profit after tax is shown in the table below.

In 2013 the controlling company, entered into an interest rate hedge for the largest borrowing with maturity in 2031. The instrument matures in the current year. As at 31 March 2018, the borrowing hedged against interest rate risk amounted to EUR 30,983,607 (as at 31 December 2017, it amounted to EUR 31,557,377). Possible change in variable interest rates could have an impact on 63.5 percent of total company's borrowings (at the end of 2017, this share amounted to 64.2 percent); as the residual 36.5 percent were hedged against possible change in variable interest rates.

Overview of exposure

(in EUR)	31 Mar 2018	Exposure 1-3 2018	31 Dec 2017	Exposure 1-3 2017
Borrowings received at variable interest rate (without interest rate hedge)	81,632,919	63.5%	85,185,296	64.2%
Borrowings received at variable interest rate (with interest rate hedge)	30,983,607	24.1%	31,557,377	23.8%
Borrowings received at nominal interest rate	16,000,000	12.4%	16,000,000	12.1%
Total	128,616,526	100.0%	132,742,673	100.0%

Sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations

(in EUR)	Borrowings from banks under the variable interest rate as at 31 Mar 2018	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	44,204,348	0	0	76,031
6M EURIBOR	37,428,571	0	0	85,711
Total effect on interests expenses	81,632,919	0	0	161,742

(in EUR)	Borrowings from banks under the variable interest rate as at 31 Dec 2017	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	47,756,725	0	0	81,664
6M EURIBOR	37,428,571	0	0	85,711
Total effect on interests expenses	85,185,296	0	0	167,375

The sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations was based on the assumption of potential growth in interest rates of 15, 25 and 50 bp. Given the assumption that variable interest rates of 15 resp. 25 bp, the company's interest expenses would in view of unchanged borrowing not grow. If the variable interest rates are to grow by 50 base points, the interest expenses would increase by EUR 161,742.

3. Management of liquidity risk

The liquidity risk is the risk that the company will fail to settle its liabilities at maturity. The company manages liquidity risk by regular planning of cash flows with diverse maturity. Additional measures for preventing from delays in receivable collection include regular monitoring of payments and immediate response to any delay and charging penalty interest in accordance with the uniform policy of receivable management.

(in EUR)	Up to 3 months	3 to 12 months	1 to 2 years	3 to 5 years	More than 5 years	Total
31 Mar 2018						
Loans and borrowings*	4,182,052	10,447,347	15,337,732	58,500,683	40,148,712	128,616,526
Accrued interest maturing in the next calendar year	65,345	0	0	0	0	65,345
Expected interest on all borrowings	410,272	752,673	1,004,209	1,903,855	778,347	4,849,356
Other financial liabilities	265,730	0	0	0	0	265,730
Payables to suppliers	12,040,166	0	0	0	0	12,040,166
Other operating liabilities	4,961,923	0	0	0	0	4,961,923
Total	21,925,488	11,200,020	16,341,941	60,404,538	40,927,059	150,799,046

31 Dec 2017						
Loans and borrowings*	2,974,147	13,086,251	16,004,399	55,203,051	45,474,824	132,742,673
Accrued interest maturing in the next calendar year	80,644	0	0	0	0	80,644
Expected interest on all borrowings	254,320	1,130,298	1,141,323	2,180,266	871,811	5,578,019
Other financial liabilities	372,169	0	0	0	0	372,169
Payables to suppliers	17,394,770	0	0	0	0	17,394,770
Other operating liabilities	4,607,051	0	0	0	0	4,607,051
Total	25,683,102	14,216,549	17,145,722	57,383,317	46,346,636	160,775,326

*The item includes also the borrowings from subsidiaries and associates

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars (USD). In the first quarter of 2018, the outstanding trade receivables do not even represent 0,5 percent of all receivables and therefore according to the company's estimates the share of trade receivables denominated in US dollars as at 31 March 2018, the risk is negligible from the point of view of eventual negative effects for the company.

5. Management of credit risk

Assets exposed to credit risk:

(in EUR)	31 Mar 2018	31 Dec 2017
Non-current loans	12,030	22,592
Non-current operating liabilities	41,772	41,772
Current loans	16,900	8,413
Current trade receivables	39,309,928	35,274,132
Other current receivables	2,307,716	1,763,601
Cash and cash equivalents	42,269,280	28,202,590
Guarantees and collaterals granted	5,681,243	5,810,467
Total	89,638,869	71,123,567

The management estimates that the company's exposure to credit risk is low, and due to the risk management mechanisms put in place, there is a low likelihood of damages.

6. Risk management relating to adequate capital structure

The identification of an optimal capital structure and consequently, the approximation of the the existing capital structure are of key importance for the company's performance.

(v evrih)	31 Mar 2018		31 Dec 2017	
	in EUR	Share (%)	in EUR	Share (%)
Equity	333,986,949	62.9%	320,652,651	61.8%
Non-current liabilities	154,676,066	29.1%	156,033,161	30.1%
Current liabilities	42,127,008	7.9%	42,267,097	8.1%
Total accumulated profit	530,790,023	100%	518,952,909	100%

20 Consolidated Financial Statements of the Luka Koper Group

20.1 Consolidated Income Statement

(in EUR)	1-3 2018	1-3 2017
Revenue	56,265,931	53,289,763
Capitalised own products and services	398,044	150,966
Other income	2,230,007	761,193
Cost of material	-4,313,123	-4,194,436
Cost of services	-13,635,245	-11,999,841
Employee benefits expense	-14,029,610	-13,320,323
Amortisation and depreciation expense	-7,361,209	-6,505,123
Other operating expenses	-2,172,539	-2,034,494
Operating profit	17,382,256	16,147,705
Finance income	60,140	42,643
Finance expenses	-418,234	-211,756
Loss from financing activities	-358,094	-169,113
Profit or loss of associates	434,598	449,124
Profit before tax	17,458,760	16,427,716
Income tax expense	-3,151,198	-2,392,306
Deferred taxes	-531	-119,161
Net profit for the period	14,307,031	13,916,249
Net profit attributable to owners of the company	14,304,755	13,912,563
Net profit attributable to non-controlling interests	2,276	3,686
Net earnings per share	1.02	0.99

