LUKA KOPER
Port of Koper

2008 ANNUAL REPORT
The Luka Koper Group and Luka Koper, d.d.

2008 ANNUAL REPORT
The Luka Koper Group and Luka Koper, d.d.

INVESTING IN QUALITY

**In 2008 we stepped up the investment projects in port infrastructure and development.
We believe that high quality is the strongest competitive advantage of our port and logistics services.
Reliability and efficiency have never been more important.**

Management Board of Luka Koper


LUKA KOPER

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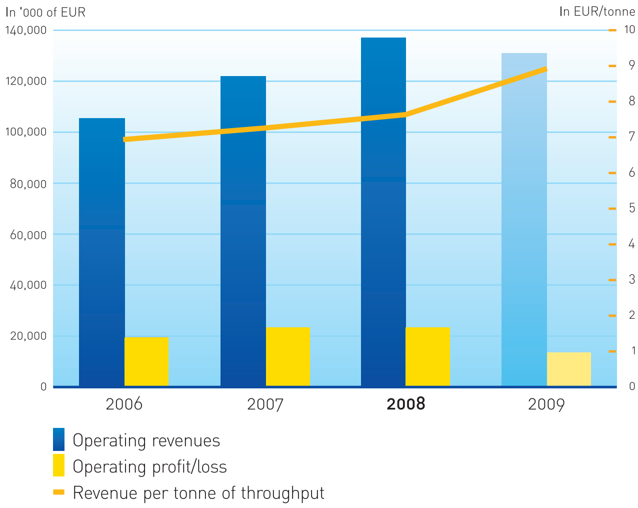
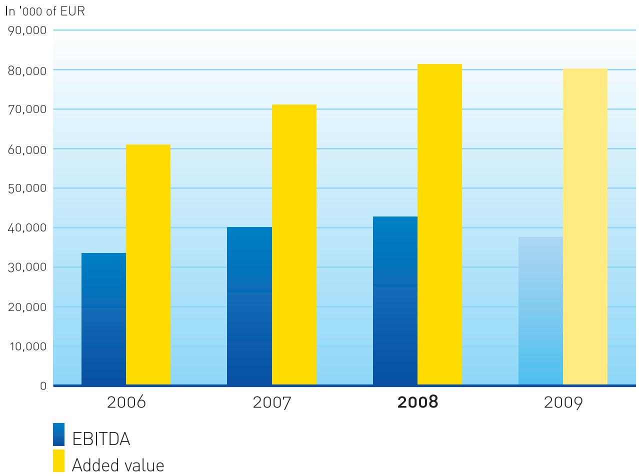
OPERATING HIGHLIGHTS OF THE LUKA KOPER GROUP

FINANCIAL INDICATORS



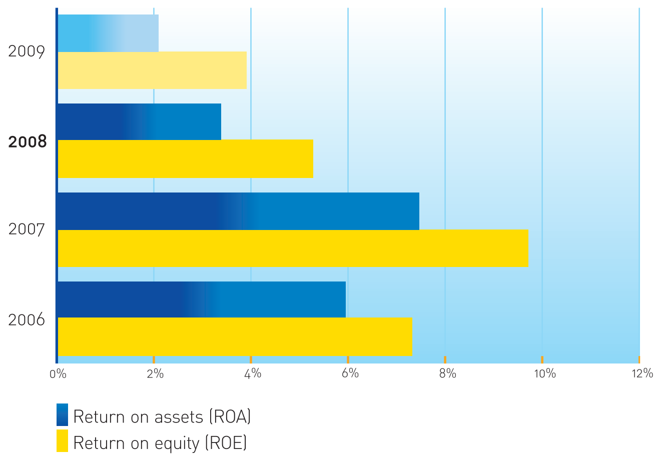
Movement in operating revenue, operating result and revenue per tonne of throughput

Average annual growth in operating revenues of the Luka Koper Group over the last three years stood at 14%. We plan to continue the structural growth of more profitable forms of goods handled by additional marketing incentives in 2009 and thus maintain a large throughput volume in spite of the announced drop in international goods flows.

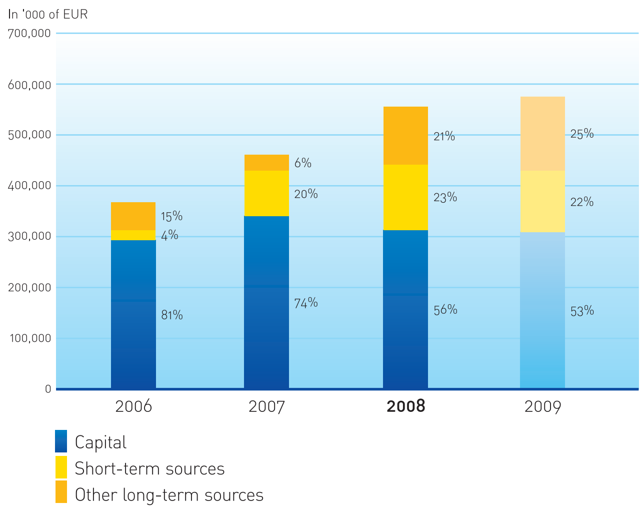


EBITDA and added value

In 2008, we crossed the economic category landmarks reflecting our performance in our basic activities. EBITDA (simplified cash flow from operating activities) grew to EUR 42.7 million, which is 7% more than the year before. A record volume of maritime throughput also influenced the structure and amount of operating costs, which we managed by efficient utilisation of internal reserves. Thus, added value was boosted by 14%. EBITDA for 2009 is expected to be lower, mainly on account of smaller projected revenues, while added value will decrease by no more than one percent due to cost control.



Return on assets (ROA) and return on equity (ROE)

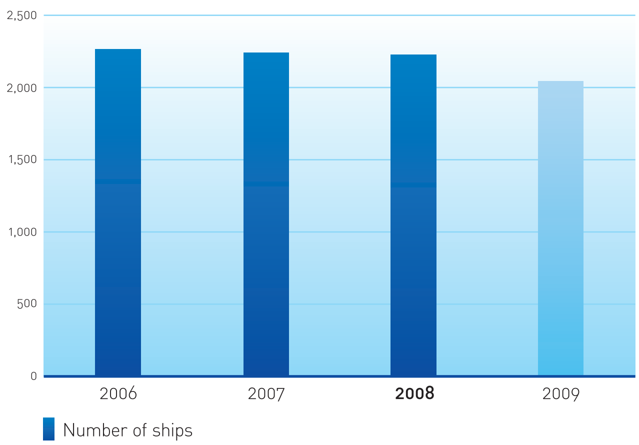


Capital and share of capital in total assets

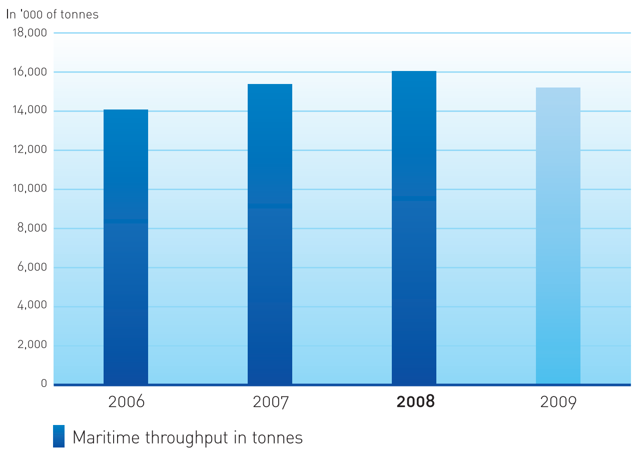
The investment cycle's impact is reflected in the higher total assets of the Luka Koper Group, this being the main cause of the lower return on assets. Profit growth at present is still lagging behind the increase in long-term assets, which is the result of long-term return on investments. The events in the capital and financial markets brought about a decrease in return on equity. In 2009, we forecast a minimum decrease in achieved levels.

The capital of the Luka Koper Group, totalling EUR 311 million, equals 56% of total assets and represents financial security and stability. The share of capital in total assets dropped owing to a changed liability structure in favour of cheaper debt equity needed for investment financing. The Luka Koper Group will continue its investment cycle in key projects and finance its growth through its own cash flow and increased borrowing, striving for balanced long- and short-term borrowed funds.

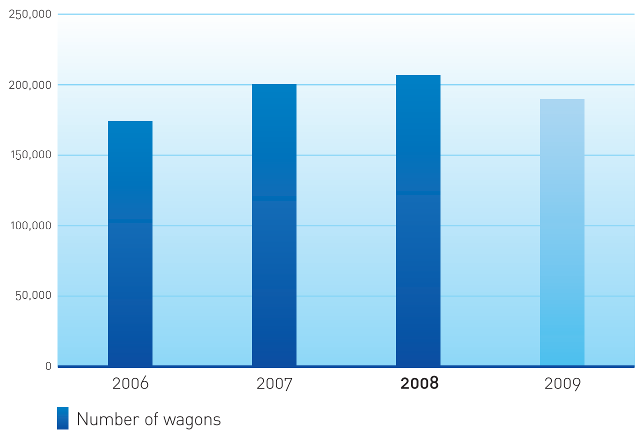
MARITIME THROUGHPUT AND MARKETS



Number of ships

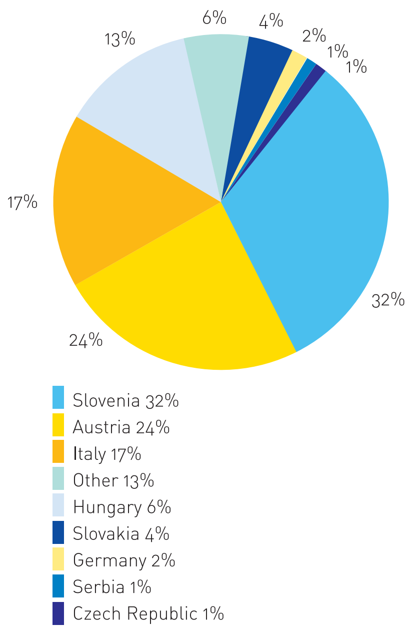


Maritime throughput in tonnes



Number of wagons

In the last two years, maritime throughput increased by 7% annually on average. This is mainly due to the throughput of containers, general cargo and cars. These are strategic cargoes, among the most acceptable environmentally. Due to the effects of the recession, we plan an 8% decrease in throughput in 2009. The downward trend in specific general cargo groups, cars and containers will be partly compensated for by dry and bulk cargoes.



Structure of maritime throughput by market in 2008

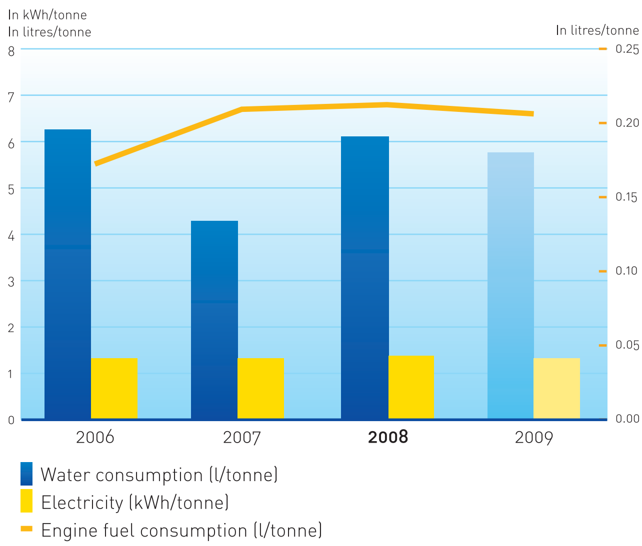
In 2008, transit throughput again accounted for two thirds. The share of throughput designated for the Slovenian market in 2008 was 32%, or 3 percentage points more than the year before.

THE SHARE

Movement in share price

Last year, the Luka Koper share suffered the same fate as the shares of the largest and best Slovenian companies. The SBI20 stock exchange index depreciated by 68% in 2008.
When trying to identify the reasons for the decline in the Luka Koper share value, we must also consider its exceptional growth peaking in August 2007. It was only reasonable to expect that the steep growth would be followed by a decrease in value. In spite of the fluctuations in the share price, we are convinced that every year the improved business results and exceptional development possibilities of the Port of Koper guarantee the long-term and stable growth of Luka Koper, d.d. and its share price.

CARING FOR THE ENVIRONMENT



Water and energy product consumption (electricity, engine fuel) per tonne of throughput

In our efforts to reduce energy consumption, we are introducing alternative energy sources, such as solar energy and energy recovered from waste. Engine fuel consumption is restricted by the intensified use of electrically driven machines. Since we have been increasing our service range related to specific types of goods and thus boosting added value, fuel consumption per tonne of throughput rose slightly. In 2009, we will maintain the use of energy sources at the levels of previous years, whereas we find it more difficult to adjust the water consumption to a smaller tonne volume due to the special characteristics of water.

BUSINESS DEVELOPMENT STRATEGY 2006–2015

WE ADJUST THE PATHS TO OUR GOALS TO MARKET CONDITIONS

By implementing strategic development policies, we strengthen our competitive advantages. During the economic crisis, which has also heightened the pressure on port and logistics activity, we have preserved the strategic orientations for the 2006–2015 period. The Business Plan for 2009 was tailored to the existing economic conditions and we thus merely adjusted the paths leading to our set strategic goals.

VISION AND DEVELOPMENT STRATEGY

We have taken numerous steps towards advancement for each of the four key strategic goals and orientations defined in the development strategy for the 2006–2015 period.
Given that economic conditions are stringent and unpredictable, we are looking for and creating new ways of achieving our strategic goals. This is the guideline of our business plans. On this basis we have planned operations and results for 2009. The realisation of the set goals will be regularly revised and we will respond to the market situation. In the event of major deviations from the assumptions considered in the 2009 Business Plan, we will adjust the plans.

VISION
LUKA KOPER – the leading port and logistics system servicing Central Europe.

MISSION
Port and logistics services as the simplest possibility for establishing business connections on the shortest route to the heart of Europe.

STRATEGIC ORIENTATIONS

Visible logistics service provider
We manage the links in the transport chain.

Efficient port system and distribution centre
We generate added value through technologically optimised processes and diverse product groups.

Group of companies successful in the long run
We develop modern and harmonised operations boosting return and guaranteeing the growth of asset value.

Ensuring sustainable development
We maintain a balance in relations with the corporate, natural and institutional environments and other stakeholders.

By means of fundamental VALUES - KNOWLEDGE, AMBITION, PARTNERSHIP, RESPECT AND RESPONSIBILITY - we realise our goals based on well-considered **STRATEGIES APPLYING TO KEY BUSINESS AREAS:**

- Infrastructural and technological development
- Financial asset management
- Institutional, natural and social environments
- Organisation, internal processes and human resources development
- Marketing and development of the product range

Read more about the development strategy until 2015 on our website: www.luka-kp.si.

IMPLEMENTATION OF PLANS, STRATEGIC GOALS AND ORIENTATIONS

First strategic orientation:

REMAIN A VISIBLE LOGISTICS SERVICE PROVIDER

Achievements in 2008

- We have reached a 4%, 9% and 16% increase in throughput, car throughput and container throughput, respectively.
- The throughput structure has been boosted in favour of liquid cargo, containers, fruit and vegetables.
- We arranged spatial acts and continued with the implementation of design concepts aimed at the expansion of the inland terminal in Sežana and the establishment of the same in the Prekmurje region.
- We began construction of a logistics centre and container terminal in Arad, Romania.
- The subsidiary Adria Transport, d.o.o. purchased three locomotives, which have already been licensed to operate in Slovenia, Austria and Germany.
- We took part in the most prominent transport and logistics trade fairs in Europe and the Far East.
- We moored 53 passenger ships with 18,000 passengers.

Plans for 2009

- Further activities in inland terminals in Sežana and the Prekmurje region.
- The logistics centre and container terminal in Arad, Romania will start operating.
- Intensified railway transport by own railway, especially to connect hinterland terminals.
- Strengthening our market position in vehicle throughput, also by space availability.
- Increasing the share of containers in the throughput structure.
- Opening a representative office in Italy and conducting intensive activities in key markets to improve the visibility of the transport route and logistics connection through Koper.
- We plan to be visited by 80 passenger ships with up to 50,000 passengers.

Second strategic orientation:

EFFICIENT PORT SYSTEM AND DISTRIBUTION CENTRE

Achievements in 2008

- EUR 147 million was spent on investments in port infrastructure and equipment.
- We finalised the investment in the extension of the operational shore of pier I.
- We completed the investment in the first construction phase of a car warehouse, which can now take up 2,750 cars.
- We invested in the terminal receiving oil derivatives.
- We upgraded our information support by using modules simplifying business processes and accelerating communication between port personnel.

Plans for 2009

- EUR 99.5 million for investments.
- Investments in the arrangement of hinterland areas of the extended operational shore of pier I.
- Continued investment in the car warehouse facility (for an additional 1,590 cars).
- Construction of a terminal for alcohols and oil derivatives.
- Delivery of four post-panamax cranes for unloading ships with a capacity of over 7,000 container units.
- Further development of information support and an assessment of impacts on productivity and efficiency of business processes also by considering the safety and reliability aspect of its operation.

More information about our investment plans is available in the chapter Investment Policy.

Third strategic orientation:

GROUP OF COMPANIES SUCCESSFUL IN THE LONG RUN

Achievements in 2008

- Operating revenues: + 12% or EUR 137.2 million.
- Operating profit: + 1% or EUR 23.6 million.
- Net profit: - 44% or EUR 17.2 million.
- Added value: + 14% or EUR 81.3 million.
- Added value per employee: + 10% or EUR 73,291.
- Maritime throughput: + 4% or 16 million tonnes.

Plans for 2009

Projected income statement for 2009 (in EUR)

2009 Plan	Luka Koper Group
Operating revenues	131,065,000
Operating costs	117,263,000
Operating profit or loss	13,802,000
Finance income	12,543,000
Finance expenses	12,770,000
Total profit or loss	13,575,000
Corporate income tax	1,540,000
Net profit or loss for the financial year	12,035,000

- Reduced throughput owing to global economic conditions and consequently a 4% drop in operating revenues.
- Maritime throughput will decrease by 8%.
- Lower return on sales (ROS), especially due to higher depreciation costs (investment cycle) and increased labour costs (collective agreement for the corporate sector). ROS will equal 11%.
- Achieving a 29% ratio between EBITDA and operating revenues in relative terms.
- Added value will decrease by 1%, reaching EUR 80.4 million.

Fourth strategic orientation:

ENSURING SUSTAINABLE DEVELOPMENT

Achievements in 2008:

- We signed a new collective agreement, which provides the basis for a healthy balance between economic, social, environmental and all other essential aspects related to the implementation of the port's development orientations.
- At the end of 2008, Luka Koper d.d. employed 786 people and the Luka Koper Group 1,109.
- We co-founded the company Adriasole, d.o.o., whose objective is to set up a photovoltaic power plant in the port area.
- We were among the founders of Ecoporto Koper, d.o.o., established for processing oily bilge waters.
- The average annual concentration of inhalable dust was below 33 µg/m3.
- We were the first in Slovenia to introduce continuous noise measurements at three border points.
- We continued implementing procedures for obtaining the EMAS environmental certificate and prepared an environmental statement.
- We strengthened partnerships in the wider social environment through sponsorships and donations.

Plans for 2009:

- Enforcement of the new collective agreement in practice, thus ensuring optimal organisation and rational use of resources.
- The average annual concentration of inhalable dust will not exceed 30 µg/m3.
- Decreased noise level at night time towards Koper to 48 dBA by 2012.
- Water consumption reduced to 5.8 litres per throughput tonne, electricity reduced to 1.35 kWh per throughput tonne, and fuel consumption reduced to 0.2 litres per throughput tonne.
- Environmental statement assessment and obtaining of the EMAS environmental certificate.
- Acquiring a concession for the mandatory public utility service of maintaining aquatic and inshore land in the entire area of the Slovenian sea.
- Actively follow developments in sports, culture and the wider social area through sponsorships and donations.

More information about our sustainable development plans is available in the Sustainable Development Report.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BUSINESS PLAN OF LUKA KOPER, D.D. FOR 2009

The Business Plan defines the following guidelines and goals:

- The operating revenues of Luka Koper, d.d. are projected to lag behind the 2008 level by 4%.
- We will strive to achieve a minimum decrease in return on sales, which in the given situation warrants efficient cost control.
- Higher labour costs, resulting mainly from the signing of the new collective agreement in 2008, will be mitigated by reduced material and service costs.
- Depreciation costs are planned to increase due to greater investments launched in 2008 and finalised in 2009.
- The concession fee will be higher, projected at 3.5% of operating revenue, reduced by charges received.
- The operating result of the parent company will be slightly over EUR 11.8 million. It will enable us to continue the started investments, needed for strengthening competitiveness and representing the most effective response to the economic crisis. The existing crisis is a great challenge for us as well, predominantly as regards the search for new markets and goods flows as well as operations.
- The planned investment volume is EUR 99.5 million, comprising:
  - arrangement of hinterland area at the container terminal;
  - purchase of new post-panamax cranes for unloading ships with a capacity of over 7,000 container units;
  - second construction phase of the car warehouse; and
  - construction of a terminal for alcohols, which will be built for a known customer.
- Other potential investment projects will be decided as they arise, taking the market conditions into account.
- Investments will be financed mainly from the Company's own cash flow and European funds. Special attention will be devoted to this segment, since the Cohesion Fund provides EUR 34.5 million for port infrastructure in Slovenia until 2013.
- Based on the situation in the financial and capital markets, we will adopt decisions on the divesting of financial investments that are not of strategic importance for the Company.
- The possibility of additional borrowing will be utilised as an additional source for financing investments.

»The consequences of the financial crisis will mostly be reflected in the decreased throughput of cars, general cargo and containers.«

Projected financial results of Luka Koper, d.d. for 2009

	2008	2009
Operating costs to operating revenues ratio	83%	90%
Simple cash flow (EBITDA) (in EUR)	37,672,252	33,371,000
EBITDA margin	31%	28%
Return on sales (ROS)	17%	10%
Capital to total assets ratio	55%	53%
Value added per employee (in EUR)	87,671	87,001

STATEMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD

DEAR RESPECTED SHAREHOLDERS AND ESTEEMED BUSINESS PARTNERS!

The main characteristic of the year 2008 for the Luka Koper Group was very intensive investment activity. The new investment cycle, set out in the jubilee year of 2007, started visibly changing the image of our port and hinterland terminals. All this could not have been possible without successful operations, which continued last year as well.

Even though the second half of the year already indicated the signs of the global economic crisis, the annual maritime throughput rose by 4% and exceeded the record 16 million tonnes. Owing to the efforts to improve the structure of throughput and due to suitable financial measures, operating revenue of Luka Koper, d.d., which accounts for the bulk of the Group's performance, increased by no less than 10%, reaching EUR 122.7 million. However, since costs rose as well, profit from the basic activity of the company remained at the 2007 level and totalled EUR 20.4 million.

Costs grew by 13% on account of several reasons. The lack of space in the port resulted in a relatively greater volume of goods handling, leading to higher internal logistics and transport costs. A significant portion of the higher costs was on the one hand due to the signing of the new collective agreement and consequently higher employee salaries and on the other due to the introduction of the concession fee, which is 3.5-times higher than the previous one.

Nevertheless, both the concession contract and the new collective agreement are without a doubt major landmarks of 2008. The collective agreement regulated and consolidated the social security of our employees. Following the example of the parent company, some subsidiaries signed collective agreements as well. The concession contract guarantees that we will be able to perform our activity in the Port of Koper without interruption for the next 35 years. I personally consider this a huge success, as we secured Luka Koper, d.d. the status of a stable and reliable business partner in the eyes of our customers.

The Group's business results are therefore good; however, this is not reflected in net profit as such. It amounted to a good EUR 17 million or 44% less than in 2007. The predominant reason for this decrease was the breakdown of the capital markets. Financial disinvesting would have been irrational in such circumstances. It is important that the impairment of financial investments did not influence the operations of the Group and its liquidity, as this is a strict accounting category. As regards the provision of sources of financing, we find operating profit a more relevant indicator. Last year, Luka Koper, d.d. allocated EUR 171 million to investments, of which as much as four fifths solely to port activity. Thus, total assets rose by 23%. I am satisfied mainly because last year we succeeded in completing some very important investments in port infrastructure. We extended pier I, concluded the first construction phase of the car warehouse, constructed new tanks for oil derivatives, fitted the fruit terminal with modern capacities and purchased some new equipment.

We aim to finalise some other launched projects, but we need fresh capital. We are relying on the state to help us, since it is surely aware of the positive impact of the operations of Luka Koper, d.d. on the entire Slovene economy. Every euro generated by the company corresponds to 13 euros earned nationally. That it is why it is especially important during the crisis to ensure continuous development of the Port of Koper, which is still one of the »draught horses« of the Slovene economy.

Today we can safely claim that the business strategy prepared by this Management Board and approved in spring 2006 was the right one. According to this strategy, we transformed available funds and resources into physical assets, real infrastructure and equipment, which even the greatest turmoils or disturbances in the financial markets cannot bring down or incapacitate. These investments will serve their purpose and yield revenue for decades to come. It is of particular importance that they have boosted our competitiveness, which is evident already in this year's throughput.

At a time when numerous companies, even large and important ones, are closing down plants and laying off employees, no such things are happening at Luka Koper d.d. The global recession has in fact hit all industries and is also reflected in our operations. Still, we can be relatively satisfied with the throughput recorded in the first months of this year. It is 1% higher than planned and only 9% lower than in the respective period the year before.

A comparison with the data about industrial activity trends in other industries and the economy in general shows that we have been much less affected by the crisis than numerous other companies. We come out on the high end of the comparison with nearby competitive ports as well. However, we have to approach the future with the right measure of concern as well, as the projections of economic growth are still worrisome.

Relatively good throughput results in the first quarter of 2009 are without a doubt the consequence of the favourable geographical location of our port. Namely, we established that some cargo owners redirected their goods from other ports to Koper in an attempt to reduce costs. Furthermore, the Port of Koper's advantage is its universality, as the decrease in throughput of one product group can be compensated for by the higher throughput of other goods. High-quality and reliable services are also important, being one of the major comparative advantages of Luka Koper, d.d.

We cannot ignore the positive impact of the infrastructure investments mentioned earlier. Were it not for the new capacities, all other enumerated comparative advantages would not have helped us. That is why we must further pursue this investment policy. The experts cannot agree on when the recession will end. Still, it will end sooner or later, and many believe that the crisis should be embraced as a challenge. Luka Koper, d.d. agrees with this, in particular because the neighbouring ports have already been preparing for a period of new trends and launching extensive investments in new capacities.

