7th April 2010

LUKA KOPER D.D.

www.luka-kp.si

Port & Logistics

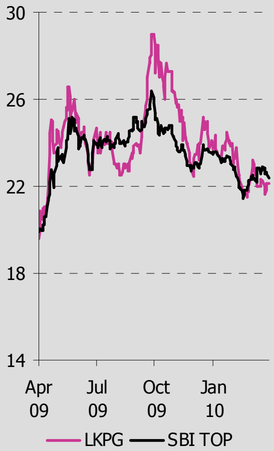
LJSE ticker: LKPG
Bloomberg: LKPG SV

Target price:
27 EUR

Previous target price:
27 EUR, HOLD (30.11.09)

Recommendation:
BUY

12 months stock performance in EUR



Stock data as of 7th April 2010

Market price (EUR)	22.7	Market Cap (EUR)	317.7m
52 week range (EUR)	18.9-29.0	No. of Shares	14.0m
Avg. daily trade vol., EUR(k)	53.3	Free float	30%
Average daily % of stock traded	0.016%	Dividend yield	0%

Price performance	3 months	12 months	Multiples:	TTM	2010F
			P/E	-7.1	43.1
price change in %	-9.2%	13.5%	EV/Sales	3.8	3.6
SBI TOP index change in %	-5.1%	10.7%	EV/EBITDA	20.7	13.4
relative to SBI TOP in %	-4.4%	2.4%	EV/EBIT	-2,791.6	38.2

Key figures (According to International Accounting Standards) *Consolidated data in EURm*

Income statement: *million €*	2008	2009	2010F	2011F	Balance sheet: *million €*	2008	2009	TTM
Sales	133.3	113.3	120.7	129.6	Investments	150.1	117.7	117.7
Growth yoy	*12.1%*	*-15.0%*	*6.5%*	*7.3%*	Cash	7.9	0.6	0.6
EBITDA	40.8	21.0	32.5	36.1	Debt	201.4	234.5	243.9
Margin	*30.6%*	*18.5%*	*26.9%*	*27.9%*	Net debt	43.3	116.2	116.2
EBIT	23.6	-0.2	11.4	14.3	Equity	307.6	260.3	260.3
Margin	*17.7%*	*-0.1%*	*9.4%*	*11.1%*	Assets	556.6	540.2	540.2
Net income	17.1	-43.6	7.2	7.9	Fin. D/E	65.5%	90.1%	93.7%
Growth	*n.m.*	*n.m.*	*n.m.*	*10.3%*	Fin. D/A	36.2%	43.4%	45.2%
EPS	**1.2**	**-3.1**	**0.5**	**0.6**	Debt/EBITDA	4.9	11.2	11.2

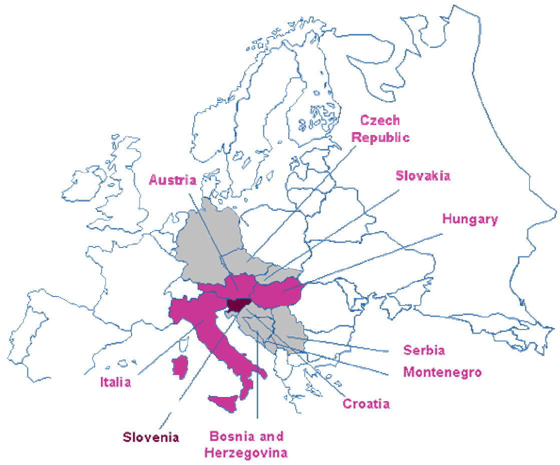
Investment Thesis:

Strategic location.

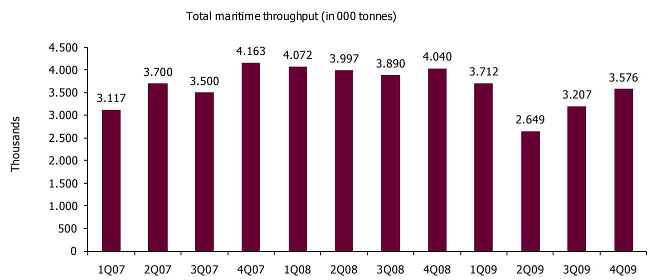
Movement to more value added cargo.