20.2 Consolidated Statement of Other Comprehensive Income

(in EUR)	1-3 2018	1-3 2017
Profit for the period	14,307,031	13,916,249
Change in revaluation surplus of available-for-sale financial assets	-236,903	770,401
Deferred tax on revaluation of available-for-sale financial assets	45,011	-146,376
Change in fair value of hedging instruments	80,657	76,845
Deferred tax on change in value of hedging instruments	-15,325	-14,601
Items that will be reclassified subsequently to profit or loss	-126,560	686,269
Other comprehensive income	-126,560	686,269
Total comprehensive income for the period	14,180,471	14,602,518
Total comprehensive income of owners of the company	14,178,195	14,598,832
Total comprehensive income of non-controlling interests	2,276	3,686

20.3 Consolidated Statement of Financial Position

(in EUR)	31 Mar 2018	31 Dec 2017
ASSETS		
Property, plant and equipment	377,904,268	384,819,160
Investment property	15,504,808	15,329,841
Intangible assets	3,292,176	3,467,042
Shares and interests in associates	13,811,065	13,376,467
Other non-current investments	33,980,535	34,217,435
Loans given and deposits	12,030	22,592
Non-current operating receivables	41,772	41,772
Deferred tax assets	8,260,503	8,231,345
Non-current assets	452,807,157	459,505,654
Assets held for sale	864	864
Inventories	1,107,126	1,037,066
Deposits and loans given	88,090	79,541
Trade and other receivables	44,234,473	38,952,623
Deferred tax assets	3,727,962	4,528,725
Cash and cash equivalents	46,467,248	32,374,215
Current assets	95,625,763	76,973,034
TOTAL ASSETS	548,432,920	536,478,688
EQUITY AND LIABILITIES		
Share capital	58,420,965	58,420,965
Capital surplus (share premium)	89,562,703	89,562,703
Revenue reserves	145,607,356	145,607,356
Reserves arising from valuation at fair value	10,371,492	10,498,049
Retained earnings	60,460,733	46,155,978
Equity of owners of the parent	364,423,249	350,245,051
Non-controlling interests	194,612	192,336
Equity	364,617,861	350,437,387
Deferred income	21,710,901	20,271,398
Provisions	20,463,058	20,701,828
Loans and borrowings	97,987,127	100,682,274
Non-current operating liabilities	1,197,492	1,045,243
Non-current liabilities	141,358,578	142,700,743
Loans and borrowings	14,629,399	16,060,399
Other current financial liabilities	265,730	372,169
Trade and other payables	27,561,352	26,907,990
Current liabilities	42,456,481	43,340,558
TOTAL EQUITY AND LIABILITIES	548,432,920	536,478,688

20.4 Consolidated Statement of Cash Flows

(in EUR)	1-3 2018	1-3 2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	14,307,031	13,916,249
Adjustments for:		
Amortisation/Depreciation	7,361,209	6,505,123
Reversal and impairment losses on property, plant and equipment, and intangible assets	3,591	16,192
Gain on sale of property, plant and equipment, intangible assets and investment property	-800,631	-103,492
Allowances for receivables	205,035	68,918
Collected written-off receivables and liabilities	-140,287	-95,643
Reversal of provisions	-643,396	0
Finance income	-60,140	-42,643
Finance expenses	418,234	211,756
Recognised results of subsidiaries under equity method	-434,598	-449,124
Income tax expense and income (expenses) from deferred taxes	3,151,729	2,511,467
Profit before change in net current operating assets and taxes	23,367,777	22,538,803
Change in operating receivables	-5,178,807	-12,145,129
Change in inventories	-70,060	-127,883
Change in assets (disposal group) held for sale	1,502,197	0
Change in operating liabilities	1,052,183	17,164,497
Change in provision	152,146	-45,838
Change in non-current deferred income	1,433,595	1,193,131
Cash generated in operating activities	22,259,031	28,577,581
Interest expenses	-418,234	-182,156
Tax expenses	-2,350,435	-1,410,497
Net cash from operating activities	19,490,362	26,984,928
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	60,140	42,643
Proceeds from sale of property, plant and equipment, and intangible assets	804,222	103,492
Proceeds from sale, less investments and loans given	2,076	47,278
Acquisition of property, plant and equipment, and intangible assets	-2,111,775	-15,627,598
Acquisition of investments, increase in loans given	-63	-74
Net cash used in investing activities	-1,245,400	-15,434,259
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of current borrowings	-4,151,929	-1,153,480
Net cash used in financing activities	-4,151,929	-1,153,480
Net increase in cash and cash equivalents	14,093,033	10,397,189
Opening balance of cash and cash equivalents	32,374,215	5,826,536
Closing balance of cash and cash equivalents	46,467,248	16,223,725

20.5 Consolidated Statement of Changes in Equity

Year 2018

(in EUR)	Reserves arising on valuation at fair value								Total equity of owners of the parent company	Non-controlling interests	Total equity
	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Investments	Financial instruments	Actuarial gains/losses			
Balance at 31 Dec 2017	58.420.965	89.562.703	18.765.115	126.842.241	46.155.978	11.671.809	-80.472	-1.093.285	350.245.054	192.336	350.437.390
Total comprehensive income for the period											
Profit for the period	0	0	0	0	14.304.755	0	0	0	14.304.755	2.276	14.307.031
Change in revaluation surplus of financial assets, less tax	0	0	0	0	0	-191.892	0	0	-191.892	0	-191.892
Change in fair value of hedging instruments, less tax	0	0	0	0	0	0	65.332	0	65.332	0	65.332
	0	0	0	0	14.304.755	-191.892	65.332	0	14.178.195	2.276	14.180.471
Balance at 31 March 2018	58.420.965	89.562.703	18.765.115	126.842.241	60.460.733	11.479.917	-15.140	-1.093.285	364.423.249	194.612	364.617.861