We expect our efforts and plans to be supported by the company's owners, especially the state, which is to provide stable long-term sources of financing and help us draw European development funds. Given our past achievements and that fact that even in this difficult period Luka Koper, d.d. remains a sound, stable and promising company, I feel we deserve their trust and all available support. We have the knowledge and the will, and we know where we want to go and how to get there. As a result, we can be optimistic about the future of the Slovene trade port and the Luka Koper Group.

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


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We have been boosting the quality of container transport services. The extension of pier I by 146 metres resulted in the expansion of the container terminal's capacities.
In January 2009, we moored the first container ship there, and in the middle of the year the new transhipment lifts will start operating.

LUKA KOPER GROUP AND ITS ACTIVITIES

DIVERSIFIED PORT AND LOGISTICS ACTIVITIES ARE SUPPLEMENTED BY ECOLOGICAL ACTIVITIES

The development foundations of the Luka Koper Group have been consolidated through major assets for strengthening the port and logistics activity: port management concession, new infrastructure, warehousing capacities, hinterland terminals and railway transport. Last year's establishment of companies engaged in waste processing, use of renewable energy sources and sea protection represented a step towards sustainability.

CONCESSION CONTRACT – SAFE DEVELOPMENT FOUNDATION

The concession contract on port activities, management, development and regular maintenance of port infrastructure in the area of the Port of Koper is the result of several years of harmonisation of the relationship between the Republic of Slovenia and Luka Koper, d.d. – from ownership transformation of the Company in 1996 through the conclusion of a lease contract in 2000 to the adoption of the Maritime Code in 2002, along with the pertaining secondary legislation.

Through negotiations and by harmonising the wording of the concession contract, the contracting parties succeeded in aligning the interests and conditions enabling the Republic of Slovenia to influence the only port in the country while at the same time providing foundations and conditions for the further successful operations and development of Luka Koper, d.d.

The shared goal of the two parties was to guarantee further development of the port, port infrastructure and related activities.

The essential elements of the concession contract are:

- duration of the concession contract;
- specification of the method for concession fee calculation;
- agreement between the contracting parties about the method of investing in port infrastructure;
- governance, management and operational rules applying to the port;
- ensuring the openness of the port;
- rights and obligations of the contracting parties in case the concession relationship terminates or is cancelled.

The term of the concession is 35 years, as specified by the Maritime Code. This is a suitable period for the concessionaire to ensure the foundations and realise its development ideas.

The agreed concession fee is 3.5% of the Company's operating revenues, reduced by charges received. The concession fee also includes rent and the right of superficies, and the concessionaire is exempt from the payment of the port user fee. It also encompasses water rights, the water fee and other duties related to sea usage.

Investments in port infrastructure are made by the concessionaire in agreement with the Republic of Slovenia and based on port infrastructure development programmes.

Management, governance and operation of the port have been divided between the concession grantor and the concessionaire; they also agreed on the methods of harmonised operation in order to achieve the concession goals serving their common interest.

Providing openness of the port is an obligation and goal of both contracting parties. The obligation involves offering services to everyone interested and eligible according to the principles of the EU acquis. It is the Company's goal to make the Port of Koper the primary and best port for the countries of Central and Eastern Europe.

The contract also defines the **termination and cancellation** of the concession relationship as well as the methods and consequences thereof.

In 2009, the concession fee is projected to total EUR 3.9 million, or 3.5-times the current lease amount, which is close to EUR 1.1 million.

»The common goal of the Republic of Slovenia and Luka Koper, d.d. is to ensure further development of the port, port infrastructure and related activities.«

ACTIVITIES OF THE GROUP EXPANDED AND UPGRADED

Our target is to provide support to customers throughout the logistics chain. Therefore we have been connecting our port activity with increasingly widespread logistics services. We have been developing four groups of complementing activities. In this way we foster business synergies and create the basis for a successful future and the development of the Luka Koper Group.

BASIC PORT ACTIVITIES AND LOGISTICS SERVICES

Basic port activities including throughput and warehousing are carried out in the scope of **Luka Koper, d.d.** at 11 specialised terminals in the Port of Koper.

The following activities are conducted at these terminals:

- additional services involving numerous types of goods,
- distribution centre services for a variety of goods (fruit and vegetables, cars, energy products, containers and others),
- integrated logistics solutions.

We have 44 hectares of indoor warehouses on 290 hectares of land area, 100 hectares of outdoor warehouses, 26 ship moorings on 3,134 metres of shore alongside 166 hectares of sea area.

We also operate in the following areas:

- managing the economic zone comprising the entire port area;
- managing and providing for the development and maintenance of port infrastructure in line with the concession contract;
- performing railway transport through the first private railway operator in the area of the Slovenian public railway infrastructure, **Adria Transport, d.o.o.** with the aim of establishing an efficient logistics route between the Port of Koper and its hinterland;
- providing vessel tow services through **Adria-Tow, d.o.o.** (which last year acquired a new tug named Zeus);
- in addition, we provide ship supply services through Adria-Tow, d.o.o. as well as sea rescue and assistance to vessels in the Port of Koper and the Izola Shipyard.

HINTERLAND TERMINALS

Port capacities can be optimally utilised only if upgraded by efficient transport and logistics connections. We have been consolidating our presence in Central and Eastern Europe by developing modern logistics and distribution centres.

We manage the Sežana land logistics centre through **Adria Terminali, d.o.o.** The Company is thus becoming the driving force behind the development of the **European Distribution Centre**, where the service range was rounded out last year with the purchase of **Adria Investicije, d.o.o.**

In the framework of the logistics centre and container terminal construction in Arad, Romania, we partnered up with two companies – **Railport Arad s.r.l.** and **SC Trade Trans Terminal s.r.l.** The terminal in Romania will be opened in the first half of 2009.

The 'Panonija' Distribution Centre will be constructed in Lipovci near Beltinci, enabling Luka Koper, d.d. quality servicing of its customers in the key markets of Austria and Hungary based on the just-in-time principle.

ECOLOGICAL ACTIVITIES

An increase in throughput requires greater care for the environment. Environmental protection is being upgraded by the introduction of clean and safe technologies through ecological companies.

The company **TOC, d.o.o.** has been operating since 2007, con-

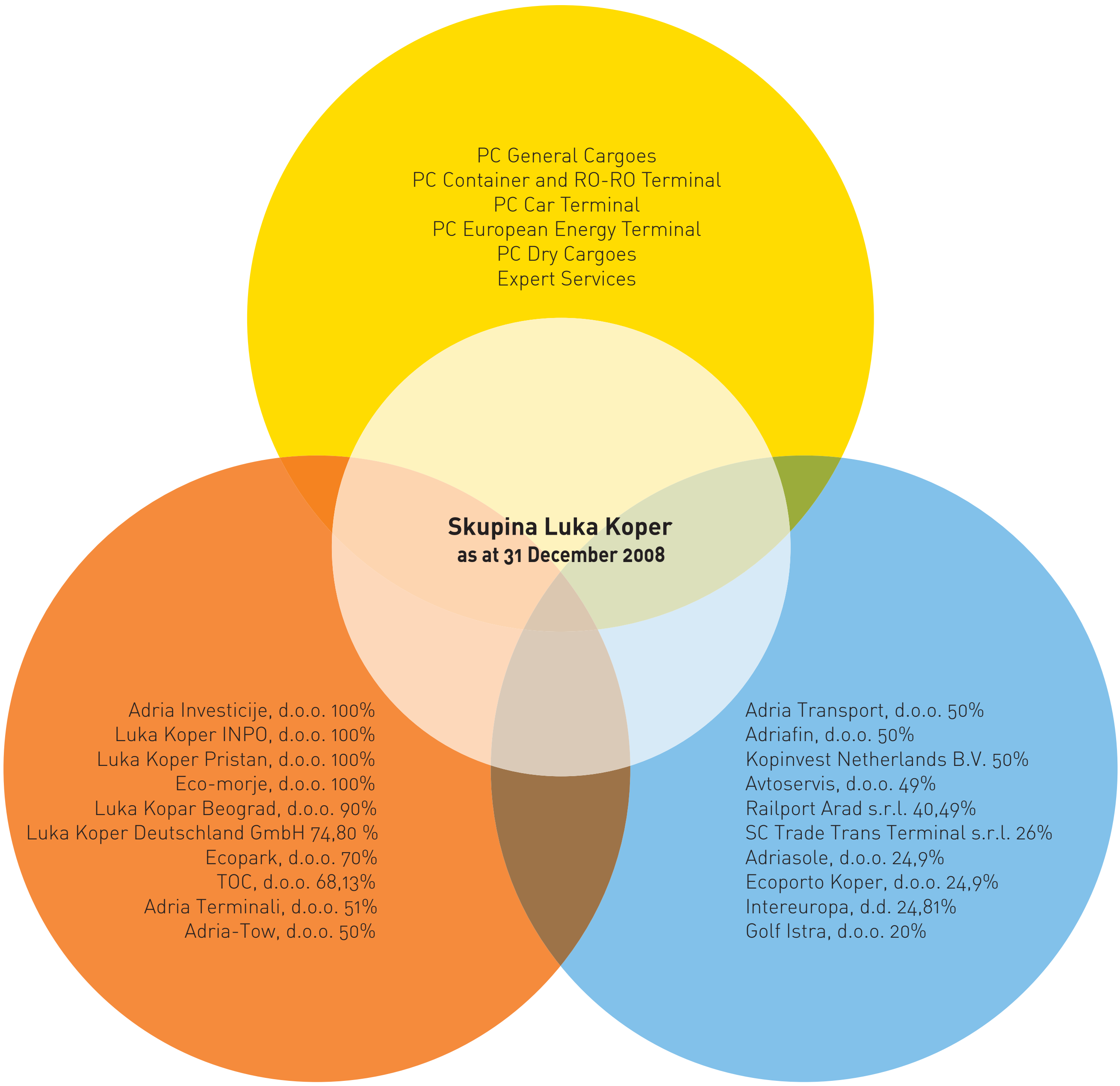
ducting technological research in engineering and technology with a special emphasis on renewable energy sources, waste recovery, technologies for obtaining natural medicinal substances, and sea and inland area ecology.
The company **Ecopark, d.o.o.** will manage the area on the periphery of the port designated for companies engaged in alternative energy production.
The activities under three concessions for sea protection in the port aquatorium will be performed by the company **Eco-morje, d.o.o.** The latter will also apply for a concession to carry out these activities in the entire Slovenian sea.
Ecoporto Koper, d.o.o. will process oily bilge waters into heating oil.
The company **Adriasole, d.o.o.** will generate electricity with a solar power plant.

OTHER ACTIVITIES
The company **Luka Koper Pristan, d.o.o.** complements the operations of the parent company Luka Koper, d.d. providing hotel and other accommodation services and high-class restaurant services.
The operations of the disability company **Luka Koper INPO, d.o.o.** include diversified and complex support services, maintenance services, maritime services, and utility activities. The company also provides efficient training and employment for disabled persons.
Furthermore, we take part in the operations of the **Koper passenger terminal**, our goal being to develop the Port of Koper into the leading home passenger port for Central European countries in the next decade.

PROFILE OF THE PARENT COMPANY LUKA KOPER, D.D.

Company name	**Luka Koper, port and logistics system, public limited company**
Abbreviated company name	**Luka Koper, d.d.**
Registered office	**Vojkovo nabrežje 38, Koper**
	Telephone: 05 66 56 100
	Fax: 05 63 95 020
	E-mail: portkoper@luka-kp.si
	Website: www.luka-kp.si
Entered in the register of	**District Court of Koper, entry number 066/10032200**
Company registration number	**5144353**
VAT ID no.	**SI 89190033**
Share capital	**EUR 58,420,964.78**
Number of shares	**14,000,000 ordinary no-par value shares**
Quotation of shares	**Ljubljana Stock Exchange, first quotation**
Share symbol	**LKPG**
President of the Management Board	**Robert Časar**
Chairman of the Supervisory Board	**Boris Popovič**
Number of companies included in consolidation	**9**
Principal activity of Luka Koper, d.d.	**Service company, port and logistics system**
Activities performed in the Luka Koper Group	**Various service activities**

ORGANISATION OF THE LUKA KOPER GROUP



ORGANISATIONAL UNITS

SUBSIDIARIES

ASSOCIATED AND JOINTLY-CONTROLLED COMPANIES

More details about the changes in subsidiaries, associated and jointly-controlled companies are provided in the Consolidated Financial Report of the Luka Koper Group.

REPORT ON CORPORATE GOVERNANCE

RESPONSIBILITY LEADING TO TRANSPARENCY

The General Meeting of Shareholders, the Supervisory Board and the Management Board have exercised their authority and implemented corporate governance tasks with due responsibility, taking into account the authoritative recommendations and good practice.

The corporate governance of Luka Koper, d.d. and the Luka Koper Group complies with the applicable legislation and internal organisational rules. The fundamental guideline to ensure transparent corporate governance is conformity with the best domestic and international practice and, in this scope, the Corporate Governance Code for Joint Stock Companies and the recommendations of the Association of Supervisory Board Members.

TWO-TIER MANAGEMENT SYSTEM

Luka Koper, d.d. operates under a two-tier management system, which involves three corporate governance bodies: **The General Meeting of Shareholders, the Supervisory Board** and **the Management Board**. The competences of individual bodies are defined in the Companies Act and stipulated in greater detail in the Company's Articles of Association and the Rules of Procedure of the Supervisory Board and the Management Board.
The General Meeting of Shareholders is the ultimate body of the Company, deciding on status changes, profit-sharing, and the appointment and discharge of Supervisory Board members. The Supervisory Board supervises the operations of the Management Board, appoints and dismisses the Management Board, provides for the Management Board's motivation and adopts annual reports. The Management Board manages the operations of the Company.
Corporate governance bodies operate in compliance with the Corporate Governance Code for Joint Stock Companies available at www.ljse.si, and the recommendations of the Association of Supervisory Board Members published on www.zdruzenje-ns.si.

THE GENERAL MEETING OF SHAREHOLDERS UNANIMOUSLY APPROVED THE RESOLUTIONS

Shareholders exercise their management rights at the General Meeting of Shareholders. The competences of the General Meeting of Shareholders and other matters directly related to it are, in addition to the Companies Act, defined in the Articles of Association of the Company, published at www.luka-kp.si.

Convening of the general meeting of shareholders

The Management Board usually convenes the regular General Meeting of Shareholders once a year and may convene an extraordinary General Meeting of Shareholders in special cases. The convening of the General Meeting of Shareholders is announced in writing to all shareholders, who before the regular annual convening also receive a newsletter for shareholders entitled 'Luški delničar'. The convening of the General Meeting of Shareholders and the agenda are published at least one month earlier in the Official Gazette of the Republic of Slovenia, in the newspapers 'Delo' or 'Dnevnik', in the electronic information system of the Ljubljana Stock Exchange (SEOnet), and on the website of the Company. The website includes material with draft resolutions, which is also available to shareholders at the registered office of the Company.

Participation and voting rights

All shareholders may participate at the General Meeting who are as at the day set for the convening of the General Meeting of Shareholders entered in the Share Register kept by the Central Securities Clearing Corporation. They must register with the Management Board of the Company at least three days before the date set for the General Meeting.
All issued shares of the Company bear voting rights.

»The fundamental guideline to ensure transparent corporate governance is conformity with the best domestic and international practice and, in this scope, the Corporate Governance Code for Joint Stock Companies.«

Resolutions of the general meeting of shareholders

14. The 14th regular General Meeting of Shareholders of Luka Koper, d.d. was the only General Meeting of Shareholders last year, convened on 2 September 2008. At the meeting, the shareholders exercised their authorities by deciding on the following issues:

- They acknowledged the 2007 Annual Report and the Report of the Supervisory Board;
- They approved the proposed allocation of distributable profit for 2007;
- They granted a discharge from liability to the Management Board and the Supervisory Board for 2007;
- Deloitte Revizija, d.o.o. was appointed auditor for the operations and statements of Luka Koper, d.d. and the Luka Koper Group for 2008;
- They adopted a resolution on amendments to the Company's Articles of Association referring to the expansion of activity and employee participation in profit;
- On the proposal of the Municipal Council of the Municipality of Koper and the Supervisory Board, they elected Boris Popovič to the Supervisory Board for a four-year term of office;
- They acknowledged that the Workers' Council elected Orjano Ban, Boris Bradač and Nebojša Topič as its representatives in the Supervisory Board for a four-year term of office;
- The General Meeting of Shareholders agreed with the text of the

Aldo Babič, MSc., Deputy President of the Management Board; Robert Časar, President of the Management Board; Marjan Babič, MSc., Member of the Management Board; Boris Marzi, MSc., Member of the Management Board – workers' director

concession contract on port activities, management, development and regular maintenance of port infrastructure in the area of the Koper freight port.

No challenging action was announced at the General Meeting of Shareholders.

THREE NEW EMPLOYEE REPRESENTATIVES ON THE SUPERVISORY BOARD

By being acquainted with the work of the Management Board, and by expressing stances, monitoring, and supervising the performance and decisions of the Management Board, the Supervisory Board has performed the management supervisory function within the scope of its competence. The remit of the Supervisory Board and other issues directly related to it and its operations are defined in the Articles of Association and the Rules of Procedure of the Supervisory Board.

Composition of the supervisory board

The Supervisory Board consists of nine members: six representatives of capital and three employee representatives. The shareholders' representatives are elected by the General Meeting of Shareholders by a simple majority and the employees' representatives by the Workers' Council. The members of the Supervisory Board are elected for a period of four years.

The composition of the Supervisory Board as at 31 december 2008 was as follows:

- Boris Popovič, Chairman, elected on the proposal of the Municipal Council of the Municipality of Koper
- Position: Mayor of the Municipality of Koper
- Functions on other Supervisory Boards: Chairman of the Supervisory Board of the Public Housing Fund of the Municipality of Koper
- Olga Franca*, Deputy Chairperson, elected on the proposal of the Republic of Slovenia,
- Position: Adriatic Slovenica, d.d., Health Insurance Director
- Metod Mezek, representative of other shareholders, member
- Position: Health Centre Koper; Director
- Marko Valentinčič, elected on the proposal of the Funds of the Republic of Slovenia, member
- Position: pensioner
- Bojan Zadel, elected on the proposal of the Republic of Slovenia, member
- Position: Deputy Mayor of the Municipality of Izola
- Orjano Ban**, employee representative, member
- Position: PC Container Terminal, lift manager
- Boris Bradač**, employee representative, member
- Position: Internal Logistics Department, railway operator
- Nebojša Topič, employee representative, member
- Position: Purchasing and Technical Department, senior expert employee

In the past year the composition of the Supervisory Board changed. On 26 July 2008, the term of office of Boris Popovič, Chairman of the Supervisory Board, and of three employee representatives expired.

* Olga Franca was elected Deputy Chairperson at the meeting of the Supervisory Board held on 30 January 2009.
** Orjano Ban in Boris Bradač resigned from the position of Supervisory Board members, employee representatives, on 30 March 2009. Both stated personal reasons as the cause of resignation. On 8 April 2009 the Workers' Council elected Mladen Jovičič and Stojan Čepar to the position of employee representatives in the Supervisory Board.

At the 14th General Meeting of Shareholders held on 2 September 2008, Boris Popovič was re-elected for a period of four years. The members of the Supervisory Board re-elected him Chairman of the Supervisory Board on 22 September 2008.
The Workers' Council on 30 June 2008 elected three new employee representatives. The four-year term of office of Orjano Ban, Boris Bradač and Nebojša Topič, members of the Supervisory Board, commenced on 27 July 2008, the day following the expiry of the term of office of the previous employee representatives Tatjana Jazbec, Robert Jerman and Alverino Pavletič.
On 24 December 2008, the President of the Management Board and the Chairman of the Supervisory Board accepted the resignation of a Supervisory Board member, Marjan Bezjak, who had until that time occupied the position of Deputy Chairman of the Supervisory Board. He resigned as he was elected a member of the National Assembly.

Supervisory Board committees
There are three committees operating in the framework of the Supervisory Board, covering different areas:
- Audit Committee;
- Environment Committee; and
- Spatial Arrangement Committee.

All three met to discuss the comprehensive issues related to their remit.

The Audit Committee functions in accordance with the provisions of the Companies Act. It discussed the Company's and the Group's financial statements and was faced with numerous content challenges in the auditing profession, mainly due to the breakdown in the capital markets.
The Environment Committee discussed topical issues related to potentially disturbing impacts of the port system on the environment.
The Spatial Arrangement Committee promptly learned about the progress of investment activities in the port.

Operation and resolutions of the Supervisory Board
In 2008, the Supervisory Board met at seven regular meetings and adopted decisions at three correspondence meetings. The Supervisory Board meets when the need arises, but at least once every three months, to review the operations of the Company and check the implementation of the business plan.

The main resolutions passed by the Supervisory Board in 2008 were:
- the review and approval of the 2007 Annual Report and a proposal for the allocation of distributable profit,
- the discharge of Pavle Krumenaker from the position of Management Board member – workers' director and the appointment of Boris Marzi, MSc. as new member of the Management Board – workers' director,
- the approval of the text of the concession contract on port activities, management, development and regular maintenance of port infrastructure in the area of the Koper freight port.

The operations of the Supervisory Board are presented in more detail in the Report of the Supervisory Board, which is a constituent part of this Annual Report.

»The Supervisory Board regularly reviewed the operations of the Company and checked the implementation of the business plan.«

Remuneration of the Supervisory Board members
Payments, reimbursements and other benefits of the Supervisory Board members are fixed and independent of the Company's performance. They are detailed in note no. 3 in the Consolidated Financial Report of the Luka Koper Group. Session fees and bonuses for the members of the Supervisory Board were last determined at the 13th General Meeting of Shareholders.

The remuneration rules of the Supervisory Board members are the following:
- For participating in a regular meeting, the Chairman and the members of the Supervisory Board receive a session fee of EUR 858 gross and EUR 660 gross, respectively;
- For participating in a correspondence session, the Chairman and members receive 80% of the respective above amounts.
- The person substituting the Chairman is entitled to session fee set for the Chairman.
- Travel expenses and daily allowance are paid according to the regulations applying to companies.

Luka Koper, d.d. has not introduced a system of rewarding Supervisory Board members by option plans. The number of shares owned by the members of the Supervisory Board is given in the chapter Shareholder Value. The Supervisory Board members and their related persons report to the Company and competent institutions all acquisitions and disposals of the shares of the Company or its associates. This information is published in the SEOnet electronic information system of the Ljubljana Stock Exchange.

MANAGEMENT BOARD OF THE COMPANY: PUTTING RESPONSIBILITY AT THE FOREFRONT

The tasks of strategic management and due corporate governance of the Luka Koper Group represent the basic framework of the Management Board's operations. The method of the Management Board's operation, its decision-making procedures, and the division of areas of operations among members of the Management Board are defined in its Rules of Procedure.

Presentation of the Management Board

The members of the Management Board commenced their five-year term of office in autumn 2005, with the exception of Boris Marzi, who was by the Supervisory Board appointed member of the Management Board – workers' director on 22 April 2008, after the Supervisory Board had on 9 April 2008 on the proposal of the Workers' Council of Luka Koper, d.d. dismissed the then workers' director and member of the Management Board, Pavle Krumenaker.

The Company is managed by a four-member Management Board comprised of:

- Robert Časar, President of the Management Board, LLB
  He is in charge of relations with key stakeholders and publics, strategic development, investments, purchasing and technical issues, organisational and human resources, quality systems, security, and legal issues.
- Aldo Babič, MSc., Deputy President of the Management Board, BSc. Econ. and MSc. (soc. sciences)
  He is in charge of marketing and sales, representative offices, and market and operational co-ordination between profit centres, operational segments and logistics.
- Marjan Babič, MSc., member of the Management Board, BSc. Econ. and MSc. Econ.
  He covers finance and accounting, controlling, and the development of information business processes.
- Boris Marzi, MSc., member of the Management Board – workers' director,
  BSc. (traffic engineer), MSc. in transport sciences, MBA
  His remit primarily includes the representation of workers' interests in relation to personnel and social issues. He is also in charge of occupational health and safety, environmental protection, sea protection and innovations.

The Management Board and the Supervisory Board are also presented on our website: www.luka-kp.si.

Operation of the Management Board

The Management Board manages the Company independently and at its own responsibility, representing it and acting on its behalf against third parties. In the absence of the President of the Management Board, the Deputy President acts in his place. The Deputy President and the members of the Management Board individually represent and act on behalf of the Company in line with the Rules of Procedure of the Management Board. Each member of the Management Board is authorised to oversee a specific area of the Company's operations. The Management Board has established direct and efficient co-operation with the executive directors.
In 2008, the Management Board successfully managed and governed the Luka Koper Group and the parent company Luka Koper, d.d.

Remuneration of the Management Board

Payments, reimbursements and other benefits of the Management Board members are stipulated in the respective fixed-term Service Contracts concluded between the Management Board members and the Supervisory Board. The receipts of the Management Board members are composed of a fixed and a variable component. Luka Koper, d.d. has not introduced a system for remunerating Management Board members by option plans.
The amounts of payments, reimbursements and other benefits of the Management Board members are given in the Financial Report of Luka Koper, d.d. in note no. 4.
The number of the Company's shares owned by Management Board members is reported in the chapter The Share. The Management Board members and their related persons report to the Company and competent institutions all acquisitions and disposals of the shares of the Company or its associates. This information is published in the SEOnet electronic information system of the Ljubljana Stock Exchange.

MANAGEMENT AND GOVERNANCE OF SUBSIDIARY COMPANIES: GROUP-LEVEL GUIDELINES

The successful performance of our subsidiaries is based on strategic goals and management guidelines defined on the level of the Luka Koper Group. So as to provide for the efficient co-ordination and supervision of our subsidiaries' operations, the members of the parent company's Management Board are also members of the subsidiaries' General Meetings. Major tasks of the General Meetings of subsidiaries that should be noted include the approval of the annual business plan, the adoption of resolutions on the allocation of distributable profit, and the appointment and discharge of company directors.
Luka Koper, d.d. also connects subsidiaries from the Group on the level of business functions, chiefly in development and marketing, accounting, financing, legal consulting, environmental protection, IT support, and human resources management.

Subsidiaries comprising the Luka Koper Group in addition to the parent company Luka Koper, d.d.