CAPEX cycle will enable growth in the future.

- **Strategic location of port**: The geographic location of Luka Koper (at the far end of the Adriatic Sea) is a crucial strategic advantage of the company. Not only are they the closest port for the domestic, Austrian and Hungarian markets, their position gives them an additional competitive advantage for Asian exporters since they can deliver cargo through the Adriatic sea to Central and SE Europe instead of sailing around Europe through the Mediterranean and Atlantic to ports in the Netherlands.



- **Cost effectiveness of maritime transport provided assurance of growth**: In the time of globalisation, companies are turning their attention to cost efficient transport. The most cost-effective by far is sea transport, followed by river transport, railways and, finally, lorry transport. Ratios of cost-effectiveness for these four types of transport are around 1 : 10 : 17.5 : 25. Due to this fact, the trend of increasing maritime throughput was present during the last decade. Luka Koper has benefited enormously since maritime throughput rose from 9.3 million tonnes in 2000 to over 16.0 million in 2008 (CAGR of 7%). Although the current slump in economic activity and world trade has also impacted Luka Koper, we already see the slow restoring of the trend, as 2Q09 was likely a bottom in throughput.



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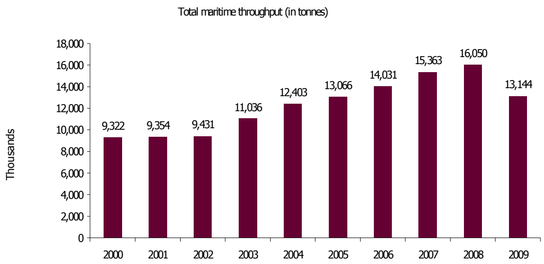
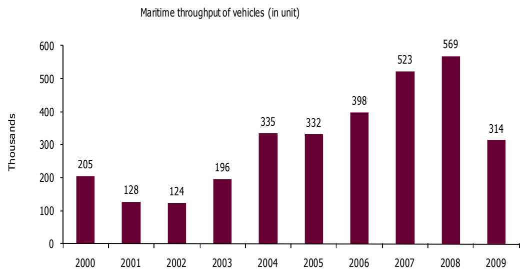
- **Cyclical upturn**: For the current year, global GDP growth is again expected, and with it, the world trade should also pick up. Although a double dip cannot be ruled out yet, and although the region is lagging in recovery, the growth is present again. This should be seen in revenue growth as well as in lower pressures on margins. As already mentioned the 4Q09 and first few months of 2010 showed a nice improvement in maritime throughput and gave a positive guidance for 2010.

- **The share of value added cargo increasing**: An important trend is the change of maritime throughput to more value-added cargo (i.e. containers, vehicles etc). CAGR for container transport from 2000 to 2008 was 19.2% and 13.6% for vehicles transport but this changed in 2009 due to global recession. Nevertheless, the cargo throughput structure is changing towards value added cargoes. From 2000, dry bulk and liquid cargoes shares in total throughput decreased by 16 percentage points to 63%.





- **High CAPEX will prevent a bottleneck in the future**: Extensions to the existing piers, an additional third pier and additional storage facilities will support continued high growth over the next decade. These expansions are again especially concentrated towards value added cargoes since the third pier will be specialized for container handling. The logistic bottleneck for Luka Koper is its railway connections, since there is only one track leading from Koper to Ljubljana. Nevertheless, Slovenia will finish its road network investment cycle in next few years and is therefore turning to the new investment cycle concentrated on the railroad network. Modernizations of the first track during phase one and construction of the second track in phase two will enable future growth by increasing the transportation capacity of infrastructure.

Risks:

- **Higher debt burden**: Luka Koper is currently ongoing a major investment cycle. Financing of the investments is problematic in the current environment, since debt can be acquired only at higher interest rates, while investments in the balance sheet can be sold only at very depressed levels. Debt levels are still increasing (+16.5% YoY or EUR 33.2m). Just in the last quarter financial debt increased by EUR 8.1m. Financial debt to EBITDA ratio is 6.6, Net debt to EBITDA 5.0. This poses a risk to continuation of CAPEX cycle, since financing will be difficult to obtain. Also debt will burden bottom-line in future years.