Year 2017

(in EUR)	Reserves arising on valuation at fair value								Total equity of owners of the parent company	Non-controlling interests	Total equity
	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Investments	Financial instruments	Actuarial gains/losses			
Balance at 31 Dec 2016	58.420.965	89.562.703	18.765.115	110.270.537	47.414.033	8.702.160	-340.097	-987.563	331.807.853	171.068	331.978.921
Total comprehensive income for the period	0										
Profit for the period	0	0	0	0	13.912.563	0	0	0	13.912.563	3.686	13.916.249
Change in revaluation surplus of financial assets, less tax	0	0	0	0	0	624.025	0	0	624.025	0	624.025
Change in fair value of hedging instruments, less tax	0	0	0	0	0	0	62.244	0	62.244	0	62.244
	0	0	0	0	13.912.563	624.025	62.244	0	14.598.832	3.686	14.602.518
Balance at 31 March 2017	58.420.965	89.562.703	18.765.115	110.270.537	61.326.596	9.326.185	-277.853	-987.563	346.406.685	174.754	346.581.439

21 Notes to the Consolidated Financial Statements

The interim statements of Luka Koper Group for January – March 2018, i.e. as at 31 March 2018, encompass the financial statements of the controlling company Luka Koper, d. d., as the statements of its subsidiary enterprises, together with attributable profits and losses of associated companies.

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 2017:

- 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.

Statement of compliance

The interim Report has been compiled in accordance with the International Accounting standards 34 – Interim Financial Reporting. The Group's financial statements have been compiled in accordance with International Reporting Standards as adopted by the International Accounting Standards (IASB) and European Union and in compliance with Companies Act RS.

Basis for the compilation of financial statements

The financial statements have been compiled in euros (EUR), rounded to the nearest unit. Through these consolidated financial statements, Luka Koper Group wants to provide the broadest sphere of users useful information on the company's performance from January to March 2018, in comparison with data for the previous year, together with the Group's financial position as at 31

March 2018 in comparison with 31 December 2017.

The non-audited financial statements of the Luka Koper Group for the reporting period are compiled in accordance with the same accounting policies and principles that were applicable in 2017 except the following changes:

As from 1st January 2018, Luka Koper Group started to apply two new standards, and namely IFRS 9 – Financial instruments and IFRS 15 – Revenue from contracts with customers.

IFRS 9 – Financial instruments

The standard determines the requirements and rules for the recognition and the measurement of the financial instruments and replaces the standard IFRS 39 – Financial instruments: Recognition and Measurement.

IFRS 9 introduces new requirements relating to the classification and measurement of financial assets and liabilities, recognition of their impairment and the hedge accounting

Overview of the classification of financial instruments according to IFRS 9:

Item	IAS 39	IFRS 9
Other investments, measured at cost	assets available for sale	Investments measured at fair value through the operating profit
Other investments, measured at fair value	assets available for sale	Investments measured at fair value through the comprehensive income
Given loans	loans and receivables	Assets valued at amortised cost
Operating receivables	loans and receivables	Assets valued at amortised cost
Cash and cash equivalents	loans and receivables	Assets valued at amortised cost

On the basis of a new standard, the Group formed an impairment model for operating liabilities, which is not only based on realised credit losses, as applicable in case of IAS 39, but on expected credit losses. The company formed the value adjustment of receivables from outstanding liabilities with respect to the risk assessment, made for customers, of which overall turnover in a defined period exceeded 98 percent of all receivables.

IFRS 15 – Revenue from contracts with customers

The goal of the renewed standard is to give a robust framework for the recognition of revenues from contracts with customers, with clear principles and in-depth disclosures which should lead to the improved comparability of the revenue among the companies, line of business and capital markets. The basic principle of the framework is that the recognition of the revenue reflects the transfer of products and services to the customer in the amount

which reflects the compensation for which the company expects it is justifiable, in exchange for these products and services. In order to achieve this goal, IFRS prescribes the application of five steps and namely:

- step 1 – identification of the contract,
- step 2 – identification of performance obligations,
- step 3 – determination of the price,
- step 4 – allocation of the transaction price,
- step 5 – recognition of the revenue

The Group has made the effect of the impact of IFRS 15 for all Group's companies and actually perceived the impacts in the parent company.

According to a new standard, the Group did not have relevant differences in the recognition of the revenue from the sale of goods and services. From the analysis of the contracts with customers it results that the Group fulfils the criteria of a new standard for the recognition of the revenue and that the obligations in the contracts are adequately defined, which enables their classification and measurement as well as the determination of the term for their fulfilment. Contracts with customers comprise sale of goods and services, which are accounted separately in financial statements.

The adoption of new standards IFRS 9 – Financial instruments and IFRS 15 – revenues from contracts with customers for Luka Koper Group did not have any impact on the Group's financial statements and meanwhile on the retained profit.

22 Additional Notes to the Consolidated Income Statement

Revenue

(in EUR)	1-3 2018	1-3 2017
Revenue from sales with domestic customers based on contract with customer	17,191,300	16,781,906
- services	17,191,300	16,781,479
- goods and material	0	427
Revenue from sales with foreign customers based on contract with customer	38,762,788	36,166,685
- services	38,762,788	36,166,685
Revenue from sales with domestic customers from rentals	310,943	310,272
Revenue from sales with foreign customers from rentals	900	30,900
Total	56,265,931	53,289,763

On the basis of the analysis the Group estimated that new standards do not have an essential impact on the recognition of net revenue from sale, therefore only the structure of their accounting was adjusted.