Company	Director	Equity stake of the parent company
Adria Investicije, d.o.o.	Marjan Babič	100.00%
Adria Terminali, d.o.o.	Milan Pučko	51.00%
Adria-Tow, d.o.o.	Robert Gerk	50.00%
Eco-morje, d.o.o.	Jure Barovič	100.00%
Ecopark, d.o.o.	Marko Likon	70.00%
Luka Kopar Beograd, d.o.o.*		90.00%
Luka Koper Deutschland GmbH**	Andrej Andrijanič	74.80%
Luka Koper INPO, d.o.o.	Mirko Pavšič	100.00%
Luka Koper Pristan, d.o.o.	Darko Grgič	100.00%
TOC, d.o.o.	Marko Likon	68.13%

* In the January–December 2008 period, the company Luka Kopar Beograd, d.o.o. was not included in consolidation, as it was not operating and had no significant impact on the Group's financial statements.

** In the January–December 2008 period, the company Luka Koper Deutschland GmbH was not included in consolidation, as it was not operating and had no significant impact on the Group's financial statements.

The activity and the contents of subsidiaries' operations are described in the chapter Activities of the Group Expanded and Upgraded.
More details about the changes in subsidiaries, associates and jointly-controlled companies are provided in the Consolidated Financial Report of the Luka Koper Group.

COMMUNICATIONS: NEW COMMUNICATION TOOLS FOR INVESTOR RELATIONS OF HIGHER QUALITY

We devote a lot of attention to communication with investors, being that it is crucial for creating quality and trustworthy relations with the existing and potential investors. Therefore, we greatly upgraded communications with investors and introduced quite a few novelties in this area:

- we supplemented the contents on the website www.luka-kp.si/slo/za-vlagatelje, designed for investors;
- we started publishing the redesigned 'Notice' e-magazine of Luka Koper, d.d. for investors;
- we organised an Open House Event for investors;
- we participated in stock exchange presentations in the domestic and foreign capital markets.

In 2009 we will continue mainly with the presentations for investors and upgrade the investor's section on the website with useful information. In an effort to make the Open House Event for investors a traditional meeting point for existing and potential investors, we will set it up again.

»We have introduced a series of novelties for investors: new web content, the e-magazine 'Notice', an Open House Event for investors, and presentations on capital markets.«

INTERNAL AUDIT AND THE SYSTEM OF INTERNAL CONTROLS

The Management Board of the Company is responsible for providing financial information. The key purpose of internal auditing and internal control is to reduce the risk which may arise in the preparation of financial information. This is achieved by clear accounting policies and a uniform accounting policy at the level of the Group.
Internal auditing is partly and indirectly intertwined with the operations of the Controlling Department. The latter expands the supervisory function and advises management structures at all levels about the successfulness, correctness and arrangement of operations of the Luka Koper Group.
We supervise the operations of organisational units from the aspect of performance, accuracy and reliability, and completeness of data and information. We occasionally examine the decision-making mechanisms and disposal with funds, with

a special emphasis on the cost-effectiveness and efficiency of the use of business assets. In doing so, we devote special attention to the pursuit of the goals laid down in the Company's corporate policy.

EXTERNAL AUDIT

The financial statements of the parent company Luka Koper, d.d. and the consolidated financial statements of the Luka Koper Group for 2008 were audited by the auditing company Deloitte Revizija, d.o.o. The Company follows the provision of the Corporate Governance Code for Joint Stock Companies stipulating that the auditor-partner should be changed at least every five successive years.

CORPORATE GOVERNANCE STATEMENT

According to the applicable Companies Act and the Rules of the Ljubljana Stock Exchange, the Management Board and the Supervisory Board of Luka Koper, d.d. submit the following statement on corporate governance.

The mandatory contents of the Corporate Governance Statement stipulated by Article 70 of the Companies Act and other information about managing the Company are reported in the present statement and the Report on Corporate Governance, which is a constituent part of the 2008 Annual Report (also available at www.luka-kp.si).

1. The Company complies with the recommendations of the Corporate Governance Code for Joint Stock Companies.

The Corporate Governance Code for Joint Stock Companies was jointly phrased and adopted by the Ljubljana Stock Exchange, Inc., Ljubljana, the Association of Supervisory Board Members of Slovenia, and the Managers' Association of Slovenia on 18 March 2004, agreeing on adopting its amendments on 14 December 2005 and 5 February 2007. The Corporate Governance Code for Joint Stock Companies is available on the website of the Ljubljana Stock Exchange (www.ljse.si).

2. In 2008 the Management Board and the Supervisory Board of the Company complied with the Corporate Governance Code for Joint Stock Companies, except for some deviations from the following items:

Item 1.1.: In revising its Articles of Association, the Company shall define the maximisation of the Company's value as its key goal, alongside other goals pursued by the Company in the performance of its activities.

Item 3.4.6.: The members of the Supervisory Board are not insured against liability.

Item 3.5.5.: The detailed criteria for assessing the existence of conflicts of interest and the measures to be taken in connection with them shall be set forth by the Company in the Rules of Procedure of the Supervisory Board.

3. The main characteristics of internal control systems and risk management in the Company in relation to the financial reporting procedure are described in the Report on Corporate Governance, subchapter Internal Audit and the System of Internal Controls, and the chapter Risk Management.

4. As regards the data referring to companies obligated to apply the Takeover Act, we state that in 2008 the Company was not subject to the relevant provisions of the Takeover Act, because the circumstances requiring the application of the said provisions did not exist.

5. The operations of the General Meeting, its key competences and the description of shareholders' rights as well as the method of exercising these rights are legally defined and in more detail stipulated by the Company's Articles of Association, which are accessible to the public on the website www.luka-kp.si. The operations of the General Meeting in 2008, the key competences, the shareholders' rights and the method of exercising these rights are described in the Report on Corporate Governance, subchapters Two-Tier Management System and General Meeting of Shareholders.

6. Data about the composition and operation of the management and supervisory bodies and their committees are described in the Report on Corporate Governance, subchapters Supervisory Board and Management Board.

Signatories of the Corporate Governance Statement:
Management Board and Supervisory Board of Luka Koper, d.d.

The railway fleet was greatly expanded by three locomotives and new wagons. Two locomotives are used for transporting fuel to Vienna International Airport and 40 new wagons are used for car transport. Specialised railway transport facilitates faster throughput of goods through the port.

EVENTS, NOVELTIES AND ACHIEVEMENTS

ACTIVE YEAR

Important development novelties and achievements in the area of investments in infrastructure and logistics activity as well as the consolidation of all aspects of business excellence comprise a mosaic of a successful business year in spite of the increasingly strong influence of the global financial and economic crisis.

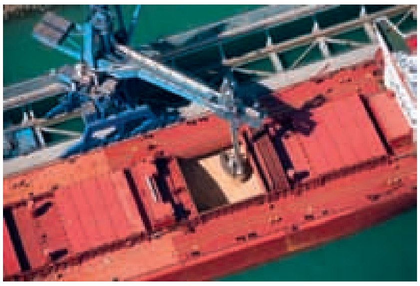
EVENTS IN 2008

JANUARY

- We obtained the environmental protection permit for the entire port.
- The maritime crane trade union and the Management Board of Luka Koper, d.d. successfully concluded negotiations, so the announced trade union strike was called off.
- We were granted the building permit for six tanks at the liquid cargo terminal.
- Luka Koper, d.d. together with Ekološka energija, d.o.o. founded the company Ecoporto Koper, d.o.o., and together with Altena, d.o.o. the company Adriasole, d.o.o.

FEBRUARY

- Luka Koper, d.d. became a co-owner of the company Railport Arad s.r.l., which will construct a land container terminal in Arad, Romania.
- The subsidiary Adria Terminali, d.o.o. gained a new co-owner, namely Spedition Trade Trans Holding a.s., which is a member of the group of logistics companies Trade Trans Invest, a.s. based in Bratislava. The latter acquired a 49% holding in Adria Terminali, d.o.o. from Luka Koper, d.d.
- We signed an annex to the collective agreement with the Port Activity and Port Employee Trade Union.
- A contract was signed on the purchase of two container post-panamax cranes – crucial for boosting the capacity of pier I.
- Luka Koper, d.d. obtained the ISO 22000:2005 certificate for the system of managing the safety of foodstuffs.
- We implemented the 'E-Container' ('E-zabojnik') software application and received permission to manage a tax warehouse.



MARCH

- We accepted two new Konecranes Transtainers for the container terminal.
- Together with our Italian partners, Adria Terminali, d.o.o. founded the company GCT (General Cargo Terminal).
- We christened a new ecological vessel intended for sea protection.
- We opened new fruit terminal facilities at a ceremony.
- We signed a letter of intent of establishing the "Panonija" Regional Distribution Centre in Beltinci.
- In the Malaysian Kuala Lumpur, Luka Koper d.d. organised a presentation day.
- We bought 25 Rgs wagons for the transport of metallurgy products, steel structures, timber and machinery.

APRIL

- The Supervisory Board appointed a new member of the Management Board – workers' director, Boris Marzi.
- We signed a contract with the Olympic Committee of Slovenia on general sponsorship of the Olympic athletes in the 2008–2012 period.
- We executed an agreement on co-operation with the largest Black Sea port, Constanza, with the Romanian Ministry of Transport.

MAY

- At the Portorož Airport, the company Luka Koper Pristan, d.o.o. opened the restaurant "al Barone".
- The procedure for expanding the listing by transformed shares was completed.
- A new, 13-member Workers Council of Luka Koper, d.d. was elected; more than half of the employees attended the election.
- We organised the first Open House Event for investors.
- We moored the largest tourist cruise ship so far, namely the Seven Seas Voyage.

JUNE

- A new regular container line on the Koper-Venice-Marsaxlokk (Malta)-Koper route was introduced.
- We presented ourselves at the first regional promotion of capital markets in South-Eastern Europe in Zagreb.

JULY

- The Supervisory Board of Luka Koper, d.d. adopted the proposal of the Management Board on possible allocation of a portion of profit to employee participation in profit.
- The Government of the Republic of Slovenia passed the Decision on Koper Freight Port Management and the Proposed Concession Contract.

AUGUST

- The Sežana Administrative Unit issued a building permit for preparation work for the construction of a new rack warehouse.
- The Ministry of the Environment and Spatial Planning issued a building permit for the filling of the hinterland coastal area at pier I and for the demolition of warehouses 7 and 8, where the passenger terminal facility will be constructed.
- The national spatial plan for the construction of the first phase of the truck terminal in Sermin was publicly discussed.
- The company Adria Transport, d.o.o. purchased three Siemens locomotives, and Luka Koper, d.d. received 20 Laekks wagons for car transport.

SEPTEMBER

- The 14th General Meeting of Shareholders took place.
- The Minister of Transport, Radovan Žerjav, and the President of the Management Board of Luka Koper, d.d., Robert Časar, signed the concession contract on port activities, management, development and regular maintenance of port infrastructure in the area of the Koper freight port.
- Luka Koper, d.d. acquired a 10% interest in Trade Trans Invest, a.s. Bratislava.
- Boris Popovič, Mayor of the Municipality of Koper, was reappointed Chairman of the Supervisory Board.
- The company Adria Terminali, d.o.o. sold its interest in General Cargo Terminal, which applied for a concession for the Trieste timber terminal.

OCTOBER

- The new collective agreement of Luka Koper, d.d. entered into force.
- An extensive drill, "October 2008", was organised in the port for safety against natural and other disasters and terrorist acts.
- We prepared an Open House Event for citizens and others.
- Adria Transport, d.o.o. introduced a new direct container train on the Luka Koper-Cargo Center Graz route.
- For the fourth time in a row, we organised an international conference on port management and logistics.

NOVEMBER

- For the first time, we participated as a full member at the general meeting of the European Sea Ports Organisation (ESPO), which connects port managers in the EU member states.
- Luka Koper, d.d. became a member of the EcoPorts Foundation, joining environmentally conscious ports at the global level.
- We exhibited at the Trans Middle East Trade Exhibition in Dubai and marked the 25th anniversary of our permanent representative office in Austria.
- The subsidiary TOC, d.o.o. received the Best Environmental Procedure Award at the 2008 Environmental Awards competition.

DECEMBER

- The collective agreement was also signed by the company Luka Koper INPO, d.o.o.
- We celebrated the 50th anniversary of the first ship entering the Port of Koper.
- We were visited by the Minister of Transport, Patrick Vlačič.
- Luka Koper, d.d. sold its remaining 8,857 shares of Banka Koper, d.d., i.e. 1.67% of the total, to Intesa Sanpaolo S.p.A.
- Marjan Bezjak resigned from the Supervisory Board of Luka Koper, d.d., as he was elected to the National Assembly.

IMPORTANT EVENTS SUBSEQUENT TO FINANCIAL YEAR END

JANUARY

- Olga Franca was appointed Deputy Chairperson of the Supervisory Board at the Supervisory Board meeting held on 30 January 2009. She replaced Marjan Bezjak, who on 23 December 2008 resigned from his position on the Supervisory Board due to being elected to the National Assembly.

FEBRUARY

- On 13 February 2008, the first ship was moored at the completed extended pier I. The ship unloaded and loaded in total 2,252 container units.

MARCH

- At the 15th General Meeting held on 20 March 2009, the shareholders of Luka Koper, d.d. appointed a special auditor, PricewaterhouseCoopers from Ljubljana, to audit the Company's business as stated in the convening of the General Meeting of Shareholders.
- On 30 March 2009, Orjano Ban and Boris Bradač, employee representatives, resigned from the position of Supervisory Board members of Luka Koper, d.d.

APRIL

- On 8 April 2009 the Workers' Council elected Mladen Jovičič and Stojan Čepar to the position of employee representatives in the Supervisory Board.

Other important events following the financial year end are described in the chapter Events After the Balance Sheet Date in the Financial Report of Luka Koper, d.d. and the Consolidated Financial Report of the Luka Koper Group.
The shareholders and the general public are informed about all key business events via the stock exchange system – http://seonet.ljse.si and on the Company's website www.luka-kp.si.

CHARACTERISTICS OF THE ECONOMIC ENVIRONMENT

ECONOMIC ENVIRONMENT AND INDUSTRY CONDITIONS AS A CHALLENGE

The significant impact of the financial crisis on the economy was at the end of the year also apparent in shipping and logistics in general. If we want to be successful in such conditions, it is crucial to strengthen our competitiveness by investing in infrastructure and development, which greatly reflect our current development.

In spite of stringent conditions, maritime transport remains the backbone of the global goods flow and consequently globalisation. In international trade, 80% of cargo is transported on maritime navigational routes, whereas the respective figure within Europe is 40% (source: United Nations, Maritime Transport Summary for 2008). Trade globalisation and demographic development have resulted in increased international railway transport.
The current challenges bring about great opportunities for the growth and improved efficiency of the Luka Koper Group as a port and logistics system.

»In international trade, 80% of cargo is transported on maritime navigational routes, whereas the respective figure within Europe is 40%.«

Container throughput up despite the crisis

Containerisation continues in the Mediterranean and the Adriatic in spite of the escalating crisis, however somewhat less intensively than in the past years.
We can therefore expect the competition among ports to become fiercer. The quality infrastructure that we have been establishing and our high service level will in such conditions represent a major competitive advantage. By extending pier I, which will in 2009 be able to accept even the largest container ships, we will secure the leading position among the ports in the Northern Adriatic.
In the past year we focused on our goal to become the leading port and logistics system for Central and Eastern European countries. In pursuit of this strategic orientation we established and developed land terminals in Sežana, Beltinci and Arad, Romania, which are located along the most important European corridors or at their junctions. The fact that we are the first at these strategic locations improves our ability to redirect goods flows to the Port of Koper. Luka Koper's land terminal network, which is part of the Company's strategy and also supported by the state, can represent a major competitive advantage during the recession.

Sustainable mobility – one of the key trends in the world

Sustainable mobility is one of the key trends in the world, ensuring the long-term sustainable development of transport and logistics. It essentially depends on technological development and advanced logistics concepts, which by uniting maritime transport with inland transport, railway transport in particular, increase the efficiency of the entire transport chain. The EU policy also centres on the rerouting of most goods transport from the roads to the railways and from the railways to the sea. Being a socially accountable company, we determine our development according to the said trends. In order to boost the efficiency of the logistics route between the Port of Koper and its hinterland and provide for speedier transport of cargo from the port, we established a company which has become the first private railway operator in Slovenia. We are actively working on the construction of a new railway connection with the interior of the country.

Environmental aspect and innovations are the conditions for development

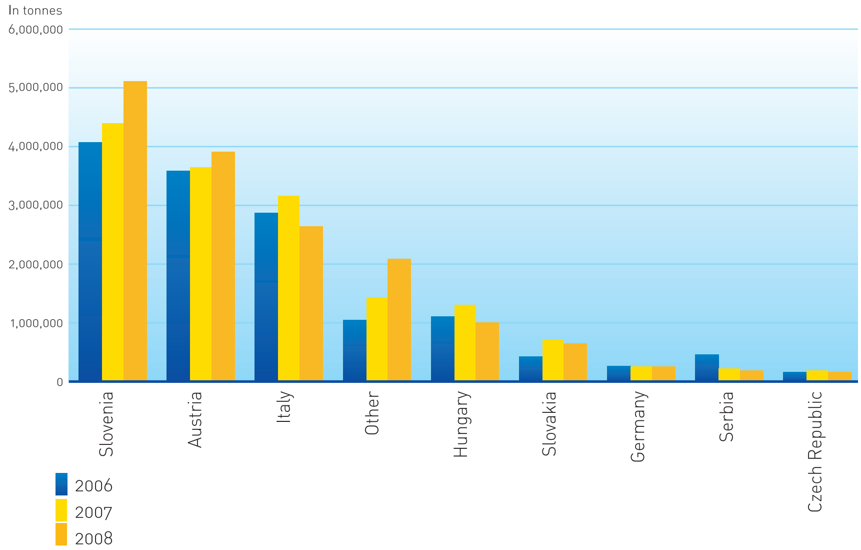
The co-dependency of port development and the environment is today self-evident. Even more, it can serve as either a development potential or limitation of the port. Therefore, ports need to be proactive in sustainable development and above all integrate the environmental aspect in their development strategies. The Luka Koper Group also proves its social accountability by pursuing the objective of becoming a "green" port. A step towards this objective was last year's incorporation of the companies in the framework of the Ekopar project, which is presented in more detail in the chapter of the Sustainable Report entitled Luka Koper Group and Its Activities.
Ports' competitiveness and their ability to respond to the challenges in the fields of the environment, energy, safety and human factors depend to a high degree on efforts devoted to research and innovations. Innovative technologies attract corporate investments as well as European and domestic funds for research projects. Our latest environmental projects are being developed in the scope of the Technological Environmental Centre established for this purpose.

»Being a socially accountable company, we determine our development according to sustainable mobility trends.«

MARKET POSITION AND OPPORTUNITIES

STRONGER IN THE MOST IMPORTANT MARKETS

In both our major markets, Slovenian and Austrian, we achieved substantial growth in throughput. We are focusing our efforts on preserving the position in key markets, at the same time exploiting new possibilities. Among other things, we will open a representative office in Italy and continue with investments to ensure that our port is recognisable in other European and overseas markets, especially in the Far East.



Growth in throughput by market

Slovenia remains the largest market

Throughput in the domestic market accounts for one third, therefore, this market, which last year achieved the highest growth level, remains our largest market. The predominant forms of throughput involve containers and dry and bulk cargoes.

Through the efficient logistics network of land terminals that we have been establishing in Slovenia, we plan to make use of the strategic location of Slovenia and major goods flows between Eastern, Western and Southern Europe. The European Distribution Centre in Sežana has already been performing its mission. Once it is fully constructed, it will be the most modern and largest centre of such type in the region. Like the centre in Sežana, the Panonija land terminal in Beltinci will be connected with European Corridor V, through which goods flows have been intensifying between Eastern and Western Europe.

In 2009, we will handle 29% of the total maritime throughput for the Slovene market.

Austria number one in transit goods

The Austrian market is the biggest market for transit goods through the Port of Koper. The import of raw materials (iron ore, coal) for Austrian steel companies represents the bulk of the throughput structure. Austrian companies export through the Port of Koper general cargoes such as timber, paper, cellulose and steel products.

In the second half of 2008, the railway operator Adria Transport, d.o.o. set up a railway connection with container block trains between the Port of Koper and the distribution centre in Graz. This opens up new possibilities of increasing and improving container transport between the two countries and thus a rise in the 10% share held by Luka Koper in container throughput on the Austrian market. The said company also transports aviation fuel from the Port of Koper to Vienna International Airport, as a result of which the quantity of liquid fuel throughput for the Austrian market significantly rose last year.

In **2009** we plan to **increase the total throughput quantity** for the Austrian market, mainly on account of liquid cargoes.

Italy among the most important markets

Italy is one of our most important markets. In spite of the fiercely competitive Italian ports, at the bulk cargo terminal we have been handling coal designated for thermal power plants on the eastern Italian coast. Namely, the depth of the sea in the Port of Koper enables landing even by the largest ships carrying bulk cargo.

There are strong goods flows between Italy and Eastern European countries, Romania in particular. We are striving to enter these markets to provide our service range there. We see an opportunity mainly in combined transport, in co-operation with the railway operator Adria Transport, d.o.o., through the terminal in Sežana and the newly-founded terminal in Arad.

In **2009** we will accelerate marketing activities through the **newly established representative office** in Italy and look for new growth possibilities.

Hungary leading in container throughput

Hungary is the most important foreign market, where **our share** of container throughput **equals nearly 40%**. This market is one of the most important ones in other aspects as well; in addition to containers, the main cargoes include cereals, soy and cars.

In the second half of the year, Hungary already strongly felt the impact of the

global financial crisis. The car and electronics industries dramatically reduced production owing to excessive product stock, which consequently influenced goods flows.
The traffic connection with this country is very good. The introduction of new block trains additionally improved the goods flow, and the new motorway section in the Prekmurje region boosted the throughput of freight transport by road.
Due to the projections for 2009, we are confronted with numerous challenges. Thanks to the proximity of the Hungarian border, the new distribution centre, which we will establish in Beltinci, offers significant possibilities for increasing goods flows and providing more efficient servicing to customers in this market.

Slovakia – entry point for the car industry
Throughput for Slovakia accounts for **about 4%** of our total maritime throughput. The largest portion was that of steel products, which, owing to the non-competitiveness of railway transport through Slovenia, was redirected to the Port of Rijeka.
The Port of Koper is the entry point for raw materials and semi-finished products for the Slovakian car industry, one of the largest on the global level. It is also the point of exit for new cars destined for the markets of the Mediterranean countries. The past growth in throughput related to this market is largely connected with this fact.
The car industry is one of the industries most afflicted by the global financial crisis, which is why throughput for the Slovakian market can be expected to decrease in **2009**.

Germany: increased demand
The German market **generates about 2%** of our total maritime throughput. The bulk is represented by cars, followed by containers and general cargo. In 2008, the demand for throughput of dry and bulk cargoes rose. Three container block trains operate weekly between Koper and Munich in both directions. Typical of this market is that customers inquire about comprehensive transport solutions including all links of the transport-logistics chain.
In 2009 our activities will mainly be focused on preserving the existing business and improving the visibility of the South-European transport route.

Czech Republic – small, but important market
The Czech Republic accounts for a **1% share** in maritime throughput. The major product groups are still containers, steel products and cars.
Owing to the situation in the global car industry, we expect car throughput to decrease in **2009**. We plan to partly mitigate this decrease by changing the structure of trademarks within the car product group.

Romania and Bulgaria of strategic importance
These markets are of strategic importance for Slovenia and the Luka Koper Group **owing to the strategic position of the two countries, through which run the Pan-European transport corridors**. We operate in both markets also through a joint representative office in Bulgaria, whose purpose is to promote and direct large throughput quantities through this section of South-Eastern Europe.
In addition to increased goods flows, the investments in the establishment and management of infrastructural facilities have substantial potential. These investments include the distribution centre and container terminal in Arad, Romania, whose opening and operation are scheduled for the first half of 2009.

»Through our efficient network of land terminals, we plan to make use of the strategic location of Slovenia and major goods flows between Eastern, Western and Southern Europe.«

Far East, the most important overseas market
The Far East is one of our most significant overseas markets. We operate in this market through the regional representative office in Malaysia. The main goal of our marketing activities in this part of the world remains **the boosting of the visibility of our port** and of the entire South-European transport route from the countries of the Far East to European markets, mainly to our hinterland markets in Central and Eastern European countries.
The drop in economic growth in China, India and other major markets in the region will be reflected in **2009** also in goods throughput in the Port of Koper.

ANALYSIS OF OPERATIONS OF THE LUKA KOPER GROUP

FOCUSING ON CREATING COMPETITIVE ADVANTAGES

Last year was extremely important and successful, even though we noted the influence of the global crisis, especially towards the end of the year. Cargo throughput exceeded 16 million tonnes for the first time, container throughput stood at a record high of 353,880 TEU, and added value per employee grew by 10%. A 12% rise in revenue was also the result of massive investments, which provide the basis for our future competitiveness.

The investment in three kerosene tanks guarantees long-term co-operation with the partner, who is servicing all major hinterland airports. Each tank can hold 20,000 m³ of fuel. By 2010 we will construct three similar tanks, satisfying the most stringent security requirements and standards.