- **State ownership**: The majority government stake means additional political risk, as well as economic risk to shareholders, since in the past management did not sufficiently strive for cost reduction, which lead to margin stagnation. Political risk can be seen through keeping the shares of Intereuropa in times of very attractive valuations (and even though strategic cooperation or even joining the companies seemed as a very vague and unattractive prospect). This influenced 2009 results through write-offs, while further negative impact from Intereuropa in 2010 cannot be ruled out. Also, since costs (especially labour costs) were not managed enough, this negatively compensated growth of margins because of movement to value added cargo. Currently, there is also undergoing special audit of certain contracts under former management.

  Therefore although inclusion of strategic investor is still possible and while we acknowledge that their legal structure (a public company with majority state ownership) gave them a competitive edge over Italian ports (port authorities) since it gave the management more flexibility and power to enforce a more market oriented strategy, the government's decision that the company is a strategic asset cannot be assessed as positive for shareholders.

2009 Results and Recent news

Slump in throughput but QoQ dynamic improved

Results:

million €	FY2008	FY2009	YoY	4Q08	3Q09	4Q09	QoQ	YoY
Sales	133.3	113.3	**-15.0%**	32.5	27.4	28.3	**3.2%**	**-12.9%**
EBITDA	43.2	29.7	**-31.3%**	8.3	8.2	4.1	**-50.0%**	**-51.0%**
Margin	32.4%	26.2%		25.6%	29.8%	14.4%		
EBIT	23.6	8.3	**-65.0%**	3.0	2.6	-1.2		
Margin	17.7%	7.3%		9.3%	9.5%	-4.4%		
Net income	16.9	0.5	**-96.9%**	-3.0	0.6	-3.9		
Margin	12.7%	0.5%		-9.2%	2.2%	-13.9%		

Earnings for 2009 are adjusted

Throughput slump in 1H09, but recovery in 2H09.

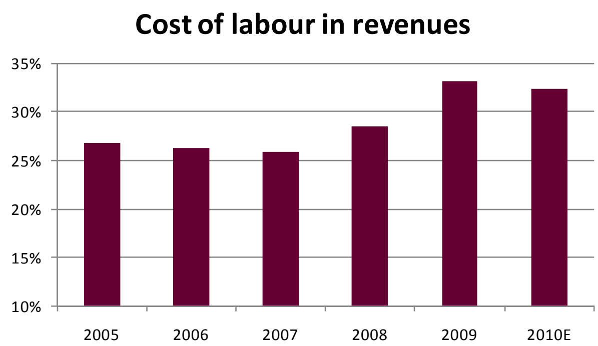
- Throughput slumped 17.9% YoY in 2009 to 13,143,620 tonnes, which inevitably hampered top line and bottom line. If total cargo throughput amounted in average to around 4 million tonne for a quarter, this fell to 2.6 million ton in 2Q09. On the other hand last two quarters showed a positive improvement, with QoQ growth rates of 21.1% and 11.5%, respectively. Although this meant only 3.6 million tonne of cargo throughput in 4Q09 or 11.5% YoY drop. As for container and vehicle throughput, they fell 3.0% and 44.7% YoY in 2009. Vehicle throughput collapsed and fell below 100 thousand vehicles per quarter. Container cargo proved to be the most resilient, but still had a difficult 1H09 with a QoQ growth of 21.2% in the final quarter. Vehicle throughput also picked up during the year, as bottom was reached in 1Q09.

Slow but steady increase in revenues.

- Net sales revenues declined by 15% in 2009 over 2008. Net sales have been increasing steadily for the last 3 quarters, gaining 8.6% from 2Q09 and 3.2% from 3Q09.
- Gross margins in 4Q dropped by 0.7 p.p. YoY but they were higher by 0.4 p.p. for 2009. Material costs declined by 27% YoY due to lower energy costs and positively influenced profit margins. On the other hand service costs were down 12% YoY mainly due to lower cargo throughput.

Erosion of margins.

- Labour costs decreased by 1% as they reduced the workforce for the first time in history (-4%). Nevertheless, overall costs did not follow a dramatic slump in revenues. Due to high investments in the past amortization increased in 2009 (+9.2% YoY). Therefore, EBIT margin fell from 17.7% to 7.3%, with 4Q09 margin pushed into negative territory. EBIT in 4Q09 was EUR -1.2m and was adjusted by EUR 8.4m of expenses due to the write-off of certain investments and tangible fixed assets.