Other income

(in EUR)	1-3 2018	1-3 2017
Other operating income	1,968,521	607,977
Reversal of provisions	643,396	0
Subsidies, grants and similar income	384,207	408,842
Revaluation operating income	940,918	199,135
Income on sale of property, plant and equipment and investment property	800,631	103,492
Collected written-off receivables and written-off liabilities	140,287	95,643
Other income	261,486	153,216
Compensations and damages	166,109	105,173
Subsidies and other income not related to services	94,976	48,018
Other income	401	25
Total	2,230,007	761,193

The of EUR 643,396 is related on the judgement, on the basis of which the liability was finally settled and the lawsuit was finally resolved.

Revaluation operating income comprises the revenue from the sale of property, plant and equipment, investment property and from the drawing of the value adjustments from

receivables. The Group sold the building with the pertaining land, and thus other revenue in the amount of EUR 736,455 was generated.

Cost of material

(in EUR)	1-3 2018	1-3 2017
Cost of material	281	257
Cost of auxiliary material	739,479	903,264
Cost of spare parts	1,326,180	1,127,881
Cost of energy	2,093,856	1,996,088
Cost of office stationary	53,271	44,786
Other cost of material	100,056	122,160
Total	4,313,123	4,194,436

Cost of services

(in EUR)	1-3 2018	1-3 2017
Cost of services rendered in connection with the core activity	7,468,447	6,669,204
Cost of transportation	45,754	47,908
Cost of maintenance	1,449,420	1,090,255
Rentals	126,912	134,243
Reimbursement of labour-related costs	65,247	82,893
Costs of payment processing, bank charges and insurance premiums	234,626	191,294
Cost of intellectual and personal services	236,296	192,165
Advertising, trade fairs and hospitality	152,001	238,828
Costs of services provided by individuals not performing business activities	91,578	78,939
Sewage and disposal services	149,137	104,732
Information support	749,752	771,780
Concession-related costs	1,932,656	1,797,843
Costs of other services	933,419	599,757
Total	13,635,245	11,999,841

Within the costs of services the major share represent the costs of port's services, and namely EUR 7,468,447. The providers of port's services perform for the company port's services on goods (sorting, palletising, sampling, marking, weighing, cleaning, transshipment and other), management of the port's mechanisation and similar.

Higher concession costs are attributable to higher revenue.

Employee benefits expense

(in EUR)	1-3 2018	1-3 2017
Wages and salaries	9,294,568	9,070,638
Wage compensations	1,343,268	1,147,969
Costs of additional pension insurance	423,176	397,190
Employer's contributions on employee benefits	1,739,694	1,667,784
Annual holiday pay, reimbursements and other costs	1,228,904	1,036,742
Total	14,029,610	13,320,323

Labour costs in the first quarter of 2018 amounted to EUR 14,029,610, which is EUR 709,287 ahead on the comparable period last year. Higher labour costs are primarily attributable to new recruitments, since from March 2017 until March 2018 the Group additionally employed 44 persons.

Depreciation expense

(in EUR)	1-3 2018	1-3 2017
Depreciation of buildings	3,397,321	3,292,344
Depreciation of equipment and spare parts	3,730,661	2,987,128
Depreciation of small tools	5,625	5,986
Depreciation of investment property	52,736	49,248
Amortisation of intangible assets	174,866	170,417
Total	7,361,209	6,505,123

Other operating expenses

(in EUR)	1-3 2018	1-3 2017
Reversal of provisions	39,419	0
Impairment costs, write-offs and losses on property, plant and equipment, and investment property	3,591	16,192
Expenses for allowances for receivables	205,035	68,918
Levies that are not contingent upon employee benefits expense and other types of cost	1,685,487	1,661,510
Donations	81,226	106,161
Environmental levies	32,135	20,018
Awards and scholarship to students inclusive of tax	3,415	7,379
Awards and scholarship to students	2,000	2,400
Other costs and expenses	120,231	151,916
Total	2,172,539	2,034,494

Charges, not depending on labour costs and other types of costs are substantially related to the use of the building site which in January – March 2018 amounted to EUR 1,726,326.

Other costs and expenses mainly represent the damages in the amount of EUR 90,644 .

Finance income and expenses

(in EUR)	1-3 2018	1-3 2017
Finance income - interest	370	531
Interest income - other	370	531
Finance income from operating receivables	59,770	42,112
Finance income from operating receivables due from others	59,770	42,112
Total finance income	60,140	42,643
Finance expenses – interest	-382,584	-194,796
Interest expenses – banks	-382,584	-194,796
Finance expenses for financial liabilities	-35,650	-16,960
Finance expenses for trade payables	-31	-57
Finance expenses for other operating liabilities	-35,619	-16,903
Total finance expenses	-418,234	-211,756
Net financial result	-358,094	-169,113

Profit of the period

In January – March 2018, the Group generated the operating profit in the amount of EUR 17,382,256, in the comparable period last year EUR 16,147,705. The financial result was negative and amounted to EUR -358,094, as well it was negative in the equivalent period last year when it amounted to EUR -169,113. The profit before tax amounted to EUR 17,458,760, in the comparable period last year to EUR 16,427,716. The net profit of Luka Koper Group in the first quarter of 2018 amounted to EUR 14,307,031 (in the comparable period last year to EUR 13,916,249), whereof EUR 14,304,755 (in the comparable period of the previous year EUR 13,912,563) pertained to the parent company, to the non-controlling company EUR 2,276 (in the comparable period of the previous year EUR 3,686). Non-controlling interest pertains to the co-owner of the company TOC, d. o. o.