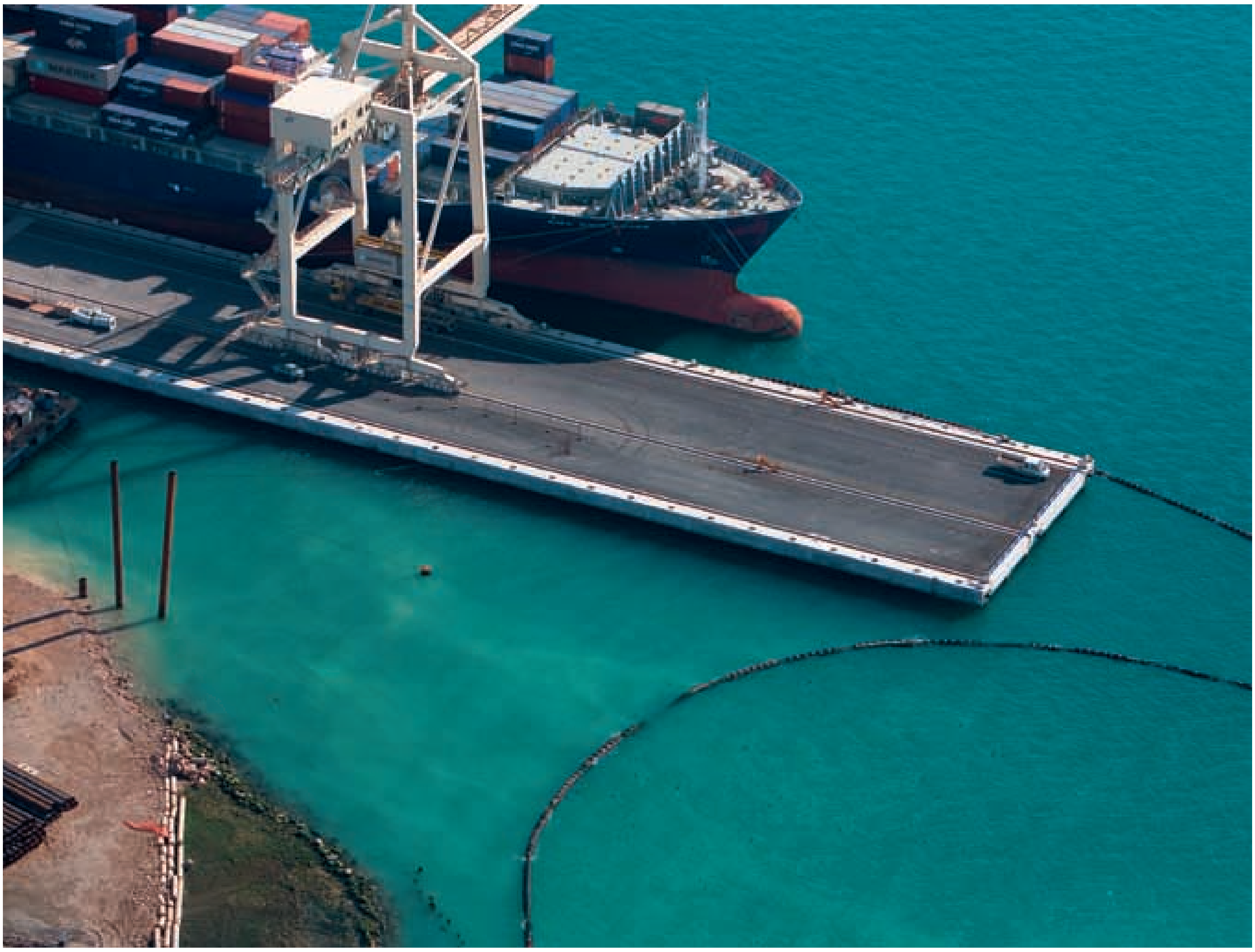
The increase in throughput, the rise in revenue and the launch of strategic development investments in port infrastructure and hinterland terminals represent the key results of last year, which is assessed as successful.

The projections for 2009 are extremely unpredictable, since the port is an element of a closely connected logistics chain. We noticed that our business partners have been adjusting the projections related to port activities, also by taking into account the decrease in certain goods flows.

Owing to the changed and extremely uncertain economic situation, liquidity and solvency – crucial in themselves – are additionally exposed. **We provide an analysis of the Luka Koper Group's operations through the cash flow analysis.** In the existing economic circumstances, monitoring and managing cash flow is becoming even more important than profit monitoring, as it contributes to efficient inflow and outflow management. The cash flow analysis of the Luka Koper Group is presented based on the analyses of:

- cash flow from operating activities,
- cash flow from investing activities, and
- cash flow from financing activities.

»The increase in throughput, the rise in revenue and the launch of strategic development investments in port infrastructure and hinterland terminals are crucial.«



CASH FLOWS FROM OPERATING ACTIVITIES

Cash flow in the 2006–2008 period (in EUR)

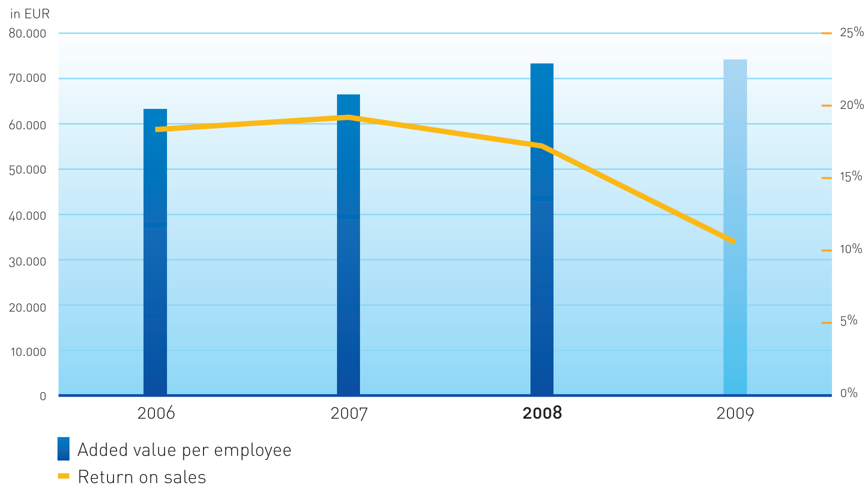
	2006	2007	2008
Net cash from operating activities	37,419,172	55,940,108	34,867,749
Net cash used in investing activities	-32,375,779	-68,010,311	-156,849,659
Net cash from (used in) financing activities	-10,568,317	13,461,565	127,886,237
Cash for the period	-5,524,924	1,391,362	5,904,327

Cash flow from **operating activities** of the Luka Koper Group totalled EUR 34.9 million. Compared to 2007, it is much lower, but at the level of previous years. High cash flow in 2007 was due to the changed financial policy of the parent company, when liabilities to suppliers increased towards the end of the year as a result of extended payment deadlines. This was a one-time increase in these liabilities, which has no impact on cash flow over the following years.
Owing to extensive investments, **cash flow from investing activities** significantly exceeded the cash flow generated from the basic activity. The Luka Koper Group acquired additional funds for investments, disclosed as net cash from financing activities. Thus, EUR 147 million was allocated to investments in intangible assets and property, plant and equipment, and an additional EUR 38 million to financial investments.

»Cash flow from operating activities of the Luka Koper Group totalled EUR 34.9 million.«

PERFORMANCE OF THE LUKA KOPER GROUP

The Luka Koper Group concluded 2008 by posting a **12% rise in operating revenue**, achieved by boosting throughput by 4%. In spite of the global recession projections, we increased the number of employees by 4% and, among other things, provided for social stability in the region. Employee trust in our operations is manifested in higher added value per employee (up by 10%).
The growth was on account of **ambitious strategic development decisions** to expand capacities in the home port and at separately located terminals.
Operating revenue of the parent company account for 89% of the total operating revenue of the Luka Koper Group, which is why the parent company's operations have a heavy impact on the Group's performance. The analysis of the Luka Koper Group's operations also presents the operations of the parent company.
The decrease in return on sales projected for 2009 will reflect the **changed structure of operating costs in 2009**. The latter will increase due to the adoption of the collective agreement for the corporate sector and higher depreciation resulting from the investment policy cycle. This policy is the main reason for last year's drop in return on sales.



Added value per employee and return on sales

»The Luka Koper Group concluded 2008 by posting a 12% rise in operating revenue, achieved by boosting throughput by 4%.«

OPERATING REVENUE

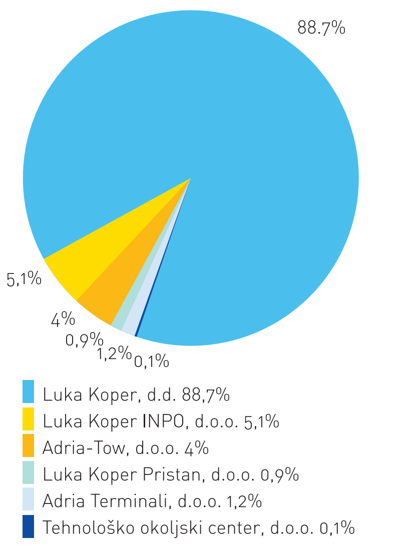
In the last three years, the operating revenue of the Luka Koper Group grew 14% annually on average. In 2008, the growth was 12%, which is a very good result given the increasingly stringent economic conditions.
Of EUR 137 million of operating revenue,

Major categories of the Luka Koper Group's income statement (in EUR)

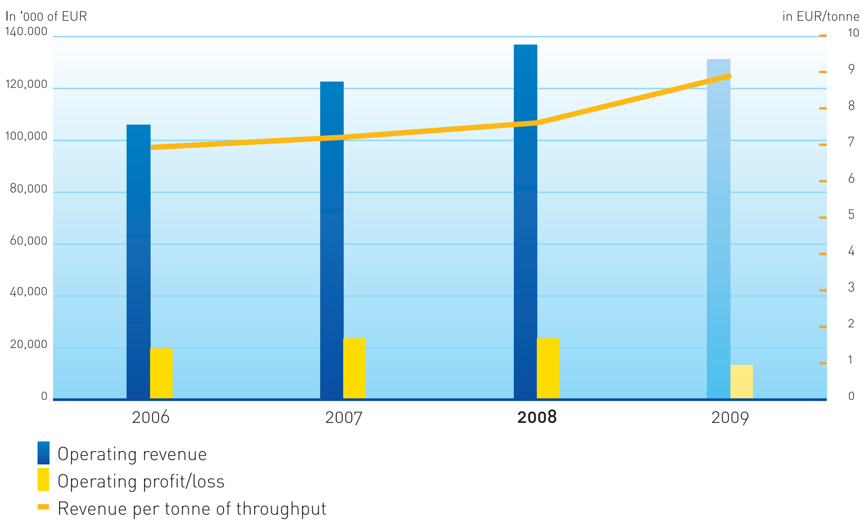
Major indicators	2006	2007	2008	Planned for 2009
Operating revenue	105,688,276	122,221,810	137,228,249	131,065,000
Operating costs	86,288,430	98,827,040	113,624,198	117,263,000
EBITDA	33,803,701	40,029,333	42,676,582	37,447,000
Operating profit/loss (EBIT)	19,399,846	23,394,770	23,604,051	13,802,000
Value added per employee	63,301	66,370	73,291	74,279

71% was generated on foreign markets. The bulk of revenue (93%) are in EUR and the remaining 7% in USD, which is favourable also in terms of currency risk. Currency risk exposure and management is detailed in note no. 31 in the Consolidated Financial Report of the Luka Koper Group.
The revenue increase was mainly due to the rise in basic throughput activity. In spite of the escalating global financial crisis, we boosted growth of strategic product groups – containers and cars. Container and car throughput accounted for over 350,000 and 560,000 units, respectively, this being the highest figure so far. A record level was also seen in fruit and vegetables, as new capacities enabled us to increase throughput twofold to 91,000 tonnes of goods.

Vessel towing activity, which contributes 4% to the revenue of the Luka Koper Group, also recorded higher throughput owing to a 6% increase in the number of tows. The port accepted 2,227 ships and, on average, more than two tows were performed per ship.
The share of logistics services provided by hinterland terminals and of hotel services in the total revenue of the Luka Koper Group at present equals 2.1%. It is growing slowly but steadily, having reached merely 1.3% the year before.
The hotel service activity generated 40% more revenue and the opening of the new restaurant secured us a high-quality restaurant. The revenue of the hinterland terminal in Sežana jumped by 120%, indicating the promising growth of this terminal, which has been operating since 2007. It is expected to be used to its full capacity in the coming years.
Revenue earned by the disability company equal 5% of the total revenue of the Group and exceed the 2007 figure by 36%. The company mainly employs disabled persons, who nevertheless achieve enviable results.
Operating revenue were also influenced by other operating revenue in the amount of EUR 3.9 million, generated by the sale of some fixed assets and unloading/loading ships ahead of schedule.



Structure of operating revenue of the Luka Koper Group by company in 2008



Increase in revenue per tonne of goods throughput

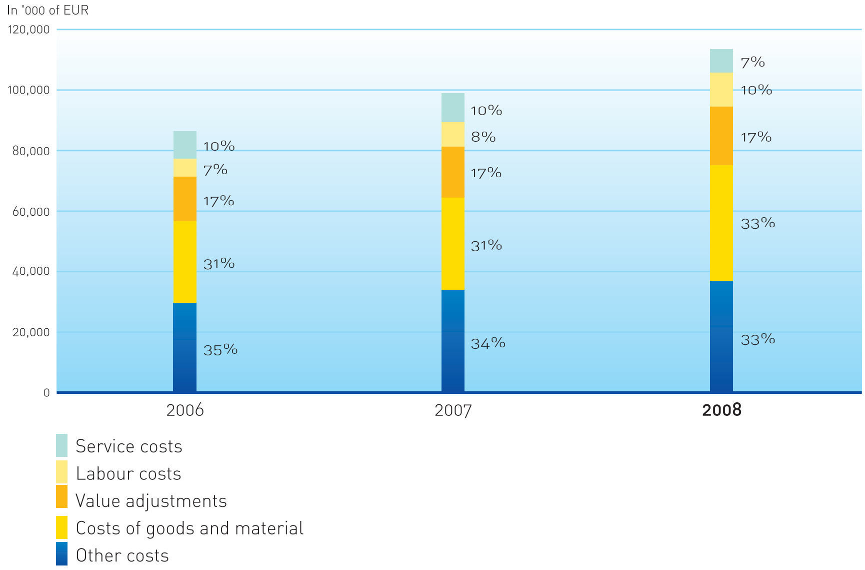
Continuous and systematic improvement of the throughput structure in favour of cargoes with higher added value has yielded good results in spite of the increasingly severe situation in the throughput service market.

»In the last three years, the operating revenue of the Luka Koper Group grew 14% annually on average.«

OPERATING COSTS

An increase in throughput, employee satisfaction due to the adoption of the new collective agreement for the corporate sector, and regulated relations with the state based on the adopted concession contract represent a reliable foundation for enhancing trust in our future operations and at the same time characterise last year's movement in operating costs. The upward trend in throughput volume is indicative of the increase in additional activities. This results in higher operating costs, which compared to the year before grew by 15% to EUR 113.6 million. Among variable costs, the highest rise was recorded in the costs of port service providers, and an increase was also seen in some fixed costs, e.g. depreciation and labour costs. The operating costs of the parent company account for more than 90% of the total operating costs of the Luka Koper Group.

»Nearly two thirds of these costs are accounted for by the costs of the providers of port services, transport service costs and maintenance service costs.«



Structure of operating costs

Costs of material

The 26% increase was chiefly the result of **higher throughput volume and prices of energy products**. **Energy costs** contributed most to the increase, in particular the costs of engine fuel consumption, which rose by 31%. The latter reflect the market situation and increased consumption of fuel arising from more handling operations related to the upward trend in physical throughput, inland transport and more vessel tows. Electricity costs climbed by 13%. More details are available in note no. 2 in the Consolidated Financial Report of the Luka Koper Group.

Service costs

Nearly two thirds of these costs are accounted for by **costs of the providers of port services, transport service costs and maintenance service costs**. The costs of services grew by 10%, reaching EUR 37 million. A rise was seen especially in the costs of the providers of port services, i.e. 27%. The increase in these costs, in addition to more extensive sea freight, stems from a greater volume of additional services related to goods, the inland transport of goods to remote warehouse locations owing to occupied warehousing capacities around terminals, and more numerous goods movements at specific terminals.

Maintenance costs decreased by 2%. They amount to EUR 8.6 million or 6% of operating revenue. **The costs of transport services**, which fluctuate depending on the scope of fruit, vegetable and coal throughput, were reduced by 49% owing to our position in coal transport logistics.

The Luka Koper Group spent EUR 3.3 million or 2.3% of operating revenue on upgrading and maintaining its entire **information system**.

The new **concession fee liability** will replace the current lease payment for shores and will be 3.5-times the current amount specified in the lease contract.

Labour costs

Last year the **new collective agreement** superseded the old agreement which was adopted 11 years back. This led to an improved evaluation of difficult working

»Taking the corporate income tax and deferred taxes into consideration, the net profit of the Group totalled EUR 17.2 million.«

conditions. The agreement was also necessary due to new legislation. Employee benefits are reflected in the labour costs. The latter account for **33% of total costs** or EUR 38 million, exceeding the 2007 figure by 23%. Labour costs and the costs of port service providers represent 47% of the total costs of the Luka Koper Group. They are related to human resources risk management, which is reported in the chapter Risk Management.
The rise was also influenced by 4% more employees.

Employee data are given in the chapter Sustainable Development.

Write-downs

Depreciation amounted to EUR 19 million, which represents a 15% increase. The increase is due to intensive investments in the past two years. It accounts for 10% of all investments of the Luka Koper Group in 2008.

THE INFLUENCE OF KEY WORKING CAPITAL ITEMS ON CASH FLOWS FROM OPERATING ACTIVITIES

The change in the Luka Koper Group's working capital negatively influenced the cash flow from operating activities in the amount of EUR 7.6 million. Successful trade debtor management was more than neutralised by lower liabilities to suppliers. The reason is mainly the high one-time increase in liabilities to suppliers in 2007, resulting from the changed financial policy of the parent company, which was reflected in extended payment deadlines.

Credit risk management is detailed in note no. 31 in the Consolidated Financial Report of the Luka Koper Group.

Efficient management of trade debtors is reflected in a 17% decrease in this item compared to 2007. Due to disclosed corporate income tax assets, the total impact of trade debtor management on cash flow is lower, i.e. EUR 2.8 million. Liabilities to suppliers dropped by 21% and had a negative impact on the Group's cash flow equalling EUR 8.1 million.

FINANCE INCOME AND EXPENSES AND PROFIT/LOSS FOR THE PERIOD

The bulk of **finance expenses** are represented by interest expenses arising from raised loans in the amount of EUR 7 million and expenses due to impairment of some non-current financial investments totalling EUR 9.3 million.

More information about impairments is given in note no. 16 in the Consolidated Financial Report of the Luka Koper Group and in note no. 17 in the Financial Report of Luka Koper, d.d.

Finance income of EUR 9.7 million is comprised of income from equity interest (EUR 7.3 million) and interest income of EUR 1.5 million. **Loss from financing** stood at EUR 7.2 million.
The Luka Koper Group generated **EUR 23.6 million in operating profit**, which is one percent more than in 2007. Taking into account financing activities, profit totalled EUR 16.4 million or 51% less than in 2007.
Taking the corporate income tax and deferred taxes into consideration, the **net profit** of the Group totalled EUR 17.2 million. Minority shareholders were entitled to EUR 318,732.

The effective tax rate in 2008 was 3.99%. The reduction in the tax base is chiefly the result of tax benefits for investments in the economic zone and deductions for R&D investments.

The corporate income tax account is detailed in note no. 10 in the Consolidated Financial Report of the Luka Koper Group.

CASH FLOWS FROM INVESTING ACTIVITIES

The Luka Koper Group allocated EUR 185.4 million to investments. Investments **in port activity and infrastructure**, whose aim is to boost the competitive advantages of the port area and consequently increase throughput, amounted to EUR 147 million. Major projects worth mentioning are the extension of pier I, the first construction phase of the car warehouse facility, and the construction of tanks for aviation fuel.
Besides investing in its basic activity, the Luka Koper Group also invested in the **establishment and development of modern logistics and distribution centres** in strategically important locations and markets, spending EUR 32.3 million for this purpose. The most important in terms of value is the acquisition of a 10% stake in the Slovakian company Trade Trans Invest, a.s., Bratislava. We became co-owners of Railport Arad s.r.l., which is setting up a container terminal in Arad, Romania, and of the company SC Trade Trans Terminal s.r.l., which is building a distribution centre at the said location.

Read more about the investments made in the chapter Investment Policy.

»Own cash flow available for financing the extensive investment activity totalled EUR 48.6 million.«

Current financial investments of EUR 6.1 million are to a high degree the result of two short-term loans approved to the newly founded companies Ecoporto Koper, d.o.o. and Adriasole, d.o.o., whose ecological activities we plan to accelerate owing to the strategic importance of environmental issues in the area of the Port of Koper.

The ecological activities of the Luka Koper Group are reported in more detail in the Sustainable Development Report.

The growth of the Group, reflected in numerous investment projects, warranted financing by means of own cash flow from operating activities and also by greater borrowing.
The basic activity of the Luka Koper Group accounted for EUR 34.9 million of **cash flow from operating activities**. Investing of available funds in the past years had positive cash effects on the cash flow of the Luka Koper Group, namely in the form of **cash from investing activities** in the amount of EUR 28.5 million. The cash flow from basic activity and investing activities was used for settling EUR 14.8 million of interest on loans received and dividends paid. **Own cash flow available for financing** the extensive investment activity totalled **EUR 48.6 million**. The difference between cash used in investing activities and the generated cash flow (EUR 136.7 million) was funded by additional borrowing, which is disclosed as net cash from financing activities.

CASH FLOWS FROM FINANCING ACTIVITIES

The total indebtedness of the Luka Koper Group rose by EUR 142.7 million. The share of long-term bank loans increased significantly, solely on account of the parent company's development investments. Prominent among the approved loans is a loan by a foreign bank whose basic activity is the financing of large-scale infrastructural facilities. Its share accounts for 45% of the long-term bank financing of the parent company.

More information about the Group's indebtedness is given in the chapter Financial Management.

Owing to the current situation on the bank market and due to the restricted access to long-term sources, the Luka Koper Group also increased its short-term indebtedness. According to the business plan and agreements with commercial banks, the parent company plans to renew all short-term liabilities arising from bank loans, which can in the given circumstances increase liquidity risk.

Liquidity risk management is detailed in note no. 31 in the Consolidated Financial Report of the Luka Koper Group.

We renovated the banana ripening facilities, arranged two cold-storage facilities in Koper and Sežana, and obtained new premises for fruit and vegetable distribution. Owing to improved conditions for the throughput and distribution of perishable goods, we increased throughput 3.5-fold.

MARKETING: PRODUCT GROUPS AND MARKETS

ADDITIONAL EMPHASIS ON THE ADVANTAGES OF THE SOUTHERN TRANSPORT ROUTE

Container, car, fruit and liquid cargo throughput increased, reflecting the effects of new investments. General cargoes slightly decreased, as did dry and bulk cargoes. The recession has brought about a reduction in throughput, which will be managed by more aggressive action in the European and Asian markets and by presenting the advantages of the transport route through our port.

»A 16 million tonnes of maritime throughput represents a new milestone in the history of our port.«

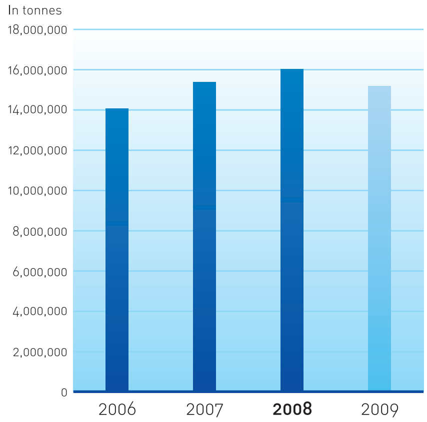
MARKETING STRATEGY: TOWARDS NEW OPPORTUNITIES

In addition to the services of throughput, warehousing and distribution of various product groups, and additional services related to goods on the order of the goods owner, we have also been expanding and supplementing the range of the Luka Koper Group through the services offered by our associates in logistics, distribution and railway transport. We are on the lookout for new opportunities also involving capital ties with other companies that are important transport and logistics players in our hinterland markets.

In European markets the economic crisis has also hit the logistics activity, as a result of which we are already observing a decrease in turnover. Through our network of European representative offices in Germany, Austria, the Czech Republic, Slovakia, Hungary, Romania and Bulgaria, we will be more aggressive in attracting new business. We see an opportunity in being able to offer customers the southern transport route leading through our port. We will intensify our presence in the European markets by participating in trade fairs, conferences and dealings with ship operators. In 2009, we will thus attend the Munich and Brno trade fairs, and give presentations through individual European associations.

Since most goods originate from the Far East, we will, through our representative office, intensify the presentation and boost the visibility of our southern transport route in this market as well. Owing to the shorter distance to target markets for goods from this part of Asia, the said route has major advantages over the traditional northern logistics route. This is even more important due to the recession, which is why we will promote the more favourable transport route through the Port of Koper for Central and Eastern European markets.

Since the demand for goods distribution in the market is on the rise, Luka Koper d.d. as the parent company included Adria Terminali, d.o.o. in its marketing strategy. The services of this company are recommended to our customers on the East–West inland transport route as well as the overseas connection for goods distribution in Northern and Central Europe.



Movement in maritime throughput

»The projections are less optimistic due to the effects of the global economic crisis. In 2009, maritime throughput is forecast to drop by 8%.«

MARITIME THROUGHPUT: NEW RECORD GROWTH

With a record 16 million tonnes in maritime throughput, we reached a new milestone in the history of our port. Compared to last year, maritime throughput was 4% higher.

The growth in throughput of strategic product groups such as fruit and other perishable goods continued, as did that of containers and cars. Liquid cargo and timber throughput improved as well. Dry and general cargo throughput somewhat decreased and the throughput of bulk cargo was slightly higher than the year before. The projections are less optimistic due to the effects of the global economic crisis. In the second half of the year, we noted a drop in the throughput of some types of goods, chiefly cars, general cargoes and even containers. In 2009, maritime throughput is forecast to drop by 8%.

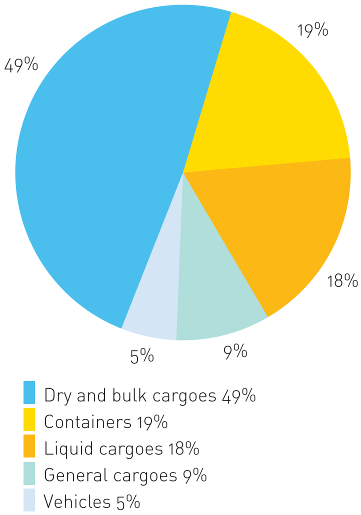
»The share of liquid cargoes and containers increased, whereas the share of dry, bulk and general cargoes decreased.«

NO MAJOR CHANGES IN THE STRUCURE OF THROUGHPUT BY MARKET

The ranking of markets has not changed in terms of throughput share. With a 32% share or 5.1 million tonnes of throughput, the Slovene market remains the largest. It is followed by Austria with 3.9 million tonnes, then Italy, Hungary and Slovakia.

Throughput rose the most in Slovenia, Austria and Germany. The throughput quantity was smaller for the Czech, Italian, Serbian, Hungarian and Slovakian markets.

More information about throughput by market and our position in the markets is given in the chapter Market Position and Opportunities.



Structure of throughput by product group (in %)

SOMEWHAT DIFFERENT STRUCURE OF THROUGHPUT BY PRODUCT GROUP

The structure of goods throughput, which is classified into five major product groups based on transport and throughput mode, has somewhat changed. The share of liquid cargoes and containers increased, whereas the share of dry, bulk and general cargoes decreased. The share of vehicles stagnated.