Writeoffs influenced bottom-line.

- Luka Koper revaluated downwards certain financial investments in the amount of EUR 45.2m at the end of 2009. The largest impairments accompanied two investments - holdings in Slovakia's Trade Trans Invest a.s. and Intereuropa. The asset write-offs also encompassed the investments in land at Ankaran Bonifika. After adjustments, net income totalled only EUR 0.5m in 2009.
- Net debt increased by EUR 72.9m over 2008 and by EUR 51.9m over 3Q09. Financial debt to EBITDA increased from 4.9 in 2008 to a concerning 11.2 in 2009, but because of the importance of the port for the countries economy and government ownership structure refinancing should be mostly unproblematic.

CAPEX to slow down.

- Due to high investment cycle in the past management is expecting to invest only EUR 35.8m in company's infrastructure in 2010. This is a sharp decline from previous year (-67% YoY). They will try to sell some of their assets in order to fund some of their investments, while dividend payout will be zero or very low in 2010. We see this level of CAPEX reasonable since the company already has high levels of debt.
- In January Luka Koper achieved 1.5 million tonnes of cargo throughput, which represents the highest figure for any January and a very good sign for a 1Q09 throughput. Container throughput also increased 11% YoY, while vehicle throughput 4% YoY (although this is still a low number).

Relative valuation:

Company name	EV/S TTM	EV/S 2010F	EV/S 2011F	EV/EBITDA TTM	EV/EBITDA 2010F	EV/EBITDA 2011F	EV/EBIT TTM	EV/EBIT 2010F	EV/EBIT 2011F
FORTH PORTS	5.2	4.8	4.5	16.1	14.1	13.1	21.8	18.4	17.0
PIRAEUS PORT	2.4	2.4	2.2	12.8	7.6	8.1	21.7	10.8	13.7
LUKA PLOCE	2.1	n.a.	n.a.	24.9	n.a.	n.a.	295.7	n.a.	n.a.
LUKA RIJEKA	5.2	n.a.	n.a.	31.2	n.a.	n.a.	56.2	n.a.	n.a.
THESSALONIKI PORT	1.8	1.7	n.a.	13.0	8.9	n.a.	34.8	15.9	n.a.
HAMBURGER HAFEN	2.3	2.3	2.1	8.1	7.9	7.1	14.1	12.7	10.5
PORT OF TAURANGA	9.3	8.0	7.2	18.3	13.1	12.1	23.5	15.8	14.4
SOUTH PORT NZ	3.7	3.7	3.4	n.a.	10.9	9.6	15.2	15.7	13.3
LYTTELTON PORT	3.7	3.5	3.3	23.0	10.2	9.6	40.5	16.6	15.0
LUKA KOPER	**3.8**	**3.6**	**3.4**	**20.7**	**13.4**	**12.1**	**-2972.2**	**38.2**	**30.5**
Average:	4.0	3.8	3.8	18.4	10.4	9.9	58.2	15.1	14.0
Median:	3.7	3.5	3.3	17.2	10.2	9.6	23.5	15.8	14.0
LUKA KOPER/Median	104%	103%	102%	120%	131%	126%	-12639%	242%	218%

Peer analysis show current market price is slightly overvalued.