(in EUR)	31 Mar 2018	31 Mar 2017
Net profit for the period	14,304,755	13,912,563
Total number of shares	14,000,000	14,000,000
Basic and diluted earnings per share	1.02	0.99

23 Additional Notes to the Consolidated Statement of Financial position

Property, plant and equipment

(in EUR)	31 Mar 2018	31 Dec 2017
Land	18,086,601	18,286,759
Buildings	252,351,691	256,665,415
Plant and machinery	91,953,920	94,289,996
Property, plant and equipment being acquired and advances given	15,512,056	15,576,990
Total	377,904,268	384,819,160

In the first quarter of 2018, Luka Koper Group realised investments in property, plant and equipment in the amount of EUR 2,097,592. The major investments of Luka Koper Group were the following:

- Construction of the railway track 61,
- Purchase of two terminal tractors and
- Reconstruction of the engine housing and exhaustive tubes on the existing RTG cranes.

In March 2018, the Group sold the building in Prisoje with the pertaining land, and thereby the value of property, plant and equipment decreased by EUR 1,476,328.

Investment property

(in EUR)	31 Mar 2018	31 Dec 2017
Investment property - land	11,577,769	11,577,769
Investment property - buildings	3,927,039	3,752,072
Total	15,504,808	15,329,841

Among investment property are land and buildings, under lease and property which increase the value of non-current investments. Investment property is valued using the cost model.

Intangible assets

Intangible assets of Luka Koper Group account for rights, industrial property and other rights and development costs. The industrial property rights and other rights comprise software, informations

systems and development-project programmes and as at 31 March 2018 amounted to EUR 3,106,438 (as at 31 December 2017 they amounted to EUR 3,271,669). Development costs in the amount of EUR 185,738 (at the end of the previous year EUR195,373) incurred in the company TOC, d. o. o., and namely for the project CAPSorb (development of efficient ecological absorbents for the management of all types of spillages of hydrophilic and hydrophobic of hazardous and non-hazardous liquids on solid ground and water surfaces).

Shares and interests in associates

(in %)	Country	31 Mar 2018 Equity interest	31 Dec 2017 Equity interest
Associates:			
Adriaфин, d. o. o.	Slovenia	50.0	50.0
Adria Transport, d. o. o.	Slovenia	50.0	50.0
Adria-Tow, d. o. o.	Slovenia	50.0	50.0
Avtoservis, d. o. o.	Slovenia	49.0	49.0

(in EUR)	2018
Balance at the beginning of the period	13,376,467
Increase	
Attributable profits	434,598
- Adria Transport, d. o. o.	139,057
- Adria-tow, d. o. o.	133,147
- Adriaфин, d. o. o.	-9,535
- Avtoservis, d. o. o.	171,929
Balance at the end of the period	13,811,065

Other non-current investments

(in EUR)	31 Mar 2018	31 Dec 2017
Other investments measured at cost	3,414,602	3,414,602
Other investments measured at fair value through equity	30,565,933	30,802,833
Total	33,980,535	34,217,435

Deferred tax

(in EUR)	Deferred tax assets		Deferred tax liabilities	
	31 Mar 2018	31 Dec 2017	31 Mar 2018	31 Dec 2017
Deferred tax assets and liabilities relating to:				
impairment of investments in associates	415,238	415,238	0	0
impairment of other investments and deductible temporary differences arising on securities	9,351,157	9,351,157	2,692,821	2,737,833
financial instruments	3,550	18,875	0	0
allowances for trade receivables	381,366	381,366	0	0
provisions for retirement benefits	289,870	290,204	0	0
provisions for jubilee premiums	58,160	58,355	0	0
long-term accrued costs and deferred income from public commercial services	453,983	453,983	0	0
Total	10,953,324	10,969,178	2,692,821	2,737,833
Off-set with deferred tax liabilities relating to impairment of other investments and deductible temporary differences arising on securities	-2,692,821	-2,737,833	-2,692,821	-2,737,833
Total	8,260,503	8,231,345	0	0

Inventories

As at 31 March 2018, the value of inventories of material amounted to EUR 1,107,126, at the end of 2017 their value was EUR 1,037,066. The major share of inventories is related to the maintenance material and spare part, as well as overhead and auxiliary material.

Trade and other receivables

(in EUR)	31 Mar 2018	31 Dec 2017
Current trade receivables:		
domestic costumers	19,328,487	17,300,996
foreign costumers	20,307,277	18,439,648
Current operating receivables due from associates	74,035	5,902
Current trade receivables from contracts with customers	39,709,799	35,746,546
Current receivables due from dividends	0	50,000
Advances and collaterals given	26,711	94,490
Current receivables related to finance income	11,324	14,844

Receivables due from the state	1,888,925	1,955,276
Other current receivables	126,626	102,589
Total trade receivables	41,763,385	37,963,745
Short-term deferred costs and expenses	2,206,229	545,755
Accrued income	264,859	443,123
Other receivables	2,471,088	988,878
Total	44,234,473	38,952,623

As at 31 March 2018, current trade receivables from contracts with customers amounted to EUR 39,709,799 and in comparison with the situation as at 31 December 2017, increased by EUR 3,913,253. This increase is due to a higher realisation.

As at 31 March 2018, the Group pledged receivables in connection with collateralising a bank loan in the amount of EUR 2,900,000. On the reporting date this receivables amounted to EUR 141,632.

Among other receivables are comprised short-term deferred costs and expenses related primarily to deferred costs from the paid annual holiday, insurance costs, loan costs and various future expenses as well as accrued income which represent accrued income related to income arising on expenses for European development projects, co-financed by European institutions.

In compliance with the IFRS 9 – Financial instruments and on the basis of the accounting policy, the Group has formed for the first time the value adjustments of receivables according to key risk criteria. It results that the Group held less than a percent of such receivables within the outstanding receivables, which would be risky due to the non-payments.