In 2009, we expect a downward trend in the share of liquid cargoes and general cargoes, and a rise in dry and bulk cargoes and containers. The share of cars is projected to remain at last year's level.

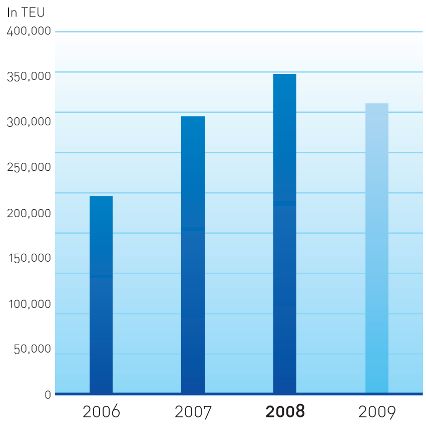
CONTAINERS

A record throughput of 353,880 container units (TEU), representing a 16% increase, enabled us to maintain our leading position among North-Adriatic ports. Containers are believed to be the most welcome goods in all ports, which is why we are optimistic about the future owing to excellent results.

Comparison of container throughput in four major markets (in TEU)

	2006	2007	2008
Slovenia	87,833	132,546	156,299
Hungary	57,334	68,961	70,890
Slovakia	5,884	29,145	34,805
Austria	21,568	23,871	33,041

The highest container throughput by Luka Koper was for the Slovene and Hungarian markets; however, an upward trend was recorded in all major hinterland markets. The highest rise was seen in throughput for the Czech market, predominantly on account of a new deal on car factory supply. In addition to the Austrian and Slovakian markets, throughput also rose in the German market. Asian markets, and China in particular, are very important for Luka Koper, and we are therefore constantly increasing our visibility in these markets. We estimate their potential to greatly exceed the current figures, especially with regard to India. In 2009, we plan to boost throughput in these markets by establishing a regular shipping line.



Movement in container throughput

All major container shipping companies whose vessels moor at the Port of Koper have exceeded last year's container throughput level. Some of them increased capacity by introducing larger ships to the existing shipping lines, whereas others have been setting up regular container lines, e.g. a new feeder line with Malta.

Larger ships with a higher capacity are increasingly frequent visitors to the Adriatic, so the ports whose infrastructure will not be tailored to them will lose competitiveness. The investments in the extension of the container shore and post-panamax container cranes will help us to preserve and consolidate our leading market position among the ports in this part of the Adriatic.

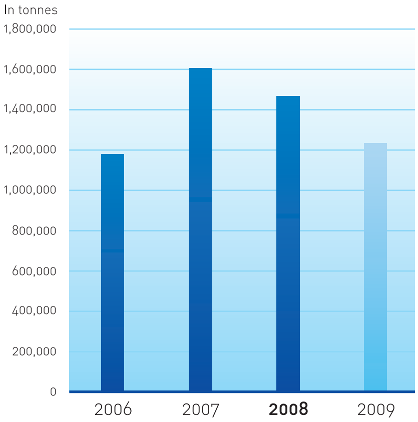
»A record throughput of 353,880 container units, representing a 16% increase, enabled us to maintain our leading position among North-Adriatic ports.«

GENERAL CARGOES: SIGNIFICANT IMPACT OF THE RECESSION

General cargo throughput is carried out at three terminals of the Port of Koper:

- the terminal for (other) general cargo;
- the fruit and perishable goods terminal; and
- the timber terminal.

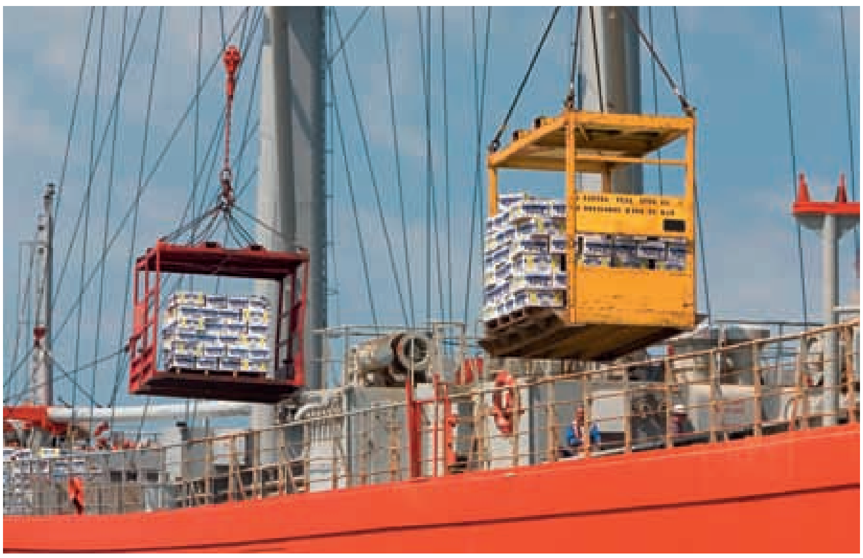
The impact of the global recession, bringing about a 24% drop in **general cargo throughput,** has already been greatly felt, as the quantities of components for the car industry as well as metal product throughput decreased substantially. A high, no lower than 24% **rise in throughput quantity for container filling and emptying** partially mitigated this decrease. The global containerisation trend has been noted in Slovenia as well, since more and more goods, including cars, timber and bulk cargo, are transported in containers. A rise was seen in project cargoes as well as paper, PVC granulate and aluminium products.



Movement in general cargo throughput

Investments in the redesign of ripening rooms and the new air-conditioned warehouse in Sežana have already produced results. Throughput of fruit, vegetables and other perishables jumped by 212%. **The fruit terminal** is gaining importance as the entry point for importers and distributors of bananas supplying Slovenia and other hinterland markets. Therefore, we are conducting numerous marketing activities, including regular presentations at the specialised fruit trade fair Fruitlogistica in Berlin. In September, we moored the largest ship so far, which brought 18,000 bananas from Ecuador to Koper. We predict that in 2009 the positive trend in throughput of these product groups will persist.

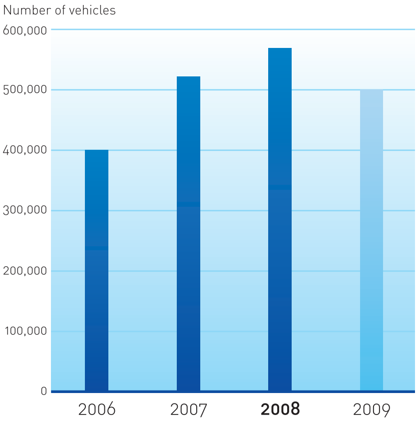
Throughput at the **timber terminal** is improving further (up by 2%), in spite of smaller warehousing capacities. Timber throughput reached a record 703,865 tonnes, which equals 1.04 million m^3 of timber. Furthermore, streamlined operations led to a reduced scope of additional services in cut timber, which was our goal.



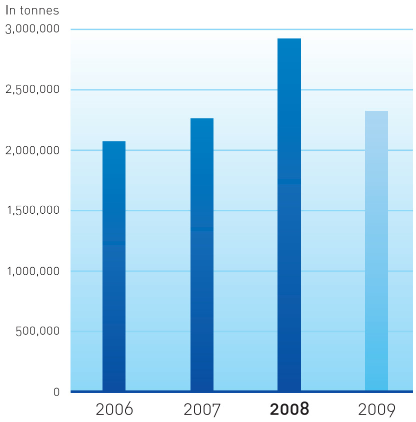
VEHICLES: NUMBER ONE IN THE MEDITERRANEAN

We continued with the **excellent results** achieved in recent years at the car terminal. Throughput climbed by 9% to 567,271 vehicles, placing us first among comparable car terminals in the Mediterranean region and among the largest in Europe. In recent months we have noted the impact of decreased demand for new cars resulting from the global financial crisis. In different macroeconomic conditions we would most likely have surpassed the figure of 600,000 throughput vehicles.

Projections for 2009 are cautious and uncertainty great. In the long run, the preservation or even increase of car throughput may be greatly facilitated by car production in the Czech Republic and the new shipping line for car transport between Barcelona and Koper.



Movement in car throughput



Movement in liquid cargo throughput

»Throughput climbed by 9% to 567,271 vehicles, placing us first among car terminals in the Mediterranean region and among the largest in Europe.«

SURGE IN LIQUID CARGOES

The throughput of liquid cargoes recorded a dramatic increase, having grown by 51% over 2007. The quantity of oil derivatives rose as well, i.e. by one quarter. Such rise was to a high degree due to the investment in three new tanks and the establishment of a distribution centre for aviation fuel supplying the Venice, Brnik and Vienna airports.
In 2009, aviation fuel throughput is forecast to grow further, whereas the throughput of other oil derivatives will decline. The investment in kerosene tanks proved to be a sound one, and we plan to set up new tanks for methanol for a known customer, thus securing long-term and stable business.

SLIGHT DECREASE IN DRY BULK CARGOES

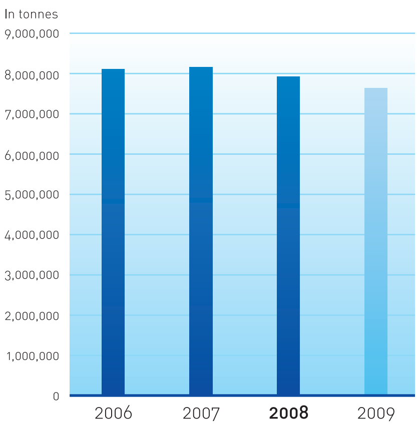
The throughput of dry bulk cargo is conducted at two terminals:
- the dry cargo terminal; and
- the coal terminal.

The total throughput of dry bulk cargoes decreased slightly. **The dry cargo terminal** recorded lower turnover owing to a reduced throughput of soy and cereals, which is greatly influenced by the processed quantity and the price achieved on the global market. The demand for throughput of scrap iron and artificial fertilisers somewhat increased, whereas alumina throughput equalled the 2007 level. We plan to boost throughput capacities by installing a new lift at the dry cargo mooring.

»Liquid cargo throughput surged, having leapt by 51% compared to 2007.«

Throughput at the **coal terminal** is somewhat smaller than the year before. A new bridge crane has already been installed on the shore of this terminal. It will start operating in 2009, allowing for speedier throughput and shorter ship stays, and consequently additional revenue in the form of bonuses for unloading prior to schedule.

»We plan to boost throughput capacity with a new lift at the dry cargo mooring.«



Movement in dry bulk cargo throughput

FINANCIAL MANAGEMENT

ENSURING LIQUIDITY THROUGH EFFICIENT MEASURES

In the given situation, the long-term liquidity of the Luka Koper Group is even more in the forefront. It is maintained by the efficient management of net working capital and the balanced structure of liabilities, which is of particular importance for successful implementation of the existing investment cycle.

Specific to the Luka Koper Group is the prevailing impact of the parent company, which generates 89% of total cash from operating activities. Efficient financial management is centralised in the parent company.

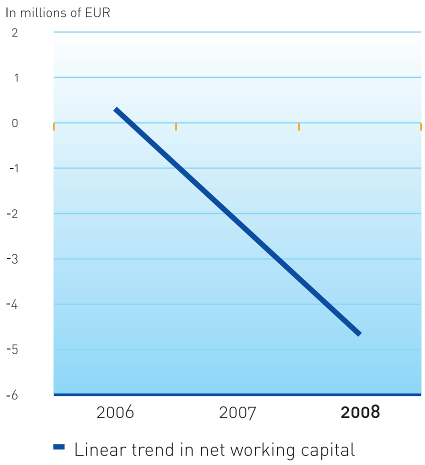
ENSURING THE LONG-TERM LIQUIDITY CAPACITY OF THE GROUP

The long-term liquidity of the Group is enabled by the efficient management of **net working capital** and maintenance of **a balanced structure of liabilities.** The latter is provided by means of financial leverage in the financing of our organic growth and its positive effects on ROE. We have devoted additional attention to **procedures for ensuring the permanent liquidity capacity** of the entire Group and in this scope more closely communicate with our customers and suppliers. Preventive measures have led to successful collection, which in turn has resulted in insignificant impairment of trade debtors.

More details are available in notes nos. 23 and 31 in the Consolidated Financial Report of the Luka Koper Group.

The efficient management of net working capital has a positive impact on liquidity. The downward trend in the prices of debt sources of financing arising from the decline in variable interest rates during the global recession has had a favourable impact on changes in the average price of total sources of financing.

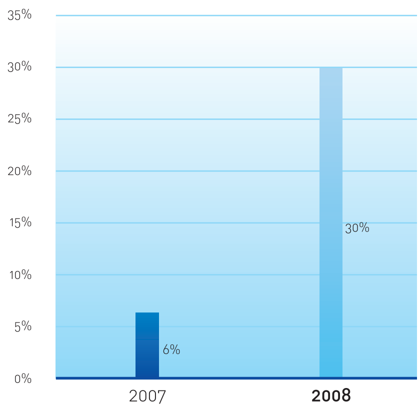
The Group continued implementing the set investment cycle. It financed growth through own cash flow and through increased borrowing from commercial banks. Its exposure to the banking sector last year rose by EUR 142.7 million to EUR 201.3 million. Essential was the borrowing by the parent company, whose exposure to bank institutions rose by EUR 146.2 million and reached EUR 209 million of the total figure borrowed from the banking sector.



The trend in the item of net working capital of the Luka Koper Group (based on balance sheet items adjusted in terms of content*)

*The balance sheet item of cash was for 2008 adjusted in content terms by exclusion of a specified-purpose short-term deposit, which the parent company placed short-term to provide for the efficient management of cash.

»The long-term liquidity of the Luka Koper Group is enabled by the efficient management of net working capital and maintenance of a balanced structure of liabilities.«

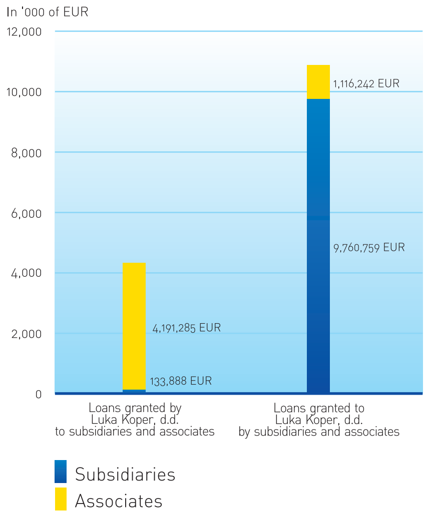


Interest liability as interest expenses to EBITDA ratio

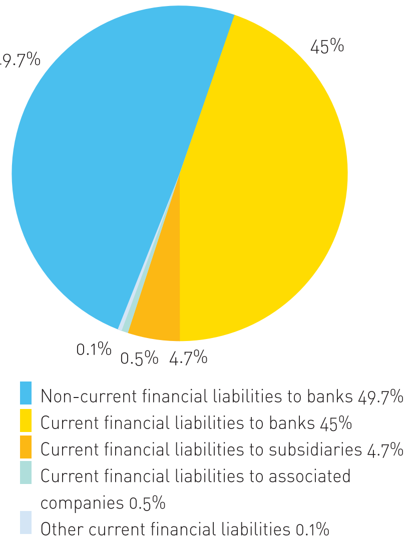
Interest liability, expressed as a ratio between interest expenses and EBITDA rose by 24 percentage points since a larger scope of investment cycle was financed by bank loans.

More details about interest are available in note no. 28 in the Consolidated Financial Report of the Luka Koper Group.

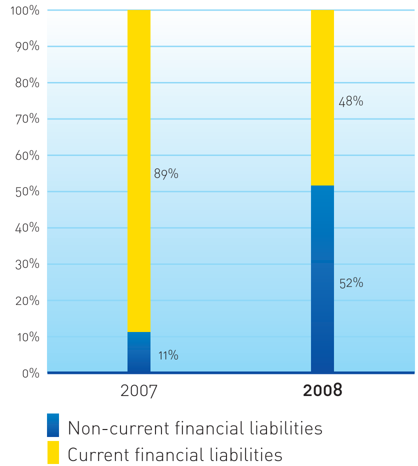
In 2009, investments are planned to amount to EUR 99.5 million. The parent company will continue its investment cycle by financing investments partly by own cash flow, which will in our estimate reach EUR 22.5 million. The structure of liabilities of the Luka Koper Group still allows the application of financial leverage to the benefit of foreign sources of financing, which is why the remaining EUR 77 million will be secured from new bank loans.
In the current situation marked by unstable capital markets, the decision to gain funds in the bank market seems most suitable, as equity disinvestment at the existing share prices would be unjustified in the long run. Therefore, long-term financial investments represent an addi-



Efficient fund management in the Luka Koper Group



Financial liabilities of Luka Koper, d.d.



Structure of liabilities of the Luka Koper Group in terms of maturity as at 31 December

tional potential source of financing of our future organic growth and consolidate the safety of the entire Group's operations.

Efficient fund management is also provided by the balancing of surpluses and deficits of individual entities within the Luka Koper Group. Thus, the entities lacking funds have access to cheaper financial sources and at the same time, surpluses of other entities can be deposited with a suitable maturity and return yield. Such management positively influences the liquidity of the entire Luka Koper Group.

IMPROVED MATURITY OF FINANCING SOURCES

Investments were systematically financed by long-term bank loans, which substantially improved the structure of the sources of financing. The share of non-current financial liabilities in the total rose by 17 percentage points, reaching EUR 104 million as at the last day of the year. Such an increase assures the Luka Koper Group greater safety, has a positive impact on its long-term liquidity, and represents a good basis for the stability of its operations in the circumstances of the global recession.

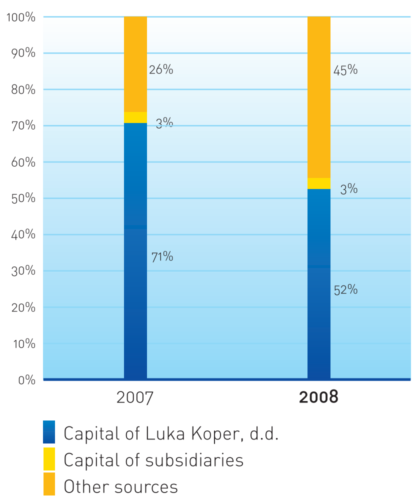
The maturity of long-term bank loans is detailed in notes nos. 27 and 28 in the Consolidated Financial Report of the Luka Koper Group.

CHANGED EQUITY FINANCING

The investment cycle has in the past years also considerably influenced the change in the structure of equity sources of financing of the Luka Koper Group. The share of equity in total assets decreased as foreign sources of financing were obtained. As at 31 December of the past business year, it stood at 56% or 18 percentage points less than in 2007.

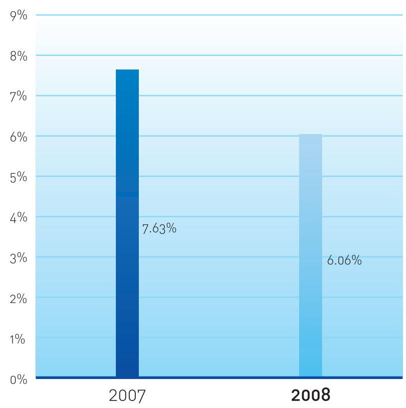
Capital structure risk management is detailed in note no. 31 in the Consolidated Financial Report of the Luka Koper Group.

»The investment cycle has in the past years also considerably influenced the change in the structure of equity sources of financing of the Luka Koper Group.«



Structure of the Luka Koper Group's liabilities

The reduction in the share of equity sources of financing also affects the amount of the average cost of capital. The parent company succeeded in decreasing the latter in recent years, which leads to its and consequently the Group's optimal capital structure. Such targeted structure of the sources of financing represents a good basis for the financial stability of the Luka Koper Group and its further moderate growth.



Average cost of capital of Luka Koper, d.d.

In the future period, our fundamental orientation in this respect will be balanced borrowing and the search for an optimal solution between the lower variable interest rates and the expected higher interest margins resulting from greater indebtedness and the situation in the bank market.

CURRENCY STRUCTURE OF THE SOURCES OF FINANCING: EURO SUCCESSFULLY REPLACING DOLLAR

We pay a lot of attention to the transition to operations in the domestic currency. The euro has superseded the previous maritime transport practice and the dominance of the US dollar. We managed to agree with the shipping companies on euro-denominated invoicing and thus greatly decreased the exposure to currency risk. In the first half of 2008, the currency risk was balanced due to a raised short-term bank loan denominated in USD; however, on account of the expected appreciation of this currency, the loan was not renewed. The share of USD-denominated receivables dropped to 7% of total receivables and involves negligible currency risk.

Currency risk is detailed in note no. 31 in the Consolidated Financial Report of the Luka Koper Group.

INVESTMENT POLICY

A YEAR OF INVESTMENTS IN A QUALITY FUTURE

The past year was demanding in investment terms – the completion phase yielded a very important investment in port infrastructure and activity development. We gained new bases for boosting the quality of services and creating advantages over our competitors.

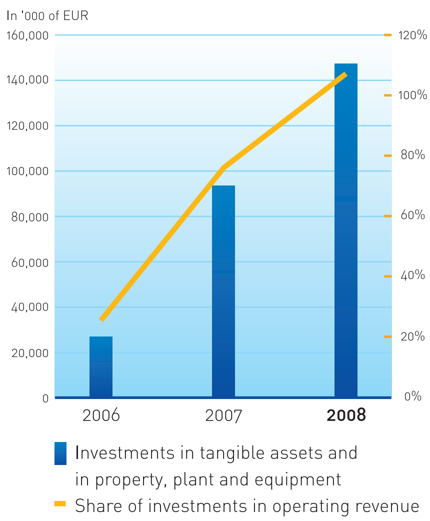
By implementing the extensive and value-intensive strategic and development investment cycle, we have been creating new competitive advantages for the Luka Koper Group.

The cycle was launched in 2007 and in its scope we last year finalised or achieved the final stage of the following key projects:

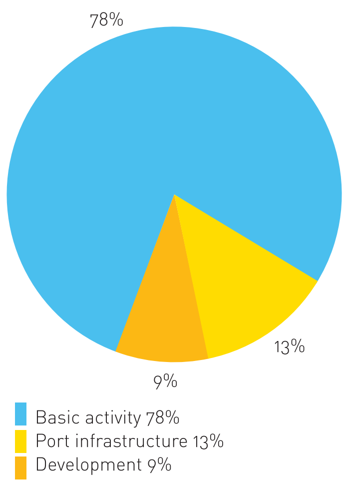
- the extension of the container terminal shore;
- the construction of a warehouse facility for cars;
- the construction of three tanks for oil derivatives;
- the modernisation and capacity upgrade of the fruit terminal; and
- improved equipment, including modern transhipment machinery.

»EUR 147 million was allocated to investments in fixed assets.«

A record EUR 147 million was allocated to investments in property, plant and equipment, which accounts for 107% of operating revenue. The bulk of such investments were realised by the parent company Luka Koper, d.d., namely in the amount of EUR 138 million.



Share of investments in fixed assets in sales revenue



Structure of funds invested in 2008

In addition to investments in tangible assets and in property, plant and equipment, we spent EUR 32 million in 2008 to establish new companies and acquire holdings in strategically relevant locations and markets.

INVESTMENTS IN THE BASIC PORT ACTIVITY: MORE EFFICIENT IMPLEMENTATION OF BUSINESS PARTNERS' REQUIREMENTS

In the recent period, the Port of Koper has grown at an exceptional rate – one million tonnes of goods annually. Investments in the basic port activity will enable optimal management of the requirements of our business partners, who perceive Luka Koper, d.d. as a reliable and efficient provider of port services.

More modern equipment to maintain competitiveness

Major investments in boosting equipment capacity included:

- the purchase of twelve towing vehicles with semi-trailers for transport over the entire port area;
- the purchase of two Transtainers for managing container throughput;
- the purchase of a port mobile lift for the general cargo terminal; and
- the purchase of a combined road/rail vehicle.

The realisation of investment plans pertaining to the basic port and development activity will in the future allow us to maintain the achieved competitive advantages of a visible provider of port services and to boost competitiveness.

Warehousing facility for cars already in use

One of our basic long-term strategic orientations is to promote container and car throughput. To this end, we started building a new warehouse for cars already in 2007. This facility, when completed, will take up 22,000 cars.
We decided on a five-phase construction, allowing for the facility's capacity to start being used gradually and sooner. The first construction phase has already been completed, has passed the technical

inspection, and the warehouse already stores 2,750 cars. Moreover, a viaduct has been built connecting the warehouse facility with the shore, thus providing speedier and safer car handling.
The second phase has already been launched. It will provide parking space for an additional 1,590 cars. The warehouse will include the existing track for direct throughput of cars from the warehouse onto wagons and vice versa. The second phase is scheduled to be finalised in September 2009.
Cars are a product group that has in recent years recorded dramatic growth. Even though they represent no more than 5% of the total tonnage, they are an important source of the company's revenue. The throughput of 567,271 cars places us first among the car terminal operators in the Mediterranean region.

Terminal for oil derivatives: evolving into an important airport supply centre

The terminal is designed primarily for the warehousing and throughput of aviation fuel. In May, we completed the construction of three kerosene tanks and the pertaining infrastructure for accepting cargo from ships and dispatching it using tank vehicles and wagons.
In the middle of the year, the terminal had already received the permit of use and operated on a trial basis until the end of the year. The purpose of the trial period was to verify reliable functionality, identify and eliminate any technological equipment defects and complaints, and conduct the final acceptance. The state-of-the art equipment fitted at the terminal meets all of the technical and safety requirements imposed by the applicable legislation on the construction of warehouses for flammable substances.
Aviation fuel throughput is subject to the strictest supervision and is the most demanding of all oil derivative throughput operations. The tanks are fitted with technological gauges and fire prevention equipment. In addition to ecology, the quality of fuel is a very important aspect of fuel throughput and storage. Supervision is conducted by control houses, which also supervise the filling of the tanks.
The launch of this investment makes the port an important distribution centre for Southern Europe as well as the provider of the largest kerosene terminal in this region.