Company name	P/E TTM	P/E 2010F	P/E 2011F	P/E 5YR	P/B TTM	P/B 2010F	P/B 2011F	P/B 5YR	Div. yield
FORTH PORTS	24.5	25.8	22.7	n.a.	2.8	2.5	2.4	2.7	2.2
PIRAEUS PORT	34.4	16.7	23.4	31.4	1.9	1.7	1.5	2.5	0.0
LUKA PLOCE	87.0	n.a.	n.a.	n.a.	1.9	n.a.	n.a.	n.a.	0.0
LUKA RIJEKA	1992.6	n.a.	n.a.	n.a.	2.9	n.a.	n.a.	n.a.	0.0
THESSALONIKI PORT	41.6	46.4	n.a.	30.5	1.2	1.2	n.a.	1.5	1.3
HAMBURGER HAFEN	37.2	27.9	22.6	n.a.	3.1	3.3	3.1	n.a.	1.4
PORT OF TAURANGA	20.4	20.1	18.9	21.4	1.5	1.4	1.4	1.5	5.6
SOUTH PORT NZ	21.0	22.0	18.2	19.3	2.8	2.7	2.6	1.9	7.1
LYTTELTON PORT	31.0	24.8	21.9	21.3	1.9	1.8	1.8	1.7	3.0
LUKA KOPER	-7.3	43.1	39.1	21.5	1.2	1.2	1.1	1.9	0.0
Average:	254.4	26.2	21.3	24.8	2.2	2.1	2.1	2.0	2.3
Median:	34.4	24.8	22.2	21.4	1.9	1.8	2.1	1.8	1.4
LUKA KOPER/Median	-21%	174%	176%	101%	62%	65%	53%	106%	0%

Company name	EBITDA margin (%)	EBIT margin (%)	Profit margin (%)	Assets turnover	ROA TTM	Assets / Equity	ROE TTM	Debt / Equity	Net debt / EBITDA
FORTH PORTS	32.20	23.69	15.2	0.3	4.2	2.8	11.6	1.1	4.48
PIRAEUS PORT	18.97	11.21	7.3	0.4	2.8	1.9	5.5	0.2	-0.44
LUKA PLOCE	8.31	0.70	2.4	0.6	1.5	1.5	2.2	0.3	-0.61
LUKA RIJEKA	16.60	9.23	0.2	0.4	0.1	1.6	0.1	0.3	2.59
THESSALONIKI PORT	14.15	5.27	7.7	0.3	2.6	1.1	2.9	0.0	-9.65
HAMBURGER HAFEN	27.99	16.17	5.4	0.6	3.3	2.5	8.3	0.6	0.75
PORT OF TAURANGA	50.72	39.47	37.2	0.1	5.1	1.4	7.1	0.3	3.31
SOUTH PORT NZ	0.00	24.41	17.4	0.6	11.3	1.2	13.2	0.1	n.a.
LYTTELTON PORT	16.02	9.12	9.7	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
LUKA KOPER	18.50	-0.10	-46.8	0.2	-8.1	2.1	-16.8	0.9	5.54
Average:	20.55	15.47	11.40	0.42	3.85	1.75	6.36	0.36	0.06
Median:	16.60	11.21	7.70	0.38	3.07	1.55	6.28	0.28	0.75
LUKA KOPER/Median	111%	-1%	-608%	55%	-264%	134%	-268%	322%	735%

Peer valuation target: EUR 20.6

Luka Koper is trading with significantly higher multiples compared to its peers. EV/EBIT and P/E multiples are heavily influenced by the current investment cycle and write-offs, therefore we focused our valuation on EV/Sales and EV/EBITDA multiples, which imply a value of EUR 20.6 EUR for the share of Luka Koper. We also note that a low P/B multiple of 1.2 gives significant upside to valuation, since the average multiple of the peers' is 1.9. The implied value is EUR 35.0, but this has not been used in calculation of the target price.

During best years on the stock market EV/EBITDA topped at 37 and then fell to 7 in the beginning of 2009. Current multiple is near the historical average. Expected EV/EBITDA for 2010 at 13.4 makes the company look slightly undervalued, but the level of multiple is high.

EV/EBITDA

Outlook:

Conservative outlook from the Company

- Management is expecting to see business revenues increase in 2010 to EUR 116.5m, which means operating revenues, should be at the same levels as in 2009. They are planning operating expenses at EUR 107.9m. This is on a basis that Luka Koper throughput in 2010 will amount to 14.4m tonnes, which implies a 9.6% YoY growth. We are more optimistic for 2010 as we are expecting a 6.5% growth in operating revenues to EUR 120.7m. One of the reasons for our optimism is based on record throughput in TEU's in January (+11% YoY), which was also 25% above management expectations. Also, historically management predictions were mostly conservative in terms of throughput and revenues (with exception of 2009). In terms of cargo throughput the vehicle segment (+3% YoY in January) remains problematic since the recent pick up could as well be attributed to stimulus packages.