Maturity of trade receivables and receivables, related to financial revenues:

(in EUR)	31 Mar 2018	Allowances 31 Mar 2018	31 Dec 2017	Allowances 31 Dec 2017
Outstanding and undue trade receivables	35,086,393	-110,347	30,882,773	0
Past due receivables:				
up to 30 days	4,247,407	0	4,963,985	-519,624
31 to 60 days overdue	214,181	-21,432	245,383	0
61 to 90 days overdue	146,607	-551,620	100,069	0
91 to 180 days overdue	617,885	-31,591	54,402	0
more than 180 days overdue	2,528,339	-2,404,699	2,619,720	-2,535,318
Total	42,840,812	-3,119,689	38,866,332	-3,054,942

Cash and cash equivalents

(in EUR)	31 Mar 2018	31 Dec 2017
Cash in hand	15,300	11,657
Bank balances	44,471,948	30,382,558
Current deposits	1,980,000	1,980,000
Total	46,467,248	32,374,215

Equity

(in EUR)	31 Mar 2018	31 Dec 2017
Share capital	58,420,965	58,420,965
Capital surplus (share premium)	89,562,703	89,562,703
Revenue reserves	145,607,356	145,607,356
<i>Legal reserves</i>	<i>18,765,115</i>	<i>18,765,115</i>
<i>Other revenue reserves</i>	<i>126,842,241</i>	<i>126,842,241</i>
Reserves arising from valuation at fair value	10,371,492	10,498,049
Retained earnings	46,155,978	27,766,161
Net profit for the period	14,304,755	18,389,817
Equity of owners of the parent	364,423,249	350,245,051
Non-controlling interests	194,612	192,336
Equity	364,617,861	350,437,387

Provisions

(in EUR)	31 Mar 2018	31 Dec 2017
Provisions for retirement benefits and similar obligations	4,092,930	3,669,042
Provisions for legal disputes	16,370,128	17,032,786
Total	20,463,058	20,701,828

Provisions for retirement benefits and similar obligations in comparison with the situation as at 31 December 2017 increased by EUR 423,888, and namely post-employment benefits from the one-off payment at the retirement, whilst the provisions for lawsuits decreased in the amount of EUR 662,658. The decrease of the provisions for lawsuits resulted from the completed judgement, on the basis of which the Group settled the liability in the amount of EUR 58,681, eliminated the difference and recognised among other revenue.

Deferred income

(in EUR)	31 Mar 2018	31 Dec 2017
Long-term deferred income for regular maintenance	15,183,087	13,693,827
Non-refundable grants received	4,916,973	4,916,166
Other long-term deferred income	1,610,841	1,661,405
Total	21,710,901	20,271,398

Non-current deferred income comprise income on regular maintenance, since in compliance with the Concession Agreement, Luka Koper Group has the right and obligation to collect port dues, which is an income intended to cover the cost of performing public commercial services. In connection with any annual surplus of revenue over costs, the company forms deferred income for covering costs for public commercial services relating to regular maintenance of the port infrastructure in the coming years. If the expenses exceeded the amount of revenue, the company would draw the long-term deferred income.

Long-term deferred income is to a major extent related to the grants and advance payments from grants for investments in European development projects, recorded by the parent company, and which are drawn in accordance with the life time of assets. Among the received grants the Group accounts also the withheld contributions of the employees salaries in the disability company Luka Koper INPO, d. o. o, and namely for the contributions for pension and disability insurance, sickness insurance and maternity care. The funds were drawn in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Act for the covering of salary costs of disabled persons in the amount of 75 percent and employment costs for staff for the period giving the assistance to disabled people.

Other long-term deferred income of the Group represent long-term deferred income, destined to covering the amortisation costs of assets.

Non-current loans and borrowings

(in EUR)	31 Mar 2018	31 Dec 2017
Non-current borrowings from domestic banks	69,298,602	71,419,979
Non-current borrowings from foreign banks	28,688,525	29,262,295
Total	97,987,127	100,682,274

Non-current financial liabilities from borrowings as at 31 March 2018 amounted to EUR 97,987,127, which is EUR 2,695,147 decline in comparison with the balance as at 31 December 2017. This decrease resulted from the transfer of a share of liabilities to the current liabilities.

Non-current operating liabilities

As at 31 March 2018, non-current operating liabilities amounted to EUR 1,197,492 and in comparison to 31 December 2017 were higher for EUR 152,249. To a major extent they are related to the received advances and reinvoiced excise duties.

Current borrowings

(in EUR)	31 Mar 2018	31 Dec 2017
Current borrowings from domestic banks	12,334,317	13,765,317
Current borrowings from foreign banks	2,295,082	2,295,082
Total	14,629,399	16,060,399

Other current financial liabilities

As at 31 March 2018, other current liabilities amounted to EUR 265,730 (at the end of 2017 they amounted to EUR 372,169) and represent the liabilities for interests, liabilities related to the distribution of profit or loss, liability for the payment of the interest swap, which was entered as interest rate hedging and the and the current item of other non-current financial liabilities from the interest rate hedging.

Trade and other payables

(in EUR)	31 Mar 2018	31 Dec 2017
Current liabilities to:		
domestic suppliers	10,616,447	16,973,624
foreign suppliers	763,968	413,868
Current liabilities to associates	77,075	83,776
Current trade payables	11,457,490	17,471,268
Current liabilities from advances	1,075,544	1,092,723
Current liabilities to employees	4,040,925	3,985,606
Current liabilities to state and other institutions	354,294	67,626
Total operating liabilities	16,928,253	22,617,223
Accrued costs or expenses	10,582,591	3,518,232
Other operating liabilities	50,508	772,535
Other operating liabilities	10,633,099	4,290,767
Total	27,561,352	26,907,990

As at 31 March 2018, the current trade payables of Luka Koper Group were higher by EUR 653,362 in comparison with the balance as at 31 December 2017. In the first quarter of 2018,

the current liabilities to suppliers decreased by EUR 6,357,177, and namely due to the repayment of the compensation for the building site in the amount of EUR 1,849,427, lower liability from the invoiced excise duties in the amount of EUR 1,290,527 and in general lower liabilities for the investments in the infrastructure.

Current liabilities from advances to a major extent relate to the funds received from EU for covering expenses which will incur in the future on the co-financed projects.