Upgraded and new capacities at the fruit terminal

The growth in perishable goods throughput is assigned a special place in our business strategy. We aim to become the central distribution warehouse in the Adriatic, mainly for goods coming from the Eastern Mediterranean.
The finalisation of the largest investment in the upgrading of the fruit terminal capacity represents important progress towards this goal. By rearranging the warehouse facilities 9 and 10, we boosted the capacity for warehousing southern fruit and set up new ripening chambers for bananas. The capacity was upgraded from 1,500 tonnes to 1,800 tonnes per month. The facility features modern technological equipment providing for the desired warehousing and ripening conditions as well enabling the management and control of all technological parameters.
At the same time, we renovated the distribution warehouse for fruit and vegetables arriving at the Port of Koper in refrigerated containers. It can take up to 1,800 pallets and due to its interior height these can be stacked on two levels. Outside the warehouse is an arranged area for the unloading of refrigerated containers and the direct loading of goods into air-conditioned warehouses.
Thanks to the new investments, fruit throughput has doubled, which additionally contributes to the consolidation of our position as a major European port.

»Investments in the basic port activity will enable optimal management of the requirements of our business partners, who perceive Luka Koper, d.d. as a reliable and efficient provider of port services.«

INVESTMENTS IN PORT INFRASTRUCTURE TO PROVIDE FOR DEVELOPMENT

Investments in port infrastructure and technology result in higher throughput at the Port of Koper and also guarantee greater competitiveness.

Extended pier i significantly improves port capacities

Globally, container transport has been growing by 15% annually. In the Port of Koper, the central port for Central European countries, this growth is even more intensive. Last year, we exceeded the 2007 record by nearly 50,000 TEU, consequently facing an ever greater lack of space and other capacities for the throughput and dispatching of containers.

The extension of pier I – our largest investment over the past few years – vastly improves the throughput and warehousing capacities of the container terminal. It gives exceptional competitive potential to the Luka Koper Group. Quality infrastructure and a high service level increase the possibilities of maintaining competitiveness and attracting goods flows even in the circumstances of the unpredictable global recession and the likely decline in international container transport.

The first 50 metres of the new shore were constructed in September and the remaining 96 (of the total 146 m) by the end of the year. Parallel to the construction, we filled in the new hinterland area of pier I to gain valuable space for placing and handling containers. In mid 2009, four post-panamax cranes will be installed there. Such equipment and sufficient sea depth will allow us to accept even large container ships holding more than 7,000 TEU.

INVESTMENTS IN DEVELOPMENT: ENTERING NEW LOGISTICS AREAS

The development of Luka Koper, d.d. and the entire Luka Koper Group entails the expansion of activities – from port system management to logistics system management.

Development towards this goal is fostered by:

- new terminals at new locations with effects complementary and synergetic to the port activity in the Port of Koper; and
- comprehensive logistics involving the supplementation and linking of our logistics services with outsourced services.

Our expansion into new business activities and services in 2008 covered three areas:

- land terminals,
- railway transport, and
- passenger transport.

European distribution centre in sežana with a strategic partner

The establishment and management of the land logistics centre in Sežana are under the auspices of Adria Terminali, d.o.o. To facilitate the implementation of ambitious plans regarding hinterland terminals, we sought a strategic partner at the start of the year. This partner is Spedition Trade Trans Holding a.s., engaged in transport and logistics in Central and Eastern Europe, where the Luka Koper Group plans to become the leading port and logistics system.

»The European distribution centre in Sežana is thus becoming the driver of the logistics system development of Luka Koper, d.d. and the overall Luka Koper Group.«

The European distribution centre in Sežana is thus becoming the driver of the logistics system development of Luka Koper d.d. and the overall Luka Koper Group. The terminal offers quality logistics solutions for numerous types of goods, which in itself provides good possibilities for expanding the capacity of the existing portion of the terminal and strengthening its role on the regional level.

The year was characterised by intensive investment activity:

- we realised several investments aimed at the modernisation of our warehouse infrastructure;
- we purchased additional land for the development of the logistics centre;
- we renovated a warehouse of 1,100 m^2, transforming it into a cold-storage facility for fruit, vegetables and other perishable goods; and
- in the scope of railway infrastructure arrangement, we renovated and extended sidings, which are crucial for our basic activity.

The construction of warehousing premises in Sežana is tailored to the needs of our business partners.

Arad logistics centre and container terminal: consolidating our position along European Corridor IV

We have been establishing a container terminal in Arad, Romania, in co-operation with two strategic partners, Trade Trans Invest a.s. from Slovakia and the Hungarian railways MAV Cargo. The terminal is located in a strategic position on the axis of European Corridor IV. When completed, its capacity will be 60,000 TEU of throughput per year. This will help increase the container throughput in the Port of Koper, which will be connected with the terminal in Arad through the Sežana European Logistics Centre by means of block trains.

We purchased the throughput equipment needed for the efficient provision of throughput and warehousing services for all types of goods and for offering comprehensive logistics support to our customers. We started constructing an office building, a truck parking area and a general cargo warehouse covering 6,000 m2. The terminal will be opened in the first half of 2009.

»The Arad container terminal is located in a strategic position on the axis of European Corridor IV. When completed, its capacity will be 60,000 TEU of throughput per year.«

Panonija distribution centre on the route of major goods flows

The Prekmurje region offers an extremely favourable location for the establishment of an international logistics and distribution centre, as it is near European Corridor V, which is characterised by intensive goods flows between Eastern and Western Europe. Of significance for us is its proximity to two of our most important markets – Austria and Hungary. The terminal, covering 60 hectares, will feature indoor and outdoor premises, two sidings, truck parking, repair shops and administrative premises. Annual throughput will reach 30,000 TEU in five years.

In 2008, we signed a letter of intent to construct the Panonija Distribution Centre. We initiated administrative procedures for the purchase of land and in co-operation with the Beltinci Municipality started preparing spatial plans and a conceptual design.

Purchase of wagons and locomotives: first private railway operator

Together with the Austrian carrier GKB from Graz, Luka Koper, d.d. established the company Adria Transport, d.o.o., the first private railway operator in the area of the Slovene public railway infrastructure.

The company's vision encompasses the provision of tailored services:

- in the first phase: entry into the market of railway transport organisation in Slovenia and supplementing the service range of the current provider, Slovene Railways;
- subsequently: developing into a major railway operator in Central, Eastern and South-Eastern Europe.

For this purpose the company bought three multi-system electric locomotives. The latter have operating permits for the Slovene, Austrian and German public railway infrastructure and comply with all environmental and safety standards as well as conditions for ensuring the interoperability of the Community's railway system. Two of them transport aviation fuel between the Port of Koper and Vienna, whereas the third has been leased by an Austrian carrier providing railway transport between Austria and Germany. The company also took on the management of 25 Rgs series wagons, which are used for transporting containers from the Port of Koper to Austria.

In 2009, the company accepted another 40 wagons of the Laekks series, designated for transporting cars between the Port of Koper and car terminals in Austria, Slovakia and Romania, and in the scope of the Short Sea Shipping project between the ports of Barcelona and Koper.

»Adria Transport, d.o.o. is the first private railway operator in the area of the Slovene public railway infrastructure.«

Passenger terminal

Cruises are the fastest growing segment of the travel industry. The geostrategic location of the Port of Koper in the Northern Adriatic offers Slovenia a good starting point to become a known cruise destination in the Mediterranean region. The passenger terminal activity bloomed last year. Koper was visited by 53 ships carrying 18,000 passengers.
We started the preparatory work for setting up the passenger terminal. We drew up plans and demolished the building where the terminal will be constructed. The investment envisages a three-storey building, a small hotel and congress centre, a restaurant and premises for accompanying activities. In the current situation marked by the financial and economic crisis, which will without a doubt affect this segment as well, we will study various possibilities regarding the investment in the new building, including the possibility of attracting strategic partners.

PLANS FOR 2009: ACTIVE ADJUSTMENT TO STRINGENT CONDITIONS

The intensity of our investment cycle in 2009 will be adjusted to the stringent conditions of fundraising for investments and the situation of the global recession. The key projects for boosting and modernising capacities, along with increasing competitiveness, will be finalised as planned. Namely, these projects represent our investment in the future, giving new impetus to growth in the port and logistics activities of the Luka Koper Group.
EUR 99.5 million will be allocated to investments and priority will be given to investments in the basic port activity.

More information about the planned volume of investments is given in the chapter Financial Management.

Investments in the basic port activity

These investments are crucial for strengthening the long-term competitiveness of the port. Major investments in equipment and facilities of profit centres will include:

- second construction phase of the car warehouse;
- construction of the alcohol terminal;
- purchase of post-panamax cranes for unloading ships with a capacity of over 7,000 container units; and
- a combined machine for coal throughput.

Investments in port infrastructure

In order to increase operating efficiency and quality, we will make investments related to:

- the extension of pier I and the arrangement of hinterland areas; and
- a road connection with the new entrance, including the parking lot, i.e. truck terminal, and the business facility at the new entrance.

Network of land logistics terminals

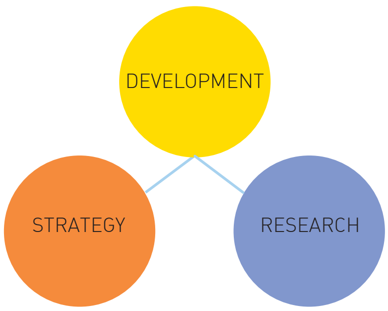
With the aim of establishing an efficient logistics network of land terminals and utilising the strategic geographical position of Slovenia, we will continue with the setting up of land terminals in Arad, Romania, Sežana and the Prekmurje region.

DEVELOPMENT ACTIVITY

NEW DEPARTMENT ESTABLISHED TO ADVANCE DEVELOPMENT ACTIVITY

Owing to the very rapid development of Luka Koper in the recent period and our ambitious plans for the future, our development activities need to be systematically guided. Therefore, we consolidated the company's development function in 2008 by organising research and strategic activities in the framework of the R&D Department.

Basic areas of research activity

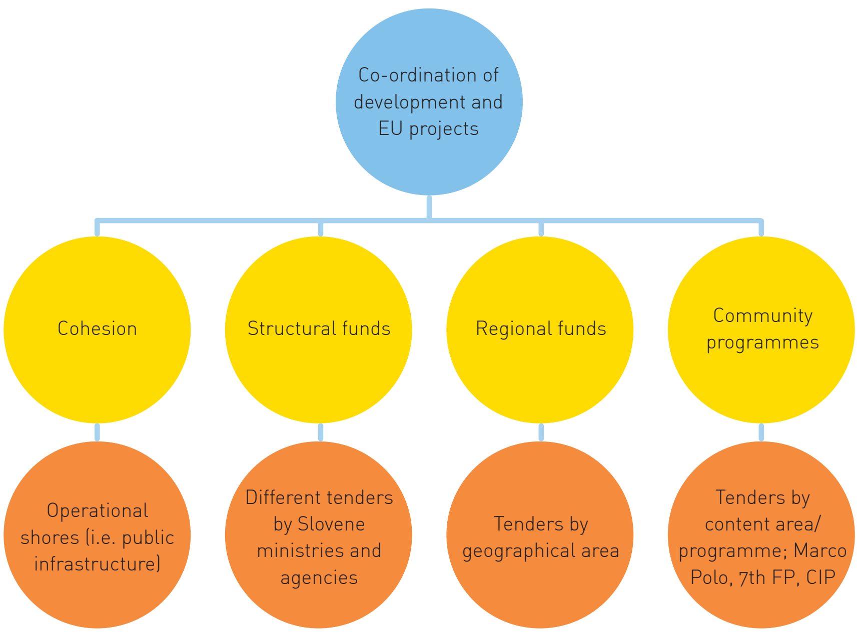


One of the key areas of the Department's activity is the **management of national and European areas of tenders and working on specific projects** according to the concept described in the scheme presenting the co-ordination of development and EU projects.

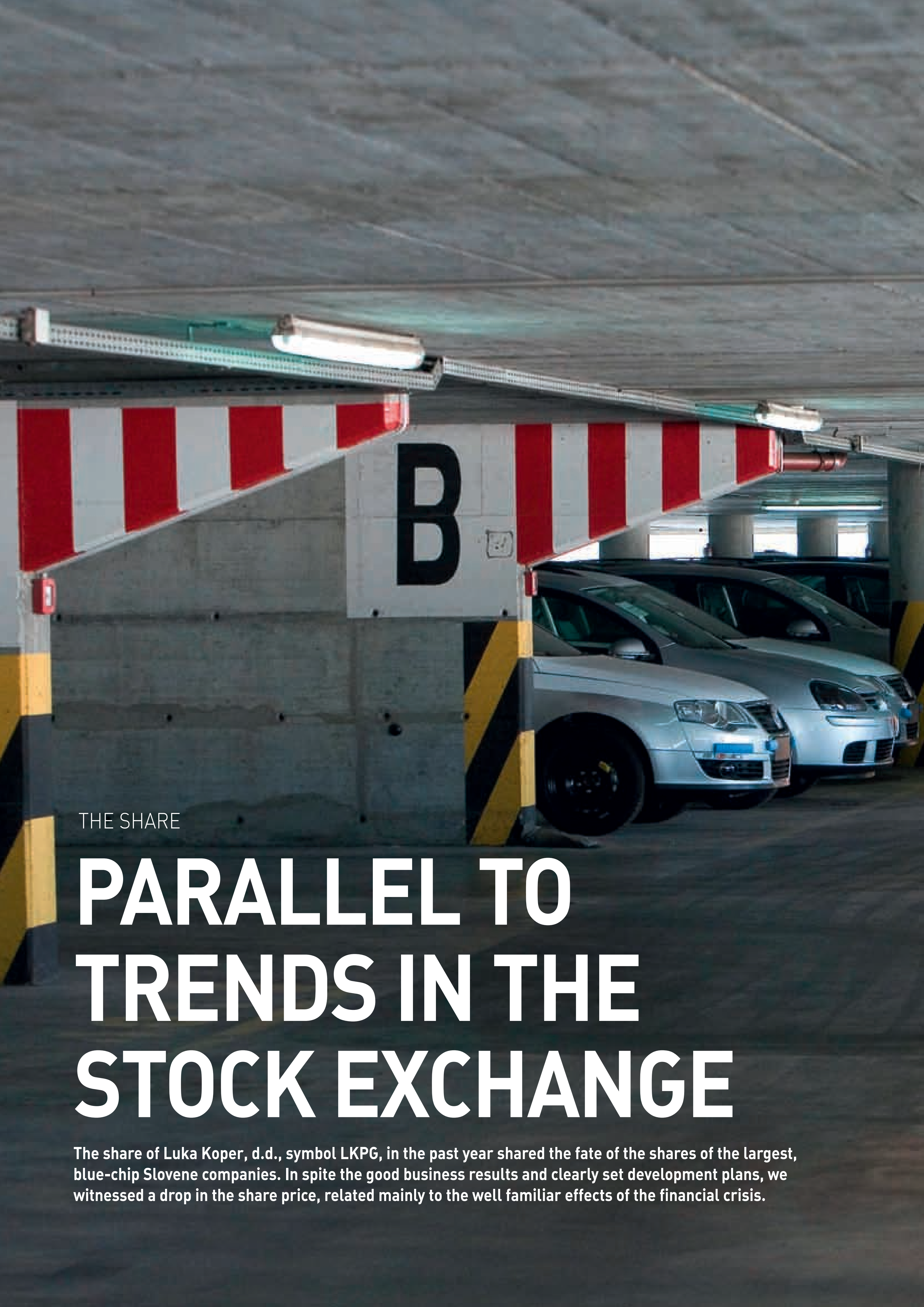
Areas of operation of the R&D Department also include:
- general co-operation within the EU and monitoring of interesting developments within branches in Europe;
- systematic co-operation with universities, institutions, associations and other Slovene and foreign expert initiatives;
- fostering organised institutional and expert liaisons; clusters, platforms, technological parks and others;
- papers/lectures at expert conferences and other expert events;
- other development projects of the company of an R&D character; and
- collecting and monitoring other research-oriented activities of the company and fostering approaches geared at research and development.

The newly organised R&D Department focuses on:
- strengthening the development and research orientation of Luka Koper, d.d.;
- harmonising and ensuring the transparency of the company's R&D activities;
- obtaining grants from the EU and national funds;
- enhancing co-operation between the institutional segment and the economy; and
- networking and creating external partnerships (promotion, competitive position, better practice).

Presentation of the management of national and European areas of tenders



»One of the key areas of operation of the R&D Department is the management of areas of national and European tenders and working on specific projects.«



THE SHARE

PARALLEL TO TRENDS IN THE STOCK EXCHANGE

The share of Luka Koper, d.d., symbol LKPG, in the past year shared the fate of the shares of the largest, blue-chip Slovene companies. In spite the good business results and clearly set development plans, we witnessed a drop in the share price, related mainly to the well familiar effects of the financial crisis.

We finalised the first phase of the new warehouse for 2,750 vehicles. The throughput of more than 560,000 vehicles makes us the largest car terminal in the Mediterranean. One of the possibilities for development is the establishment of a regular shipping line for car transport between Koper and Barcelona, which was supported by the European Commission with two million euros.

The reasons for last year's depreciation in the Luka Koper share from EUR 89 at the start of the year to EUR 21 in December can be attributed predominantly to the general uncertainty related to the financial crisis, which in greater proportions broke out in the second half of the year, when most global economies recorded plummeting stock indexes. When trying to identify the reasons for last year's drop in the Luka Koper share value, we must also consider its exceptional growth peaking in August 2007. It was only reasonable to expect that such steep growth would be followed by a certain decrease in value.
The cyclical share price fluctuations on stock exchanges are typical of all global economies, while the intensity of these fluctuations greatly depends on the size of a particular market. On the Slovene stock exchange, there is much less capital than on developed western markets, which makes our market more sensitive to one-time events. This is reflected in considerably greater fluctuations – both upward and downward. Compared to the year before, the trading volume on the Ljubljana Stock Exchange decreased owing to diminished investor interest in securities, the overrating of some Slovene companies, and the estimates that there exist greater possibilities for making a profit in other markets, including those nearby.
Despite the current fluctuations, the business results improving each year and the huge development potential of the Port of Koper guarantee the further growth of Luka Koper, d.d. and the value of its share.

OWNERSHIP STRUCTURE PRACTICALLY UNCHANGED

There were no major changes in the ownership structure of Luka Koper, d.d. As at the last day of 2008, the company had 14,799 shareholders. The biggest shareholder remains the Republic of Slovenia.

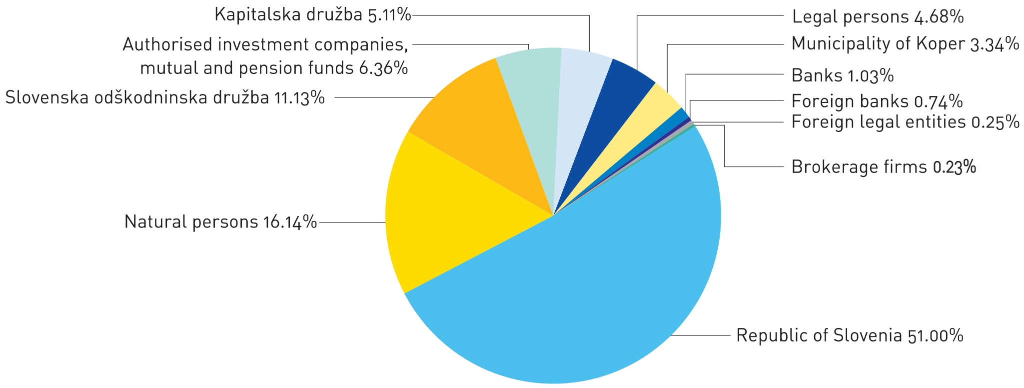
Ten largest shareholders as at 31 December 2008

Shareholder	Number of shares	Equity stake
Republic of Slovenia	7,140,000	51,00%
Slovenska odškodninska družba, d.d.	1,557,857	11,13%
Kapitalska družba d.d.	715,305	5,11%
Municipality of Koper	466,942	3,34%
KD Galileo, mutual fund, flexible investment structure	152,265	1,09%
KD ID, delniška ID, d.d.	149,882	1,07%
Perspektiva FT, d.o.o.	140,895	1,01%
Adriatic Slovenica d.d. Koper, assets for covering technical provisions	116,306	0,83%
Zavarovalnica Triglav, d.d.	104,756	0,75%
Triglav Steber I Equity Mutual Fund	102,201	0,73%
Total	10,646,409	76.05%

Ownership structure of Luka Koper, d.d. as at 31 December 2008

Shareholder	Number of shares	Equity stake
Republic of Slovenia	7,140,000	51.00%
Natural persons	2,258,913	16.14%
Slovenska odškodninska družba	1,557,857	11.13%
Authorised investment companies, mutual and pension funds	890,799	6.36%
Kapitalska družba	715,305	5.11%
Legal persons	655,664	4.68%
Municipality of Koper	466,942	3.34%
Banks	144,309	1.03%
Foreign banks	103,411	0.74%
Foreign legal entities	35,257	0.25%
Brokerage firms	31,543	0.23%
Total	14,000,000	100.00%

»The reasons for last year's depreciation in the Luka Koper share can be attributed predominantly to the general uncertainty related to the financial crisis.«



Ownership structure of Luka Koper, d.d. as at 31 December 2008

MOVEMENT IN THE LKPG SHARE PARALLEL TO MOVEMENT IN THE SBI20

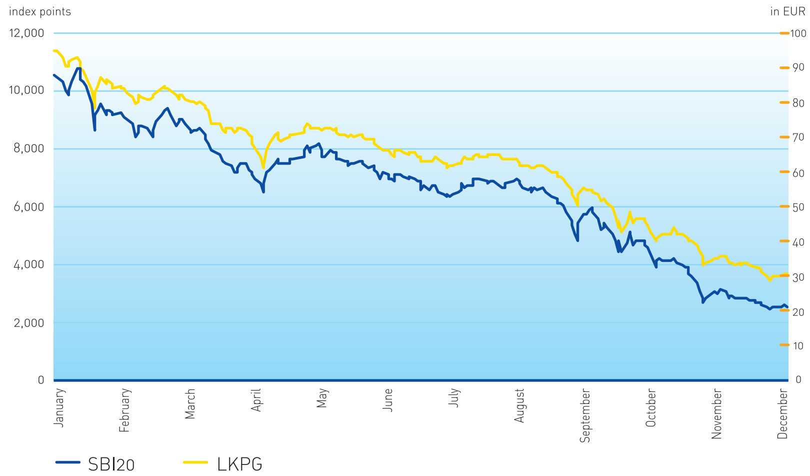
In the global financial crisis situation, the share depreciated by 76% and the SBI20 stock exchange index by 68%. Last year, 10,867 deals and lot deals were concluded with the LKPG share. Total trading in this period stood at EUR 35,745,816 and 664,127 shares changed owners.

DIVIDEND POLICY

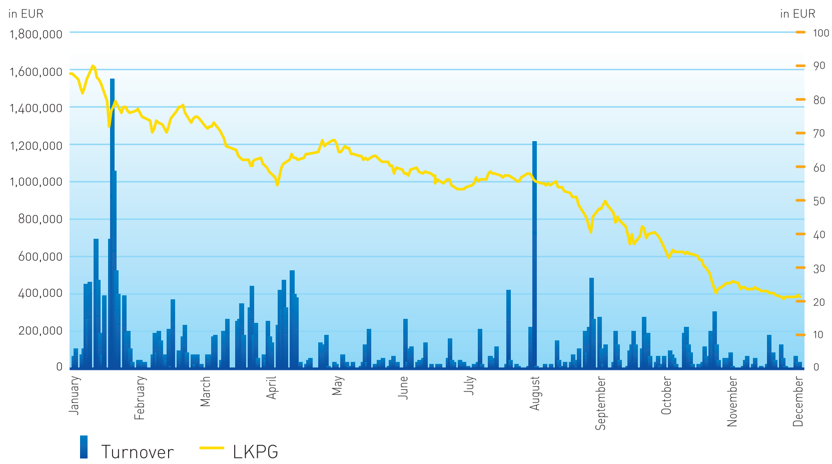
As a rule, half of net profit goes to dividends. A gross dividend of EUR 0.55 per ordinary share was approved for 2007 at the 14th General Meeting of Shareholders. In order to continue the investment cycle, we will propose to the General Meeting of Shareholders that the profit generated in 2008 be retained.

Information for investors is available at http://www.luka-kp.si/slo/zavlagatelje.

Contact:
Rok Štemberger
Investor Relations
Tel: 05 66 56 140; Fax: 05 639 50 20
E-mail: rok.stemberger@luka-kp.si



Changes in the SBI20 index and LKPG in 2008



Changes in the LKPG share price and daily turnover in 2008

Key data about the LKPG share in the past three years

	2006	2007	2008
Number of shares	14,000,000	14,000,000	14,000,000
Number of ordinary no-par value shares*	7,140,000	14,000,000	14,000,000
Number of preference participating no-par value shares	6,860,000	/	/
Share price on the last trading day of the year (in EUR)	47.29	88.76	20.97
Share's book value as at 31 December (in EUR)	20.38	23.23	20.84
Price-Book Value Ratio (P/BV)	2.32	3.82	1.01
Average weighted market price (in EUR)**	36.45	85.20	53.82
Average share book value (in EUR)***	19.06	21.91	22.3
Average weighted market price/Average share book value ratio	1.91	3.89	2.41
Net earnings per share (EPS) (in EUR)	1.42	1.79	0.98
Average weighted market price/Earnings per share ratio	25.67	47.58	54.92
Share price/earnings ratio (P/E)	33.30	49.59	21.40
Market capitalisation as at the last day of the year (in EUR million)	337.65	633.75	293.58
Total share trading (in EUR million)	42.92	144.60	35.75
Dividend per share ****(in EUR)	1.08	1.09	0.55

*At the 13th General Meeting of Shareholders (AGM) held on 19 July 2007, a resolution was passed on the transformation of 6,860,000 preference participating shares with limited voting rights into ordinary no-par value shares. As a result, the number of ordinary shares changed to 14,000,000. The share capital of Luka Koper, d.d. is divided into 14,000,000 ordinary registered freely transferable no-par value shares.

** Average weighted market share price is calculated as the ratio between total turnover, arising from ordinary (stock exchange) transactions, and the quantity of LKPG shares traded in ordinary (stock exchange) transactions.

*** Average share book value is calculated based on the average monthly ratio between capital and the total number of shares.

**** Dividend paid based on the resolution of the General Meeting of Shareholders for the current year, financed from distributable profit for the previous year.