Margins will expand but not to the previous levels

- EBITDA margin has been steadily decreasing since 2005, dropping from 36.9% in 2005 to 18.5% in 2009. Luka Koper's management anticipate to generate EUR 34.4m of EBITDA in 2010. We expect only slight recovery in EBITDA margin to 26.9% in 2010 as any improvement in business conditions is normally met with demands for higher income for workers and because Luka Koper frequently failed to convert top-line growth into margin expansion.

- Net income will be negatively impacted by increasing interest costs as we expect net margin to reach 5.9% in 2010. Management expects EUR 9.7m of net income.

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Sales	88.5	101.8	119.0	133.3	113.3	120.7	129.6	140.8	154.1	169.1
Sales growth	0.0%	15.1%	16.8%	12.1%	-15.0%	7.5%	7.3%	8.6%	9.5%	9.7%
EBITDA	32.6	34.1	40.2	40.8	21.0	32.5	36.1	40.2	45.1	50.6
EBITDA margin	36.9%	33.5%	33.7%	30.6%	18.5%	26.9%	27.9%	28.6%	29.2%	29.9%
EBIT	18.3	19.4	23.4	23.6	-0.2	11.4	14.3	18.1	22.8	28.1
EBIT margin	20.7%	19.0%	19.7%	17.7%	-0.1%	9.4%	11.1%	12.9%	14.8%	16.6%
EBT	24.3	23.4	33.7	16.6	-47.2	-40.0	9.9	13.7	18.6	24.3
EBT margin	27.5%	23.0%	28.3%	12.4%	-41.6%	-33.1%	7.6%	9.7%	12.0%	14.4%
Net income	19.8	19.9	30.1	17.1	-43.6	7.2	7.9	10.9	14.9	19.5
Net income growth	0.0%	0.7%	51.2%	-43.2%	-354.9%	-116.4%	10.3%	38.5%	35.8%	31.0%

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Fixed assets	266.7	326.9	421.2	509.2	515.1	531.2	539.5	544.5	548.0	551.9
PPE	147.9	163.3	242.3	361.1	387.3	402.8	410.3	414.6	417.3	420.4
Intangible assets	1.1	0.7	1.1	5.9	7.0	7.4	7.7	8.1	8.5	9.0
LT-investments	117.7	162.0	176.7	139.3	114.5	114.5	114.5	114.5	114.5	114.5
Other fixed assets	0.0	1.0	1.1	2.9	6.3	6.6	6.9	7.3	7.6	8.0
Current assets	64.4	39.5	40.0	47.4	25.1	26.6	28.4	30.6	33.3	36.3
Inventories	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Trade receivables	18.7	22.3	29.0	23.8	21.0	22.9	24.6	26.7	29.3	32.1
Cash	6.1	0.6	2.0	7.9	0.6	0.0	0.0	0.0	0.0	0.0
ST-investments	39.4	16.4	8.7	10.8	3.2	3.3	3.4	3.5	3.6	3.7
Other current assets	0.1	0.1	0.2	4.9	0.3	0.3	0.3	0.3	0.4	0.4
Total Assets	331.1	366.4	461.2	556.6	540.2	557.8	567.8	575.1	581.3	588.2
Debt	36.0	35.5	58.6	201.4	234.5	243.9	246.3	242.7	234.4	222.9
ST-debt	1.5	2.3	52.0	97.5	84.4	87.8	88.7	87.4	84.4	80.3
LT-debt	34.4	33.3	6.6	103.8	150.1	156.1	157.7	155.4	150.0	142.7
Provisions	8.1	10.1	11.7	11.1	11.5	11.6	11.7	11.8	12.0	12.1
Trade payables	15.1	19.0	38.6	30.5	30.7	31.5	32.5	33.9	35.6	37.3
Other liabilities	1.0	6.9	11.5	2.6	3.0	3.0	3.0	3.0	3.0	3.0
Minority intrest	1.2	1.9	2.9	3.5	0.4	0.4	0.4	0.4	0.4	0.4
Equity	269.8	292.9	337.8	307.6	260.3	267.5	273.9	283.3	296.0	312.4