The accrued costs refer to accrued costs for concession fee, costs for the collective job performance, interests for loans, costs for job performance benefits under individual contracts, costs of unused holidays and accrued costs for invoices to be received.

Contingent liabilities

(in EUR)	31 Mar 2018	31 Dec 2017
Guarantees given	1,742,058	1,742,058
Securities given	4,071,243	4,200,467
Contingent liabilities under legal disputes	3,725,272	1,933,240
Total contingent liabilities	9,538,573	7,875,765

Contingent liabilities from lawsuits as at 31 December 2017 increased by EUR 1,792,032. On the basis of lawyers' reports the Group determined there were no risks for which it would be necessary to account the contingent liabilities among the provisions for lawsuits.

Transactions with the Government of the Republic of Slovenia

Transactions between Luka Koper Group and the Government of the Republic of Slovenia in January – March 2018 were the following:

(in EUR)	Payments in 1 - 3 2018	Costs/expenses in 1-3 2018
Concessions and water reimbursement	1,599,284	1,932,656
Corporate income tax (taxes and advance payments)	1,731,231	3,151,198
Other taxes and contributions	1,675,355	1,739,694
Skupaj	5,005,870	6,823,548

The Group did not have other transactions with the Government of the Republic of Slovenia.

Transactions with companies where Government of the Republic of Slovenia has, directly or indirectly, controlling influence

Companies with capital assets of the State are companies where the Government of the Republic of Slovenia and the Slovenian Sovereign Holding jointly hold at least 20 percent controlling interest. The list of these companies is published on the Slovenian Sovereign Holding website (<https://www.sdh.si/sl-si/upravljanje-nalozb/seznam-nalozb>).

In the first quarter of the Luka Koper Group, transactions conducted between the Group and the companies where the Government of Slovenia has a direct influence, amounted to EUR 6,666,438, and include sales to these companies in the amount of EUR 4,999,585 and purchases in the amount of EUR 1,666,853. Most of sales referred to services in connection with the port activity, with the largest sale relating to the services in connection with the port activity, followed by purchase of energy, costs of railway transport, and insurance costs. As at 31 March 2018, Luka Koper Group receivables to these companies in the amount of EUR 1,739,907 and liabilities in amount of 22,524,625. The larger part of liabilities includes the loan by SID - Slovenska izvozna in razvojna banka, d. d., which was raised under market terms.

Transaction with persons

In January - March 2018, Luka Koper Group did not have relevant transactions with the Members of the Management Board and the Members of the Supervisory Board.

Financial instruments and financial risk management

The most significant risks to which the Group is exposed, include:

1. risk management of the change in fair value;
2. management of interest rate,
3. management of liquidity risk,
4. management of currency risk,
5. management of credit risk and
6. risk management relating to adequate capital structure.

The Group's management of financial risks has been organised within the company's finance and accounting department. The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of unpredictability and, consequently, higher level of risk. The Group has consequently tightened the control over individual financial categories.

1. Risk management relating to change in fair value

As at 31 March 2018, the Group has invested 5.6 percent of its assets (at the end of 2017 5.7 percent), in investments measured at fair value, whereof 96 percent pertained to the parent company.

The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential gain on their disposal. This type of risk was identified in association with investments in market securities of Slovenian companies and units of mutual fund assets. As at 31 March

2018, the value of non-current available-for-sale investments measured at fair value through equity, amounted to EUR 30,565,933.

The sensitivity analysis of finance investments measured at fair value:

Risk of change at fair value of securities as at 31 March 2018

Change of index in %	Impact on equity
-10%	-3,056,593
10%	3,056,593

Risk of change at fair value of securities as at 31 December 2017

Change of index in %	Impact on equity
-10%	-3,080,283
10%	3,080,283

The sensitivity analysis of finance investments measured 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 3,056,593. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by the same amount.

In this case, the amount of the difference in fair value would be recognised as either an increase or decrease in other comprehensive income within equity.

Fair value hierarchy

(in EUR)	Valuation at fair value			
	Carrying amount at 31 Mar 2018	Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measured at fair value				
Other interests and shares	30,565,933	30,565,933	0	0
Liabilities measured at fair value				
Interest rate hedging for borrowings	18,689	0	18,689	0

(in EUR)	Valuation at fair value			
	Carrying amount at 31 Dec 2017	Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measured at fair value				
Other interests and shares	30,802,833	30,802,833	0	0
		0	0	0
Liabilities measured at fair value				
Interest rate hedging for borrowings	99,346	0	99,346	0

Shares and interests measured at fair value were valued at publicly applicable exchange rates at the Ljubljana Stock Exchange and the list of quotations of mutual funds.

Fair value of the interest rate swap was calculated by the bank.

2. Management of interest rate risk

With respect of its liability structure, the Group faces also interest rate risk as an unexpected growth in variable interest rates can have an adverse effect on the planned results. In the first quarter of 2018, the Group succeeded in reducing the share of financial liabilities within its assets by 5.7 percentage point with respect to the balance as at the end of the previous business year; as at the reporting date, these liabilities were recorded at EUR 112,882,256.

The share of financial liabilities in overall structure of liabilities decreased from 22 percent at the end of 2017 to 21 percent at 31 March 2018. The effect of eventual change of variable interest on the future net profit is shown in the table below.

In 2013, the controlling company entered into an interest rate hedge for the largest borrowing with maturity in 2031. The instrument matures in 2018. As at 31 March 2018, the borrowing hedged against interest rate risk amounted to EUR 30,983,607. Possible change in variable interest rates could have an impact on 72.5 percent of total Group's borrowings (in 2017, this share amounted to 73.0 percent), as the residual 27.5 percent were hedged against possible change in variable interest rates.