CALENDAR OF MAJOR PUBLICATIONS

Scheduled date of publication/event	Type of publication/event
by 27 Feb. 2009	Publication of unaudited unconsolidated and consolidated financial statements for 2008
by 30 Apr. 2009	Publication of the Statement of Compliance with the Corporate Governance Code for Joint-Stock Companies Publication of the Annual Report for 2008 Publication of the annual document
by 29 May 2009	Publication of the report on the company's performance in the first quarter of the business year
July 2009	General Meeting of Shareholders
by 14 Aug. 2009	Publication of the semi-annual report on the company's performance
September 2009	Dividend payment for 2008
by 30 Nov. 2009	Report about the company's performance for the first nine months of the year

The planned publications and other price-sensitive information will be published on the website of the Ljubljana Stock Exchange via the SEOnet electronic system of informing (http://SEOnet.ljse.si) and on our website www.luka-kp.si. Any changes to the scheduled publication dates will be communicated on the website of www.luka-kp.si in due time.
At both websites we will, presumably in April, publish the annual document – a list of all information available in the Slovenian and English languages on SEOnet within the last 12 months.

SHARE OWNERSHIP BY MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

	Shareholder	Shares owned as at 31 December 2008
Supervisory Board	Boris Bradač*	357
	Metod Mezek	150
	Nebojša Topič	9
	Marko Valentinčič	100
Management Board	Marjan Babič, MSc., member of the Management Board	928
	Boris Marzi, MSc., member of the Management Board – workers' director	100

*Boris Bradač je z mesta člana nadzornega sveta, predstavnika delavcev, odstopil 30.3.2009.

CROSS-LINKAGES WITH OTHER COMPANIES

The only company in which Luka Koper, d.d. holds at least a 5% stake and which owns shares of Luka Koper, d.d. as at 31 December 2008 was Intereuropa, d.d. In the latter, Luka Koper, d.d. holds a 24.81% interest. Intereuropa, d.d. held an 0.03% stake in Luka Koper, d.d.

Shareholders holding at least 5% of the LKPG shares as at 31 December 2008:

- Republic of Slovenia (51.00%);
- Slovenska odškodninska družba, d.d. (11.13%); and
- Kapitalska družba, d.d. and its funds (5.11%).

TREASURY STOCK, AUTHORISED CAPITAL, CONDITIONAL CAPITAL INCREASE

Luka Koper, d.d. had no treasury stock. The applicable Articles of Association of Luka Koper, d.d. do not provide for a category of authorised capital up to which the Management Board could increase the share capital. The company also had no basis for a conditional increase in its share capital.

RULES ON RESTRICTIONS ON TRADING AND THE DISCLOSURE OF TRADING IN SHARES OF THE COMPANY WITH REGARD TO ASSOCIATES

According to the recommendations of the Ljubljana Stock Exchange, we prepared the Rules on Trading in Issuer Shares. Their key advantage is that they allow for equal informing of all shareholders about the important business events in Luka Koper, d.d., since they prohibit the representatives of the Supervisory Board, the Management Board and other management staff to trade in the company's shares based on insider information. Compliance with the Rules is an important element of strengthening the investors' trust and the reputation of the Luka Koper Group.

RISK MANAGEMENT

STRENGTHENED SYSTEMATIC APPROACH AND BOOSTED EFFICIENCY

The efficiency of the risk management system is of vital importance for responding in a timely manner to the changes and new opportunities offered by the currently inconsistent and unpredictable economic environment. By upgrading the system for identifying, assessing and properly responding to risks, we improved our responsiveness and efficiency in risk management.

Successful risk management in Luka Koper, d.d. and the entire Luka Koper Group offers an insight into possible events which could influence the set goals and their implementation. Determining the type of risk, assessing the level of exposure and establishing an integral risk response system are thus very important aspects of our business policy. Risk management is assigned to the Management Board of the company. The latter, in co-operation with the Controlling Department, Quality Department and other expert services, ensures that the risks we are exposed to are understood, that risk management controls exist and function, and that changes in the environment are predicted. We conduct regular internal and external assessments and inspections of our operations.

Risks are divided into:

- strategic risks;
- business risks; and
- financial risks.

»Determining the type of risk, assessing the level of exposure and establishing an integral risk response system are thus very important aspects of our business policy.«

STRATEGIC RISKS

The responsibility for managing the risk of the company's existence and fulfilling its short- and long-term objectives is assigned to the management of the parent company.

The decrease in exposure to strategic risks, mainly development risk, is influenced by the clear development strategy for the period until 2015. On its basis the Luka Koper Group has been developing into a visible provider of logistics services and an efficient port and distribution system. Successful implementation of the development strategy in the Port of Koper is also positively influenced by the adoption of the concession contract in 2008.

Maritime transport and logistics are greatly exposed to the fluctuation in the global economic growth rate and the increase in transport flows, which is why our strategy provides for the possibility of such fluctuations. The altered situation in our markets has already been reflected in the quantity of throughput lagging behind the plan; however, the recession has not yet influenced the set development strategy. If the conditions change significantly, adjustments will be made. The elements of strategic risks are included in the chapters Implementation of Plans, Strategic Goals and Orientations, and the Concession Contract.

According to the Management Board's estimate, strategic risks are moderate. Also moderate is the probability of opportunity damage in the Group as a result of this type of risk.

BUSINESS RISKS

The group of business risks encompasses the risks which are directly related to the ability to generate revenue, profit and cash flow of the Group.

Business processes are managed by:

- alignment with the strategic goals and business policy;
- safety of assets, which means the absence of losses, fraud or abuse;
- harmonisation with the legislation, good practice and internal rules;
- reliable data and information, and regular reporting.

Business risks are managed in the scope of the Controlling and Quality Departments. We regularly conduct internal process assessments and report to the management on the efficiency and accuracy of the operations of organisational units.

Investment risks

In 2009, the investment cycle will be adjusted to the stringent conditions on the financial markets. When investing in technological upgrades and port infrastructure, we will pay even more attention to the events in the economic environment so as to avoid the risks of loss of future benefits arising from investments.

Investment risks are managed by the measures enumerated in the table Overview of risks.

More information about the value and content of investments is available in the chapter Investment Policy, and information about investment financing in the chapters Analysis of Operations of the Luka Koper Group and Financial Management.

The risks of investments in property, plant and equipment are assessed as high by the Management Board; however, due to the mechanisms established for their management, the probability of damage is moderate.

Human resources risks

In spite of the advanced technical and technological equipment, port activity is work-intensive, so the availability and motivation of employees are important factors of success.

Overview of risks, including exposure level and risk control measures

TYPE OF RISK	MANAGEMENT BOARD'S ASSESSMENT OF RISK EXPOSURE	RISK REDUCTION MEASURES
Strategic risks		
Development risks	moderate	• Clear strategic orientation and development strategy open to adjustment to market conditions; and • Adoption of concession contract.
Business risks		
Investment risks	high	• Qualification and responsiveness of engineers, designers and marketing staff in order to detect technological changes and altered market demand for port services, and their response; • Balanced planning of investments in basic port and development activities; • Checking the economic justifiability and reaching the planned economic performance of investments; • Constantly improving the quality of the preparation, implementation, activation and monitoring of investments.
Human resources risks	moderate	• Measures for ensuring the availability of labour force; and • Measures for preserving and increasing the motivation of employees.
Information system risks	low	• Specifically defined relationship and established good business practice with a contractual partner providing information support services; and • Contractual partner is a holder of the ISO/IEC 27001:2005 certificate.
Sales risks	moderate	• Higher investments in basic port infrastructure and equipment; • Looking for new possibilities for redirecting goods to our hinterland terminal in Sežana; • Sales contracts must stipulate payment collateral instruments; • Ever more aggressive marketing of services and attracting new deals; and • Further development of good partnerships with customers, enabling proactive solving of operational issues.
Environmental risks	low	• Safety report for the entire port; • Assessment of the level of endangerment due to major accidents according to the safety report; • Protection and rescue plan in the event of an accident involving hazardous substances, prepared on the basis of scenarios identified in the assessment of the level of endangerment and the safety report; • Plan for alerting rescue units, aligned with the protection and rescue plan and determining the method of alert for various types of accidents; • Informing scheme within the Luka Koper Group in connection with the informing system of the Municipality; and • Environmental impact assessments for all organisational units.
Legislative risks	low	• Fruitful co-operation and consultation with regulatory bodies in the process of introduction and amendment of legislation; and • In-house expert personnel.
Profitability risks	moderate	• Arrangement of the concession relationship with the state, representing a stable basis for development; • Increasing the scope of operations and the volume of more profitable services in spite of the expected pressures on price reductions; and • Adoption of the collective agreement for the corporate sector, which increases employee motivation.
Financial risks*		
Fair value risk	low	• Marketable securities portfolio diversification; and • Consistent analysis of financial investment sensitivity at fair value.
Interest rate risk	low	• Provision of long-term interest rate hedging by collateralisation of financial liabilities related to variable interest rates; • Consistent analysis of financial liability sensitivity to changes in variable interest rates; and • Adjustment to the expected increase in interest margins by searching for banks specialised in infrastructural investments.
Currency risk	low	• Significant decrease in the share of USD-denominated trade debtors, mainly in the parent company, where the relevant share dropped from 15% at the end of 2007 to 4.76% at the end of 2008.
Liquidity risk	low	• Centralised management of the Group's assets in the parent company; • Regular cash flow projections for various maturities centralised in the parent company; • Matching the maturity of assets and liabilities; • Careful planning of operating and financial liabilities and provided system control over liabilities' due dates; • Organisational changes in collection to boost the role of collection in ensuring regular inflows; • Uniform financial policy for customers and suppliers; • Greater emphasis on charging of default interest; • Monitoring of outstanding receivables from customers at shorter intervals; and • Producing various scenarios for adjustment to planned extension of short-term loans.
Credit risk	low	• Preserving the specific customer structure and operating with a limited number of major forwarding companies and agents; • Existence of lien on stored goods, which is specific for our operations; • Collateralisation of some types of receivables by security; • Collateralisation of loans granted by blank bills of exchange and other (im)movable property; and • Integral approach to trade debtor management.
Capital structure risk	moderate	• Multiannual target identification of optimal capital structure by calculating weighted average costs of capital, mainly in the parent company; • Reduction in weighted average costs of capital, leading to an optimum capital structure and consequently more efficient business processes; • Increasing the share of loans, thus exploiting the positive effects of financial leverage; • Regulating indebtedness, which is crucial in the global crisis situation, by restricting the increase in the share of total liabilities to 60%; and • Measures for shortening deadlines for the completion of investments in progress and for faster generation of operating revenues by such investments.

* Financial risk management is comprehensively covered in the Consolidated Financial Report and the Financial Report of Luka Koper, d.d.

According to the Management Board's estimate, human resources risk in the Luka Koper Group remains moderate, even though the changing operating conditions in the second half of the year already indicated a decrease in turnover in certain product groups. In order to manage the changing work conditions and ensure employment to all employees in line with the applicable labour legislation, we adopted additional systematic measures besides the established human resources management systems, chiefly in internal organisation and allocation of the employees' working hours. Thus, the probability of damage also remains moderate in the Group.

Human resources risk related to the availability of labour force was managed by:

- a systematic approach to planning labour needs, which included a slowdown in employment growth and recruitments only if an explicit need arose;
- utilising internal human resources through horizontal and vertical labour force mobility, which was conducted as follows:
  a) retired employees and other staff who left the company were usually replaced by means of reassignments;
  b) by short-term or occasional reassignment of employees among organisational units and profit centres;
  c) by improving the internal work organisation, which includes optimal use of working time.
- a systematic arrangement of relations with the providers of port services.

The Luka Koper Group maintains and enhances the motivation of its employees by:

- signing the new collective agreement for the corporate sector, new job systemisation, higher base salary and redefined salary ratios;
- adjusted systems for material motivation and remuneration of staff;
- improved communication between the management and employee representatives;
- systematic annual interviews with employees;
- setting up a dialogue with the employees by using various forms and tools of internal communications;
- providing career development and financing training and education; and
- additional care for employees even outside of working hours.

The elements of human resources risks are included in the Sustainable Development Report.

The Management Board estimates that human resources risk in the Luka Koper Group is moderate. Due to properly defined measures for risk management, the probability of damage in the Group is also moderate.

Information system risks

Major risks related to the functioning of the information system comprise:

- ensuring stable development of the information system;
- reaching a suitable satisfaction level of the users of information solutions;
- identifying irrational processes and preventing their duplication;
- supervision of errors, abuse, asset and data theft;
- comprehensive system for granting authorisations for access to data; and
- quality and suitability of data.

The enumerated risks are integrally managed by the outsourcing of information support services. A comprehensive and integral service in this area is supplied by Actual I.T., d.o.o. from Koper.
The established good business practice proven by the stable functioning of the information system decreases the risk related to the information system's operations. An additional guarantee is provided by the information management certificate ISO/IEC 27001:2005 for the

Delimitation of duties for risk identification, implementation of measures and monitoring of their efficiency

TYPES OF RISKS	RESPONSIBILITY Risk identification	Implementation of measures	Monitoring the efficiency of measures
Strategic risks	• Management Board of the parent company	• Management Board of the parent company	• Management Board of the parent company
Business risks	• Management Board of the parent company • Heads of expert departments and profit centres • Controlling Department • Quality Department	• Expert departments and profit centres	• Management Board of the parent company • Controlling Department • Quality Department
Financial risks	• Management Board of the parent company • Finance Department • Controlling Department	• Finance Department	• Management Board of the parent company • Finance Department • Controlling Department

information management system, acquired by our contractual partner. In 2009, we renewed a long-term contractual relationship, according to which the contractual partner cannot access data in information systems without the physical presence of company employees.
The elements of risks arising from the operation of the information system are detailed in the chapter Provision of Information Support.

The risks arising from the operation of the information system are, according to the Management Board's estimate, low on account of the said measures. The established mechanisms for controlling these risks limit the probability of damage to the Group to a low level.

Sales risks

Sales risks involve risks depending on the quantity of goods throughput. This quantity has in recent years warranted a series of operational adjustments to preserve business growth and ensure suitable warehousing capacities.

The market situation influences the risk incidence:

- redirection of customers' cargo to other ports due to fully utilised warehouse capacities;
- management of the sales and pricing policy with the aim of balancing throughput through the port;
- insolvency of customers;
- provision of comprehensive support to customers through the implementation of logistics services; and
- enhancing quality and efficiency as fundamental advantages of our range.

Risks are managed in several ways, as described in the table Overview of risks. More information about the planned throughput quantities by product group and by market is given in the chapters Market Position and Opportunities, and Marketing: Product Groups and Markets.

According to the estimate of the Management Board, sales risk in the Luka Koper Group is moderate. Due to functioning risk management mechanisms, the described risk groups entail a low probability of damage according to the Management Board's estimate. Owing to the halt in the global economic system, the Management Board is more careful when estimating the potential damage arising from sales risks and therefore assesses the probability of damage in the Group as moderate.

Environmental risks

We have established mechanisms at the level of the Luka Koper Group to protect environmental and occupational health. These mechanisms are used for identifying key aspects of risks, which are managed according to specifically defined measures presented in the table Overview of risks.
Risk management is provided by regular and legally prescribed measurements, the introduction of technological novelties, continuous training and regular supervision in the scope of the Sea Protection Department. Risk lists and assessments are recorded in the register of environmental issues. They are regularly checked and harmonised with legislative amendments.

The elements of environmental risks are included in the Sustainable Development Report.

Owing to systematic measures, the environmental risks are low. The Management Board believes that thanks to the implementation of these measures, the probability of damage in the Luka Koper Group is also low.

Legislative risks

Legislative amendments and interpretation of the legislation, in particular those parts regulating the basic activity of the Group, are the central elements of legislative risk. Fruitful co-operation and consultation with regulatory bodies in the process of introducing and amending legislation, along with our in-house experts, reduce exposure to this type of risk.

The Management Board is of the opinion that the legislative risk is low. Suitable measures ensure a low probability of damage arising from such risks.

Profitability risks

The regulation of the concession relationship pertaining to port terminal management will provide a stable basis for further development of the Luka Koper Group. In order to preserve and increase profitability despite the expected pressures to reduce the prices of our services, we are working towards an increase in the volume of operations, a higher share of more profitable services, and efficient cost control.
The effects of the recession will be felt in 2009, yet we plan to generate profit in spite of unfavourable projections. We are optimistic owing to the adopted collective agreement for the corporate sector, which will help boost personnel efficiency and motivation, and the willingness of our business partners to continue co-operating with our port; we will prove that their decision is right by providing quality services.
The elements of profitability risks are presented in the chapter Analysis of Operations of the Luka Koper Group.

According to the Management Board's assessment, profitability risk is moderate. The probability of damage in the Group is moderate as well.

FINANCIAL RISKS

Major financial risks detected in the Luka Koper Group include:

- fair value risk,
- interest rate risk,
- currency risk,
- liquidity risk,
- credit risk, and
- capital structure risk.

The Finance Department supervises these risks regularly and in different periods. In this way it adequately manages the uncertainty arising from fluctuations in financial categories, chiefly finance income and expenses, and ensures the long-term stable operations of the entire Group. Moreover, it improves the possibility of reaching the planned levels, mainly as regards future cash flows. Worth noting are the efforts devoted to reduce the possibility of extraordinary finance expenses resulting from negative trends in various economic categories. As the measures for identifying and supervising financial risks are integrated in everyday work processes, it is possible to respond quickly and in a timely manner to the changes in financial categories arising from financial risks.
The formulated financial policy and the financial risk management process provide for stabler operations of the Luka Koper Group. They increase the trust of the company's owners, business partners and all other stakeholders of the Luka Koper Group. This is also proven by the credit rating reports of internationally established rating institutions, which enable the Group's companies to acquire funds under the most favourable terms.
The measures aimed at diminishing exposure to financial risks are succinctly presented in the table Overview of risks, whereas all aspects of financial risks are described in note no. 29 in the Financial Report of Luka Koper, d.d.

The Management Board's assessment of financial risks is a constituent part of the Financial Report of Luka Koper, d.d., included in note no. 29.

The 'E-Container' ('E-zabojnik') application offers our customers a detailed overview of the status of containers at the terminal at any time. New information services contribute to the efficiency of our partners' operations. Forwarding companies, carriers and agents are provided simple access to services through our website.

PROVISION OF INFORMATION SUPPORT

PLANNING AND IMPLEMENTING INCREASINGLY AMBITIOUS PROJECTS

We have been constantly upgrading and improving information solutions, which give us the possibility of wide-scale connection with the users of our services and foster business processes on their and our part. They include exclusively electronic communication with customers, the 'E-Container' solution ('E-zabojnik') and improved functionalities of the TinO system supporting marketing, operational and many other processes.

Information support in Luka Koper, d.d. is provided in full by the outsourcer Actual I.T., d.o.o.
The potential risks arising from such a relationship are managed by a specifically defined general contract, service-level agreements and by constantly checking competitive offers. We have created a partnership with Actual I.T., d.o.o. and nurture mutual co-operation.

Fast and transparent communication
For several years Luka Koper, d.d. has been expanding paperless electronic communication in ordering, service implementation and authorisations between the customer and the provider. In this way we ensure quality, fast and transparent mutual communication based on open standards and conducted by means of various competitive applications in an utterly safe manner.
By co-ordinating information support at Luka Koper, d.d., we provide for the co-ordinated action of the administrators of customers and providers.

»We have been expanding paperless electronic communication in ordering, service implementation and authorisations between the customer and the provider. In this way we ensure quality, fast and transparent mutual communication.«

Key co-ordination tasks are performed in the following areas:
- planning development and conducting development projects and major development activities bringing added value and greater competitive advantage to the company;
- ensuring the safe use of IT tools in local environments and on mobile devices; and
- constant support to maintaining the

»The information system of Luka Koper, d.d. enables further expansion and connections with both the surroundings and newly established subsidiaries.«

service level, with the main focus on supervision and control of all system operations.

In line with the Group's strategy, we implemented the goals set out in the business plan while adhering to the following orientations:

- efficient support for all business processes;
- openness and integration in the comprehensive logistics service range;
- the safety and rationality of operations; and
- maintaining an efficient ratio between the cost of running the information system and operating revenue.

Last year, we further pursued intensive improvement of the TinO system (supporting marketing and operational processes), predominantly in the following areas:

- invoicing;
- automation of certain manual tasks;
- simplified warehousing operations (tax warehouses and microdistribution); and
- improved inquiries about warehousing records.

Numerous novelties

Our activities related to information technology also encompassed:

- successful upgrading of SAP to the latest version;
- introduction of new modules for occupational safety and travel warrants (Travel Management);
- initiated implementation of the One-Bank and Consolidation modules;
- major landmark achieved – upgrading of a highly available server infrastructure for the Cosmos system at the container terminal;
- establishment of the special solution 'E-Container' ('E-zabojnik'), enabling an overview of container status to our business partners;
- upgrading of the NeoArc documenting system; thus we gained new functionalities and greater compatibility with other systems; and
- modernisation of working environment for the final user, including the replacement of all computer equipment and a software upgrade.

The information system of Luka Koper, d.d. enables further expansion and connections with both the surroundings and newly established subsidiaries. At present, it efficiently connects and supports the subsidiaries Luka Koper INPO, d.o.o., Adria Terminali, d.o.o., Luka Koper Pristan, d.o.o. and Adria-Tow, d.o.o.

We keep up with information technology developments and plan ambitious projects for the future. The redesign of the system supporting decision-making and of the document system, the introduction of new SAP modules, the integration of new functionalities in the TinO system, and e-invoicing are just some of the projects that are planned.

The result of the synchronised designing of information solutions in the Luka Koper Group is reflected in the stable functioning of the entire information system and the suitable satisfaction level of the users of IT tools.

SUSTAINABLE DEVELOPMENT

INVESTING IN PARTNERSHIPS

A commitment to sustainable development is one of our core strategic orientations. The establishment and nurturing of partner relations with all stakeholders are placed at the forefront. In this way we secure the successful development of our employees, strong support for the social environment, and improvements in natural environmental care. Our achievements in the area of sustainable development are this year for the first time reported in a separate publication, which is included in this Annual Report.

HUMAN RESOURCES MANAGEMENT ENSURING DEVELOPMENT THROUGH DIVERSE CARE

Employment policy: an emphasis on knowledge and equality

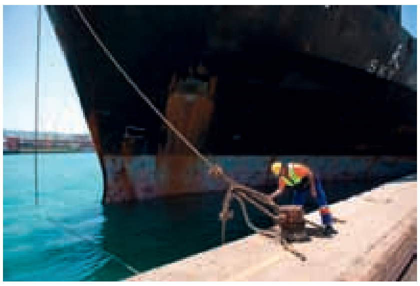
The Luka Koper Group employs personnel whose specific knowledge and experience support the quality of service implementation and contribute to the companies' performance and the realisation of our development policies. In employment, we always comply with the equality principle and prohibit any discrimination based on sex, religion, disability, age, race or sexual orientation.

More employees and an improved employee structure

In recent years, the Luka Koper Group increased the number of employees, predominantly on account of supplementing the basic throughput activity by logistics services. As at the last day of the year, it employed 1,109 people or 3.6% more than the year before. Last year we recruited 103 employees, while 64 left, most of them eligible for old-age retirement.

The number of employees in the companies and the Luka Koper Group

Company	31 Dec. 2006	31 Dec. 2007	31 Dec. 2008	Difference between 2007 and 2008	Share of employees in the Group in 2008 (in %)
Luka Koper, d.d.	693	774	786	+ 12	70.9
Luka Koper INPO, d.o.o.	237	228	241	+ 13	21.7
Luka Koper Pristan, d.o.o.	9	9	14	+ 5	1.3
Adria Terminali, d.o.o.	-	35	35	unchanged	3.1
Adria-Tow, d.o.o.	23	24	29	+ 5	2.6
Adria Transport, d.o.o.	-	-	1	+ 1	0.1
TOC, d.o.o.	-	-	3	+ 3	0.3
Skupina Luka Koper	**962**	**1,070**	**1,109**	**+ 39**	**100.0**






»By creating new companies engaged in ecology-oriented activities, we implement our strategic goal to become an environmentally friendly and green port.«

Number of employees by level of education

		Luka Koper, d.d.		Luka Koper Group
Level of education	2008	Share	2008	Share
VIII in več	15	2%	16	1%
VII	204	26%	226	20%
VI	46	6%	60	5%
V	249	32%	302	27%
IV	190	24%	280	25%
III	24	3%	35	3%
II	52	7%	140	13%
I	6	1%	50	5%
Total	**786**	**100%**	**1,109**	**100%**

The average age of Group employees was 43.1 years and the average service period 19.6 years. By recruiting younger staff, a downward trend is observed in both categories, which, like in 2007, recorded the highest values in Luka Koper INPO, d.o.o. Owing to the length of the service period, the average employee age and high loyalty, the turnover rate at the Group level decreased from 6.2% to 5.9%. The latter is lower than the assessed turnover rate in Slovenia, which ranged between 6% and 9%.

In line with the employment policy, the educational structure of employees improved and is nearing the employee education target, meeting the requirements pertaining to individual work positions. The Luka Koper Group also sees to employee education and training. On average, EUR 284 per employee was spent on various training and education events. The lower cost is related to a higher share of in-house training, which has numerous advantages.

The total number of disabled employees slightly decreased on account of disability and old-age retirements at the disability company Luka Koper INPO, d.o.o.

* absenteeism = the number of working hours lost/average number of employees x number of working hours in a year x 100

Focusing on improved organisation and flexibility at a time of economic crisis

Due to the announced crisis, we have already undertaken all actions that do not include lay-offs and are geared towards improving the internal organisation and facilitation of more flexible assignment of staff among units. We do not plan to take on board any new employees and will replace any departures internally. In addition, we will cut the number of contractors.

Safety and health at work: international standard OHSAS 18001/2007 acquired

SThe occupational health and safety system was aligned with the international OHSAS 18001/2007 standard. We act in compliance with the legislation and a number of years back established efficient mechanisms for identifying negative aspects and risks. The number of outsourcers is growing daily in the port area, which is why they receive training from us in occupational safety. Last year we trained 200 of them and prepared an informative brochure about safety in the port for all visitors.

Out of 34 employees who suffered an industrial injury at Luka Koper, d.d., 28 were on sick leave. We recorded another 30 cases where only material damage was suffered. All cases were carefully investigated so as to facilitate prevention in the future. In the Luka Koper Group, employee sick leave accounted for 157,090 hours. Absenteeism* reached 7%, having grown by 0.2% owing to a higher number of employees.