Year	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net profit margin	22.4%	19.6%	25.3%	12.8%	-38.5%	5.9%	6.1%	7.8%	9.6%	11.5%
Asset turnover	0.27	0.28	0.26	0.24	0.21	0.22	0.23	0.24	0.27	0.29
ROA	6.0%	5.4%	6.5%	3.1%	-8.1%	1.3%	1.4%	1.9%	2.6%	3.3%
Equity multiplier	1.23	1.25	1.37	1.81	2.08	2.09	2.07	2.03	1.96	1.88
ROE	7.3%	6.8%	8.9%	5.6%	-16.8%	2.7%	2.9%	3.9%	5.0%	6.2%
CAPEX/Depreciation	125.4%	204.6%	559.5%	828.7%	525.2%	173.3%	134.6%	119.3%	112.3%	113.7%
Financial debt/Equity	0.13	0.12	0.17	0.65	0.90	0.91	0.90	0.86	0.79	0.71
Financial debt/Assets	0.11	0.10	0.13	0.36	0.43	0.44	0.43	0.42	0.40	0.38
Net debt/EBITDA	-3.90	-4.21	-3.21	1.06	5.54	3.88	3.56	3.10	2.58	2.07
Working capital/ Sales	11.1%	3.9%	-6.4%	0.9%	-8.0%	-7.1%	-6.1%	-5.1%	-4.1%	-3.1%
ROIC	4.9%	5.2%	5.4%	4.8%	0.0%	1.8%	2.2%	2.8%	3.4%	4.2%
EV/Sales	3.3	5.1	9.5	2.5	3.8	3.6	3.4	3.1	2.8	2.4
EV/EBITDA	9.0	15.2	28.1	8.3	20.7	13.3	12.1	10.8	9.4	8.2
EV/EBIT	16.0	26.6	48.2	14.3	-2,791.6	38.1	30.5	23.9	18.6	14.7
P/E	21.3	33.1	41.7	17.2	-7.3	43.0	39.0	28.2	20.7	15.8
P/B	1.6	2.3	3.7	1.0	1.2	1.2	1.1	1.1	1.0	1.0

Discounted Cash Flow Valuation:

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	TV
NOPLAT	9.0	11.5	14.5	18.2	22.5	24.5	26.3	28.1	30.1	32.2	33.9
NOPLAT growth	n.m.	27.5%	26.3%	25.7%	23.6%	8.9%	7.3%	7.1%	7.0%	6.9%	5.2%
Depreciation	21.1	21.8	22.1	22.3	22.5	22.7	22.8	23.0	23.1	23.3	23.4
Depretiation/Sales	17.5%	16.8%	15.7%	14.5%	13.3%	12.8%	12.3%	11.9%	11.4%	11.0%	10.7%
CAPEX	36.6	29.3	26.4	25.1	25.6	25.6	25.6	25.6	25.6	25.6	25.6
CAPEX/Sales	30.3%	22.6%	18.7%	16.3%	15.1%	14.4%	13.8%	13.2%	12.6%	12.1%	11.7%
Change in net working capital	0.6	0.7	0.7	0.9	1.1	-0.3	-0.2	-0.3	-0.3	-0.3	-0.2
NWC/Sales	-7.1%	-6.1%	-5.1%	-4.1%	-3.1%	-3.1%	-3.1%	-3.1%	-3.1%	-3.1%	-3.1%
FCF to firm	**-7.1**	**3.3**	**9.5**	**14.6**	**18.3**	**21.9**	**23.8**	**25.8**	**28.0**	**30.2**	**32.0**

FCF valuation	
Value in forecasting period	102
Continuing value	481
Total enterprise value	**584**
Net debt	117
Equity value	**467**
No. of shares (in mio)	14.0
Equity value per share	**33.3**

WACC	2010	TV
Tax rate	20.0%	20.0%
Cost of debt	3.9%	3.9%
Beta	1.3	1.2
Cost of equity	10.5%	9.0%
Debt/Equity	79.4%	57.2%
WACC	**7.2%**	**6.9%**
Perpetuity growth rate		**3.5%**

As the current investment cycle is coming to an end (-67% YoY for CAPEX expenditure in 2010) we believe the company will focus on paying off debt. We don't expect any big asset impairment charges in 2010 given all the write-offs in 2009. More write-offs could still come from their stake in Intereuropa. Our main changes in DCF model include slower growth in the future and lower CAPEX. Terminal growth remains 3.5%, while WACC is 6.9%. We have structured our target price on the basis of 50% weight from peer analysis and 50% DCF analysis. Based on current forecasts we stick to our target price of EUR 27 and a buy recommendation.