Overview of exposure

(in EUR)	31 Mar 2018	Exposure 2018	31 Dec 2017	Exposure 2017
Borrowings received at variable interest rate (without interest rate hedge)	81,632,919	72.5%	85,185,296	73.0%
Borrowings received at variable interest rate (with interest rate hedge)	30,983,607	27.5%	31,557,377	27.0%

Total	112,616,526	100.0%	116,742,673	100.0%
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The interest rate hedging instrument was during the hedging period fully compliant with the borrowing that is subject of the relevant hedge. The Group recognised possible changes to instrument's market values in the items of equity. The derivative interest rate is carried in the books of the account under the principle of hedge accounting.

Sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations:

(in EUR)	Borrowings from banks under the variable interest rate as at 31 Mar 2018	Increase by		
		15 bp	25 bp	50 bp
3M EURIBOR	44,204,348	0	0	76,031
6M EURIBOR	37,428,571	0	0	85,711
Total effect on interests expenses	81,632,919	0	0	161,742

(in EUR)	Borrowings from banks under the variable interest rate as at 31 Dec 2017	Increase by		
		15 bp	25 bp	50 bp
3M EURIBOR	47,756,725	0	0	81,664
6M EURIBOR	37,428,571	0	0	85,711
Total effect on interests expenses	85,185,296	0	0	167,375

The sensitivity analysis of borrowings from banks in view of the variable interest rate fluctuations is based on the assumption of potential growth in interest rates of 15, 25 and 50 bp. Given the assumption that variable interest rates of 15 or 25 bp, the Group's interest expenses would in view of unchanged borrowing not grow. If the variable interest rates are to grow by 50 base points, the interest expenses would increase by EUR 161,742.

3. Management of liquidity risk

Liquidity risk is the risk that the Group will fail to settle its liabilities at maturity. Luka Koper 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 charging penalty interest in accordance with the Group's uniform policy of receivable management.

In the last three years, due to the surplus of liquidity assets, the Group effected the prior repayment of bank loans.

(in EUR)	Up to 3 months	3 to 12 months	1 to 2 years	3 to 5 years	More than 5 years	Total
31 Mar 2018						
Loans and borrowings*	4,182,052	10,447,347	15,337,732	42,500,683	40,148,712	112,616,526
Expected interest on all borrowings	376,770	651,936	869,796	1,668,820	778,347	4,345,669
Other financial liabilities	265,730	0	0	0	0	265,730
Payables to suppliers	11,457,490	0	0	0	0	11,457,490
Other operating liabilities	5,470,763	0	0	0	0	5,470,763
Total	21,752,805	11,099,283	16,207,528	44,169,503	40,927,059	134,156,178
31 Dec 2017						
Loans and borrowings*	2,974,147	13,086,251	16,004,399	39,203,051	45,474,824	116,742,672
Expected interest on all borrowings	210,700	1,007,238	965,343	1,837,580	871,811	4,892,672
Other financial liabilities	372,169	0	0	0	0	372,169
Payables to suppliers	17,471,268	0	0	0	0	17,471,268
Other operating liabilities	5,145,955	0	0	0	0	5,145,955
Total	26,174,239	14,093,489	16,969,742	41,040,631	46,346,635	144,624,736

*The item includes also borrowings from associates

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars (USD). In the first quarter of 2018, the outstanding trade receivables do not even represent 0.5 percent of all receivables and therefore according to the Group's estimates the share of trade receivables denominated in US dollars as at 31 March 2018, the risk is negligible and therefore the Group did not decided to hedge this item.

5. Management of credit risk

Assets exposed to credit risk:

(in EUR)	31 Mar 2018	31 Dec 2017
Non-current loans	12,030	22,592
Non-current operating liabilities	41,772	41,772
Current deposits	71,190	71,128
Current loans	16,900	8,413
Current trade receivables	39,709,799	35,746,546
Other current receivables	2,053,586	2,217,199
Cash and cash equivalents	46,467,248	32,374,215
Guarantees and collaterals granted	5,813,301	5,942,525
Total	94,185,826	76,424,390

The Group estimates that the Group's exposure to credit risk is low, and due to the risk management mechanisms put in place, there is a low likelihood of damages.

6. Risk management relating to adequate capital structure

The identification of an optimal capital structure and consequently the approximation of the existing capital structure are of key importance for the Groups's performance.

(in EUR)	31 Mar 2018		31 Dec 2017	
	in EUR	in %	in EUR	in %
Equity	364,617,861	66,5%	350,437,387	65,3%
Non-current liabilities	141,358,578	25,8%	142,700,743	26,6%
Current liabilities	42,456,481	7,7%	43,340,558	8,1%
Total accumulated profit	548,432,920	100,0%	536,478,688	100,0%

Note: financial report tables are available also in .xls format in attachment to this PDF document.

25 Statement of the Management responsibility

The Management Board of Luka Koper, d. d., herein declares that the non-audited condensed financial statements of Luka Koper, d. d., and non-audited condensed consolidated statements of Luka Koper Group for the period ending 31 March 2018, have been compiled in order that they shall provide a true and fair disclosure of Luka Koper, d. d., and Luka Koper Group. The condensed financial statements January – March 2018 have been compiled in accordance with the same accounting policies and principles applicable in Luka Koper, d. d., and Luka Koper Group 2017 annual reports.

These condensed interim statements for the period ending 31 March 2017, were compiled in accordance to the International accounting Standards 34 – Interim Financial Statement, and should be considered in relation to the annual financial statements for fiscal year ending 31 December 2017. Financial statements for 2017 are audited.

The management Board shall be held responsible for the implementation of measures guaranteeing the preservation and growth of assets of Luka Koper d. d. and Luka Koper Group assets and detection of fraud and other irregularities and their elimination.

The Management Board declares that the associated companies of Luka Koper Group made mutual transactions on the basis of concluded agreements in which market prices for products and services were applied, namely, no business was conducted under unusual terms and conditions.

Members of the Management Board:



Dimitrij Zadel

President of the Management Board



Metod Podkrižnik

Member of the Management Board



mag. Irma Gubanec

Member of the Management Board



Vojko Rotar

Member of the Management Board – Labour Director

Koper, 17 May 2018