Sensitivity analysis:

Sales growth 2015-2019

EBITDA margin 2015-2019	2.0%	3.0%	4.0%	5.0%	6.0%	7.0%	8.0%
27.0%	23.9	26.6	29.4	32.4	35.4	38.5	41.8
28.0%	24.2	26.9	29.8	32.7	35.7	38.9	42.1
29.0%	24.5	27.2	30.1	33.0	36.1	39.2	42.5
30.0%	24.8	27.5	30.4	33.3	36.4	39.6	42.8
31.0%	25.1	27.8	30.7	33.6	36.7	39.9	43.2
32.0%	25.4	28.1	31.0	34.0	37.0	40.2	43.5
33.0%	25.7	28.4	31.3	34.3	37.4	40.6	43.9

Perpetuity Growth

Perpetuity EBITDA margin	2.6%	2.9%	3.2%	3.5%	3.8%	4.1%	4.4%
27.0%	21.6	23.3	25.3	27.7	30.5	33.8	38.0
28.0%	23.1	24.9	27.1	29.6	32.5	36.1	40.6
29.0%	24.6	26.6	28.8	31.4	34.6	38.4	43.2
30.0%	26.1	28.2	30.5	33.3	36.7	40.7	45.7
31.0%	27.6	29.8	32.3	35.2	38.7	43.0	48.3
32.0%	29.1	31.4	34.0	37.1	40.8	45.3	50.9
33.0%	30.6	33.0	35.7	39.0	42.9	47.6	53.5

Perpetuity Growth

WACC	2.6%	2.9%	3.2%	3.5%	3.8%	4.1%	4.4%
5.4%	40.0	45.2	51.9	60.6	72.6	90.2	118.5
5.9%	33.8	37.5	42.0	47.7	55.0	64.7	78.4
6.4%	29.2	32.0	35.3	39.3	44.2	50.4	58.4
6.9%	25.7	27.8	30.4	33.3	36.9	41.2	46.5
7.4%	22.9	24.6	26.6	28.9	31.6	34.7	38.5
7.9%	20.6	22.0	23.7	25.5	27.6	30.0	32.9
8.4%	18.7	19.9	21.3	22.8	24.5	26.4	28.6

Implied multiples:

EV/EBITDA	2009	2010	2011
Current price	20.7	13.4	12.1
Target price	27.8	17.9	16.2
Terminal	14.3		

P/E	2009	2010	2011
Current price	-7.1	43.1	39.1
Target price	-10.7	65.2	59.2
Terminal	25.2		

Top5 shareholders:	
Republic of Slovenia	51.0%
SOD	11.1%
KAD	5.0%
Municipiality Koper	3.3%
KD GALILEO fund	1.1%

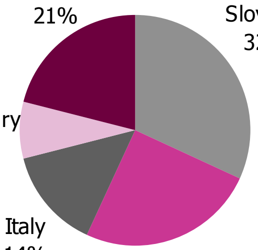
Brief Company profile

Luka Koper is Slovenia's sole port which provides port and logistics services to the economically developed town of Koper and nearby region. Providing warehousing and cargo handling services for all types of goods, Luka Koper serves Central and Eastern Europe. In recent years it is increasing its reach and efficiency by building a network of in-land terminal centres.

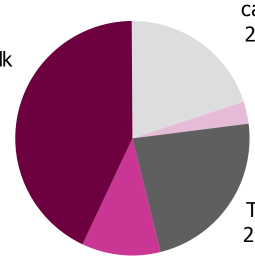
Luka Koper services are outlined as follows:

- Cargo handling. The handling of cargo both into and out of the port. It's handling liquid, dry bulk, general cargoes, vehicles and containers.
- Warehousing. The storage of cargos before onward movement into or out of the port.
- Specialised goods. The handling of specialised goods that require specialist treatment.
- Additional services.

Group sales by region (2009A)



Group sales by segment (2009A)



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Matej Justin, analyst
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