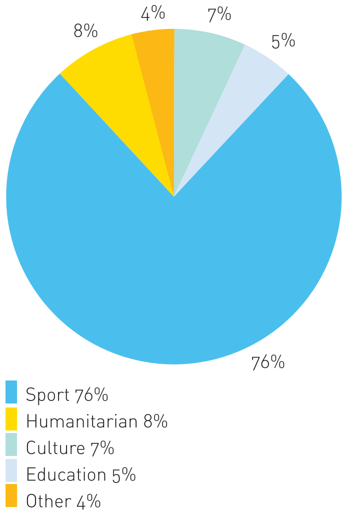
»The number of outsourcers is growing daily in the port area, which is why they receive training from us in occupational safety.«

Signing of a new collective agreement

Last year, our social partners signed a new collective agreement, which superseded the previous one dating 11 years back. This represented an important step in the area of human resources, as the agreement includes all work-related legal amendments and novelties, stipulates new job systemisation and regulates salaries.

THE SOCIAL ENVIRONMENT SPONSORSHIPS AND DONATIONS: EXTENSIVE SUPPORT TO CREATIVE PROJECTS

Projects in the narrower and wider social environment which receive our financial and expert support are selected on the basis of internal rules. This task is assigned to the Public Relations Department. Out of EUR 1.4 million earmarked for this purpose, one quarter went to donations and the rest to sponsorships.



Distribution of funds for sponsorships and donations by area

Strengthening dialogue with the local community

We have laid down our development plans in the development strategy until 2015. As they have been published several times, we wanted to know to what extent the local population is familiar with them and what are their opinions. An independent agency therefore conducted a survey involving 750 inhabitants of four regions in the Municipality of Koper. Owing to a detailed selection, the sample can be applied to the entire population of the Municipality of Koper. The results of the survey were positive, showing:

- good half of the population is familiar with the spatial development plans of the port and 69% approve of them;
- two thirds of the respondents are of the opinion that Luka Koper, d.d. contributes significantly or very significantly to the economic development of the Municipality;
- 62% of the respondents agree with the construction of pier III, which brings new development potential;
- the respondents assessed the business performance of Luka Koper, d.d. as very successful and the development possibilities as quite good.

»A good half of the population is familiar with the spatial development plans of the port and 69% approve of them.«

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Wider social community – co-operation with the state

In 2009, we expect the drafting of the national spatial development plan to be completed; this is a fundamental act that will enable the port to expand spatially and develop further. The preparation of the spatial development plan will be followed by the acquisition of environmental approval, public exhibition and discussion, expert examination of proposals and comments, supplements, and the adoption of the decree by the Government of the Republic of Slovenia.

NATURAL ENVIRONMENT: SYSTEMATIC WORK YIELDS RESULTS

The main orientations of the Luka Koper Group in natural environmental protection are the following:

- introduction of modern and economical technology (reduced consumption of natural resources, restricted negative impacts on the environment);
- constant reduction of environmental emissions (regular monitoring of results and reporting to competent national institutions);
- nurturing of partnerships with local communities;
- securing preparedness for taking action in extreme circumstances;
- continuous improvement of the environmental management system.

The public is kept informed about all significant environmental aspects through the websites www.luka-koper.si and www.zivetispristaniscem.si, the bulletin "Luški glasnik" and the mass media. We provide data to the national authorities as prescribed and within the legally set deadlines.

New companies engaged in ecological activities

By creating new companies engaged in ecology-oriented activities, we implement our strategic goal to become an environmentally friendly and green port. Last year the following companies were established for this purpose: Ecopark, d.o.o., Ecoporto Koper, d.o.o., Adriasole, d.o.o. and Eco-morje, d.o.o.

More information about their activities is available in the chapter Increasingly Diversified Activities of the Luka Koper Group.

Numerous achievements in the area of natural environmental protection

ENVIRONMENTAL ASPECT	ISSUES, ACTIVITIES AND ACHIEVEMENTS
AIR	• Air emissions are annually monitored by an authorised organization and regular measurements are conducted by us as well. • We have no direct influence on exhaust gas emissions from ships. Nevertheless, we have helped reduce them by installing an electrification station for tugs on the shore near the city centre. • There are no legally prescribed requirements in Slovenia on dust levels, so we abide by the German guidelines (TA Luft) and keep them significantly below the permissible annual level (350 mg/m²/day). • Control measurements of dust deposits have been carried out at ten measurement sites since 2005. In the past two years we measured somewhat higher levels at some measuring sites, but still much below the permitted concentration; the increase is due to intensive construction work in the port. • Total dust levels outside the port are below the limit values and about five times lower than within the port. • Since 2001, the Primorska Institute of Natural Sciences has been conducting continuous measurements of inhalable dust particle (PM_{10}) immissions. The average annual concentration in the period between April 2007 and April 2008 was 32.5 µg/m³ (the legally prescribed limit is 40 µg/m³).
WASTE	• We collect waste separately and recycle and process it. Around 4,500 tonnes of waste is collected separately in the port area, which accounts for approximately 75% of the total.
ELECTRICITY	• We have been developing and introducing alternative energy sources (solar energy and energy recovery from waste) and implementing the vision of an energy self-sufficient port. • Absolute electricity consumption rose as a result of higher goods throughput and the expansion of the port (by 1.46 kWh compared to 2007).
WATER	• Two separate systems have been set up, one for drinking water and the other for hydrant (process) water. They are connected in the water consumption control system. In industrial processes we use mainly sea water and recycled bore water. • The measures aimed at identifying water losses, which were introduced in 2004, resulted in a downward trend in absolute annual water consumption. Due to a higher number of ships, the quantity of drinking water sold to them has been increasing, whereas our own consumption of drinking water per tonne of goods throughput has declined. • In the area of the port, there is mainly sanitary wastewater generated. This water is processed through the central treatment plant in Koper and in part by small water treatment plants and septic tanks in the port. Process wastewater is treated before discharge in our own treatment plants and released to the central treatment plant where it is additionally purified.
LIGHT POLLUTION	• In order to perform the working process, we have to provide sufficient lighting according to occupational safety regulations. Thus, we influence the environment by using light. • A study is being prepared for comprehensive alignment of the external lighting according to the Decree on Limit Values Due to Light Pollution of the Environment, which sets the deadline at 2012. In our estimate, about 60% of our external lighting has already been aligned with the Decree, and we have been installing lighting conforming to the regulations in all new areas.
SEA PROTECTION	• Since last September, we have been providing services related to the prevention and elimination of the consequences of sea pollution on the basis of a concession contract concluded between the Republic of Slovenia and Luka Koper, d.d. Previously, these activities were performed only on a contractual basis. • We supervise our aquatorium with constantly present ecological vessels, which do rounds several times a day and take action, if necessary. In all 53 cases in which these vessels intervened in 2008, only minor quantities of non-hazardous substances were involved. Rehabilitations were successful and there were no environmental consequences. • The Management Board passed a resolution to reorganise the Sea Protection Department and we have redesigned the Plan of action and informing in the case of hazardous substance spills at sea, which now includes co-operation between Luka Koper, d.d., the Municipality of Koper, the Koper Fire Brigade, Civilian Protection of the Republic of Slovenia, and the Slovene army. • Crucial for successful action and the elimination of pollution consequences at sea are the expertise of the personnel and suitable equipment.

Goals for 2009:

- To set up the environmental management system according to EMAS, which will be verified in April 2009.
- To reduce PM_{10} immissions in the entire port area to 30 mg/m³.
- To increase the quantity of separately collected waste to 80%.
- To generate electricity from solar energy and cover 15% of our own consumption. The final goal is 80% self-supply of electricity.
- Treatment of sanitary waste water at the central treatment plant or modern small utility treatment plants with the goal of 100% treatment.
- To purchase a larger ecological vessel (the 10-metre Gabbiano) and assume additional services currently provided by the company Crismare.

QUALITY STANDARDS: CONSTANTLY PROVING THE EFFICIENCY OF BUSINESS PROCESSES

We have been systematically building a comprehensive quality system under the aegis of the Quality Department. Business processes are managed by a ramified and internally co-ordinated management system. Last year we obtained the OHSAS 18001:2007 certificate and we were the first port in the world to acquire the ISO 22000:2005 certificate of foodstuff safety. We have been actively focusing on setting up the environmental management system according to EMAS, which will be completed in 2009.

We are the only port in the Northern Adriatic which has in place the following quality systems.

Quality systems in place

CERTIFICATE/STANDARD	Description
ISO 14001:2004	This standard confirms that we provide for responsible environmental protection through modernisation and the introduction of clean and safe technologies. We obtained this standard already in 2000.
ISO 9001:2000	It confirms that we have an established and properly maintained quality system.
BS OHSAS 18001:2007	The certificate for occupational health and safety management system was obtained in 2008.
HACCP, ISO 22000:2005	We were among the first in Slovenia, the first company in the transport industry and the only port in the world to be awarded the certificate for the foodstuff safety management system in 2008.
NON GMO	Certificate for handling and warehousing non-genetically modified soy.
SEVESO II Directive	As we belong among facilities with a higher risk level, we obtained a suitable environmental protection permit for the entire port.
EMAS certificate	Eco-management and audit scheme that we plan to establish, verify and register by the end of 2009.
EFQM Award	By gaining the Republic of Slovenia's award for business excellence in 2002, we were given an opportunity to compare our practice and operations with the best companies in Europe within the European association EFQM.

More information about our attitude towards our employees, the social and natural environment, customers and investors in 2008 is provided in the separate Sustainable Development Report 2008 of the Luka Koper Group, which is our first publication of such type and the first audited sustainable report in Slovenia.

FINANCIAL REPORT 2008

CONTENTS

INTRODUCTION TO THE PREPARATION OF THE FINANCIAL REPORT

The consolidated financial statements and notes to the financial statements of the Luka Koper Group and unconsolidated financial statements and notes to the financial statements of Luka Koper, d.d. have been dealt with in two separate reports. The financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter »IFRS«).

The auditors of Deloitte Revizija, d.o.o. have audited the consolidated and unconsolidated financial statements and the notes thereto and prepared an auditor's report, which has been included in the individual reports.

The statement of management's responsibility is provided at the end of the annual report.

CONSOLIDATED FINANCIAL REPORT OF THE LUKA KOPER GROUP FOR 2008

1. INCOME STATEMENT (audited and consolidated)

(in EUR)	Notes	2008	2007
Operating revenue	**1**	**137,228,249**	**122,221,811**
Net sales revenue	1	133,331,964	118,992,415
Other operating revenue	1	3,896,285	3,229,396
Operating costs		**113,624,198**	**98,827,040**
Costs of goods, materials and services	2	48,210,565	41,757,873
Labour costs	3	38,030,605	30,857,201
Write-downs in value	4	19,644,631	16,764,462
Provisions created	5	192,727	1,905,295
Other operating expenses	6	7,545,669	7,542,209
Operating profit		**23,604,051**	**23,394,770**
Finance income	**7**	**9,677,894**	**14,080,376**
Finance expenses	**8**	**16,900,197**	**3,798,898**
Financing profit or loss		**-7,222,303**	**10,281,478**
Total profit or loss	**9**	**16,381,748**	**33,676,248**
Corporate income tax	10	654,180	2,949,620
Deferred tax	11	1,512,497	138,502
Net profit or loss for the period	**12**	**17,240,065**	**30,865,130**
Profit of majority shareholder	12	16,921,333	30,124,485
Profit of minority shareholder	12	318,732	740,645
Earnings per share	25	1.21	2.15

The accompanying notes are an integral part of the financial statements and should be read in conjunction with them.

2. BALANCE SHEET (audited and consolidated)

(in EUR)	Notes	31/12/2008	31/12/2007
Assets		**556,610,483**	**461,159,397**
Long-term assets		**509,161,405**	**421,422,072**
Intangible assets	13	5,895,817	1,078,021
Property, plant and equipment	14	361,067,090	242,250,356
Investment property	15	3,554,139	3,732,466
Long-term investments	16	135,768,400	172,998,339
Long-term operating receivables	17	217,865	217,294
Deferred tax assets	18	2,658,092	1,145,596
Current assets		**44,730,979**	**39,538,187**
Assets (disposal groups) held for sale	19	126,483	103,865
Inventories	20	20,248	9,688
Short-term financial assets	21	10,700,203	8,624,943
Short-term operating receivables	22	23,767,700	28,544,163
Short-term corporate income tax assets	22	2,199,125	242,635
Cash and cash equivalents	23	7,917,220	2,012,893
Short-term accrued revenue and deferred costs	**24**	**2,718,100**	**199,138**
Off-balance-sheet assets	**30**	**47,633,780**	**14,899,609**
Equity and liabilities		**556,610,483**	**461,159,397**
Equity	**25**	**311,059,034**	**340,663,798**
Equity – majority shareholder		**307,596,678**	**337,791,792**
Share capital	25	58,420,965	58,420,965
Capital surplus	25	89,562,703	89,562,703
Legal reserves	25	18,877,775	18,868,358
Other revenue reserves	25	100,333,557	95,728,958
Revaluation surplus	25	5,293,292	44,598,950
Retained earnings		25,058,917	13,025,799
Net profit or loss for the period	12	10,049,468	17,586,058
Equity – minority owner		**3,462,356**	**2,872,006**
Provisions	**26**	**11,141,234**	**11,718,551**
Long-term liabilities		**105,334,648**	**17,926,907**
Long-term financial liabilities	27	103,836,807	6,622,990
Long-term operating liabilities	27	174,518	154,180
Long-term deferred tax liabilities	27	1,323,323	11,149,737
Short-term liabilities		**127,822,833**	**90,487,510**
Short-term financial liabilities	28	97,521,399	52,014,429
Short-term operating liabilities	28	30,151,946	38,028,073
Short-term corporate income tax liabilities	28	149,487	445,008
Accrued costs and deferred revenue	**29**	**1,252,734**	**362,631**
Off-balance sheet liabilities	**30**	**47,633,780**	**14,899,609**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with them.

3. CHANGES IN EQUITY

(in EUR)	Called-up capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Net profit for the year	Fair value reserve	Total
As at 1 January 2007	**58,420,965**	**89,562,703**	**18,864,126**	**82,430,361**	**13,530,245**	**9,945,606**	**20,188,925**	**292,942,931**
Movements to equity	**0**	**0**	**0**	**0**	**0**	**30,124,485**	**24,410,025**	**54,534,510**
Net profit or loss for the period						30,124,485		30,124,485
Change in the fair value of available-for-sale investments							24,410,025	24,410,025
Movements within equity	**0**	**0**	**4,233**	**22,966,509**	**-504,446**	**-22,484,033**	**0**	**-17,737**
Creation of other revenue reserves based on a decision of the management and the supervisory board			4,233	12,534,194		-12,538,427		0
Movement to other revenue reserves based on a decision of general meeting				10,432,315	-10,432,315			0
Movement of net profit for the previous year to retained earnings					9,927,869	-9,945,606		-17,737
Movements from equity	**0**	**0**	**0**	**-9,667,912**	**0**	**0**	**0**	**-9,667,912**
Payment of dividends				-9,667,912				-9,667,912
As at 31 December 2007	**58,420,965**	**89,562,703**	**18,868,359**	**95,728,958**	**13,025,799**	**17,586,058**	**44,598,950**	**337,791,792**
Equity – minority shareholders								
As at 31 December 2007	236,898	25,651	4,980	1,087,560	776,272	740,645	0	2,872,006
Total equity	**58,657,863**	**89,588,355**	**18,873,338**	**96,816,518**	**13,802,071**	**18,326,704**	**44,598,950**	**340,663,799**
As at 1 January 2008	**58,420,965**	**89,562,703**	**18,873,572**	**95,728,958**	**13,020,585**	**17,586,058**	**44,598,950**	**337,791,792**
Movements to equity	**0**	**0**	**0**	**0**	**0**	**16,921,333**	**-39,305,657**	**-22,384,324**
Net profit or loss for the period						16,921,333		16,921,333
Change in the fair value of available-for-sale investments							-39,305,657	-39,305,657
Movements within equity	**0**	**0**	**4,203**	**12,076,872**	**12,376,848**	**-24,457,923**	**0**	**0**
Creation of other revenue reserves based on a decision of the management and the supervisory board			4,203	6,867,662		-6,871,864		0
Movement to other revenue reserves based on a decision of general meeting					-5,209,210			-5,209,210
Movement of net profit for the previous year to retained earnings				5,209,210	17,586,058	-17,586,058		5,209,210
Movements from equity	**0**	**0**	**0**	**-7,472,274**	**-338,516**	**0**	**0**	**-7,810,790**
Dividends payable				-7,472,274	-227,726			-7,700,000
Bonus paid to supervisory board members					-110,790			-110,790
As at 31 December 2008	**58,420,965**	**89,562,703**	**18,877,775**	**100,333,556**	**25,058,917**	**10,049,468**	**5,293,292**	**307,596,678**
Equity – minority shareholders								
As at 31 December 2008	827,898	25,651	4,980	1,763,831	521,263	318,732	0	3,462,356
Total equity	**59,248,863**	**89,588,355**	**18,882,755**	**102,097,388**	**25,580,180**	**10,368,200**	**5,293,292**	**311,059,033**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with them.

4. CASH FLOW STATEMENT

	(in EUR)	31/12/2008	31/12/2007
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**		
	Profit or loss before tax	16,381,748	33,676,249
	Income taxes and other taxes not included in operating expenses	-654,180	-2,811,118
		15,727,568	**30,865,131**
b)	**Adjustments for**		
	Depreciation or amortisation (+)	19,072,531	16,180,460
	Revaluation operating revenue associated with investing and financing items (–)	-303,794	-405,441
	Revaluation operating expenses associated with investing and financing items (+)	427,546	99,663
	Finance income less finance income from operating receivables (–)	-8,836,143	-13,341,765
	Finance expenses less finance expenses from operating liabilities (+)	16,351,299	3,561,342
		26,711,439	**6,094,259**
b)	**Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)**		
	Opening less closing operating receivables	2,819,401	-6,660,844
	Opening less closing accrued revenue and deferred costs	-2,518,962	-108,143
	Opening less closing deferred tax assets	0	-138,501
	Opening less closing assets (disposal groups) held for sale	-22,618	21,227
	Opening less closing inventories	-10,560	-5,290
	Closing less opening operating liabilities	-8,151,307	19,614,941
	Closing less opening accrued costs and deferred revenue, and provisions	312,787	1,138,049
	Closing less opening deferred tax liabilities	0	5,119,279
		-7,571,259	**18,980,718**
c)	**Net cash from operating activities (a + b)**	**34,867,748**	**55,940,108**
B.	**Cash flows from investing activities**		
a)	**Cash receipts from investing activities**		
	Interest and dividends received from investing activities	7,325,744	3,821,531
	Cash receipts from disposal of intangible assets	0	0
	Cash receipts from disposal of property, plant and equipment	4,319,536	1,129,609
	Cash receipts from disposal of investment property	0	0
	Cash receipts from disposal of long-term investments	6,912,820	26,162,393
	Cash receipts from disposal of short-term investments	9,981,858	113,943,481
		28,539,958	**145,057,014**
b)	**Cash disbursements for investing activities**		
	Cash disbursements to acquire intangible assets	-4,989,458	-775,649
	Cash disbursements to acquire property, plant and equipment	-141,944,912	-85,570,739
	Cash disbursements to acquire investment property	-37,652	-6,983,206
	Cash disbursements to acquire long-term investments	-32,311,167	-14,271,276
	Cash disbursements to acquire short-term investments	-6,106,427	-105,466,455
		-185,389,616	**-213,067,325**
c)	**Net cash from investing activities (a + b)**	**-156,849,658**	**-68,010,311**
C.	**Cash flows from financing activities**		
a)	**Cash receipts from financing activities**		
	Cash proceeds from increase in long-term financial liabilities	192,716,269	44,348,646
	Cash proceeds from increase in short-term financial liabilities	130,176,042	23,479,286
		322,892,311	**67,827,932**
b)	**Cash disbursements from financing activities**		
	Interest paid on financing activities	-7,024,031	-1,747,520
	Cash repayments of long-term financial liabilities	-32,860,000	-34,638,417
	Cash repayments of short-term financial liabilities	-147,380,436	-8,312,518
	Dividends and other profit shares paid	-7,741,607	-9,667,912
		-195,006,074	**-54,366,367**
c)	**Net cash from financing activities (a + b)**	**127,886,237**	**13,461,565**
D.	**Closing balance of cash**	**7,917,220**	**2,012,893**
x)	**Net cash for the period (sum total of net cash A.c., B.c. and C.c.)**	**5,904,327**	**1,391,362**
y)	**Opening balance of cash**	**2,012,893**	**621,531**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with them.

5. COMPOSITION OF THE LUKA KOPER GROUP

The consolidated financial statements of the Luka Koper Group for the year ended 31/12/2008 include the financial statements of the parent company Luka Koper, d.d. the financial statements of its subsidiaries, and profits or losses of associates and jointly controlled companies.

The Luka Koper Group consisted of 10 subsidiaries, 7 associates and 3 jointly controlled companies as at 31/12/2008.

Subsidiaries comprising the Group in addition to the parent company Luka Koper, d.d.

		31.12.2008		31.12.2007	
Subsidiaries	**Country**	**Ownership in %**	**Nominal capital (in EUR)**	**Ownership in %**	**Nominal capital (in EUR)**
Luka Koper Pristan, d.o.o.	Slovenia	100.00	1,894,746.00	100.00	1,894,746.00
Luka Koper INPO, d.o.o.	Slovenia	100.00	240,878.00	100.00	240,878.00
Adria Terminali, d.o.o.	Slovenia	51.00	1,200,000.00	100.00	60,000.00
Adria Investicije, d.o.o.	Slovenia	100.00	52,138.70	0.00	0.00
Eco-morje, d.o.o.	Slovenia	100.00	10,000.00	0.00	0.00
Luka Kopar Beograd, d.o.o.*	Serbia	90.00	48,698.05	90.00	48,698.05
Luka Koper Deutschland GmbH, Munchen*	Germany	74.80	18,700.00	74.80	18,700.00
Ecopark, d.o.o.	Slovenia	70.00	10,000.00	0.00	0.00
TOC, d.o.o.	Slovenia	68.13	587,100.00	68.13	587,100.00
Adria-Tow, d.o.o.	Slovenia	50.00	99,591.00	50.00	99,591.00

*The companies Luka Kopar Beograd, d.o.o. and Luka Koper Deutschland GmbH are dormant companies and were therefore not included in consolidation.

Changes concerning subsidiaries

In January 2008, Luka Koper, d.d. sold a 49-percent interest in the subsidiary Adria Terminali, d.o.o. to Spedition Trade Trans Holding a.s., a company fully owned by the logistics business system Trade Trans Invest a.s. from Bratislava. In March 2008, the company Adria Terminali, d.o.o. co-founded the company General Cargo Terminal from Trieste (Italy), acquiring a 48-percent interest in it. Due to difficulties in obtaining a concession to operate in the port of Trieste, Adria Terminali, d.o.o. disposed of its interest in the company in September 2008.

In July 2008, the Supervisory Board of Luka Koper, d.d. approved the establishment of Ecopark, d.o.o., a company that will manage the area located at the edge of the port, which will be intended for companies engaged in the alternative production of energy. Luka Koper, d.d. has a 70-percent interest in the company, with paid-in capital amounting to EUR 7,000. The remaining 30 percent is controlled by the subsidiary TOC, d.o.o. The company Ecopark, d.o.o. was entered in the Companies Register on 20 October 2008, but it is not yet operational.

The company Eco-morje, d.o.o. is fully owned by Luka Koper, d.d. It was established on 16 October 2008 by means of the payment of nominal capital amounting to EUR 10,000. It was entered in the Companies Register on 30 December 2008 and is not yet operational. It is envisaged that the company will take over the concession to perform sea protection activities in port aquatorium, and will try to obtain a concession to perform such activities in the entire Slovene sea area.

Associated and jointly controlled companies in the Luka Koper Group

Luka Koper, d.d. has equity interests in associated and jointly controlled companies in which it exercises significant influence. In the Group's financial statements, the interests are presented using the equity method, meaning that profit or loss of Luka Koper, d.d. is increased or decreased by the corresponding amount of their profits or losses.

	31/12/2008	31/12/2007	2008
	Ownership in %	Ownership in %	Change in ownership
Associates			
Intereuropa, d.d.	24.809	24.809	0.00
Avtoservis, d.o.o.	49.00	49.00	0.00
Golf Istra, d.o.o.	20.00	20.00	0.00
SC Trade Trans Terminal s.r.l. (Romania)	26.00	0.00	26.00
Railport Arad s.r.l. (Romania)	40.49	0.00	40.49
Adriasole, d.o.o.	24.90	0.00	24.90
Ecoporto Koper, d.o.o.	24.90	0.00	24.90
Jointly controlled companies			
Adriafin, d.o.o.	50.00	50.00	0.00
Kopinvest Netherlands B.V. (The Netherlands)	50.00	50.00	0.00
Adria Transport, d.o.o.	50.00	50.00	0.00

Changes concerning associates and jointly controlled companies

Establishment of companies

In 2008, Luka Koper, d.d. established the following companies:

- In January 2008, Luka Koper, d.d. and the company Ekološka energija Koper, d.o.o. established a new company Ecoporto Koper, d.o.o. with the nominal capital of EUR 10,000, which is engaged in the alternative production of energy. Luka Koper, d.d. has a 24.9-percent interest in the company.
- In January 2008, Luka Koper, d.d. and the company Altena d.o.o. established the limited liability company Adriasole, d.o.o. with the nominal capital of EUR 10,000. Luka Koper, d.d. has a 24.9-percent interest in the company which is engaged in the alternative production of energy.
- In January 2008, Luka Koper, d.d. contributed the founding share of EUR 1,000,000 to the establishment of the Romanian company SC Trade Trans Terminal s.r.l.
- In February 2008, Luka Koper, d.d. became a co-owner of the company Rail Port Arad s.r.l. (the other two partners being MAV Cargo from Hungary and Trade Trans Invest from Slovakia). The investment totalled EUR 1,500,000.
- In June, Luka Koper, d.d. increased the capital of Adria Transport, d.o.o. by EUR 399,925, retaining its 50-percent interest in the company.

Acquisitions of companies and interests

In February 2008, Luka Koper, d.d. became the sole owner of the company Investicije Novamark, d.o.o. for EUR 2,081,552. The company Investicije Novamark, d.o.o. is a full subsidiary of Luka Koper, d.d. and registered under the name Adria Investicije, d.o.o.

In October 2008, Luka Koper, d.d. acquired a 10-percent interest in the joint-stock company Trade Trans Invest, a.s., from Bratislava, by paying in its share of EUR 26,107,045.71. Luka Koper, d.d. has thus secured an influential position in the international group of companies that manages 14 logistics terminals in all Eastern and Central European countries.

6. NOTES TO THE FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP PREPARED IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Luka Koper, d.d. which is based at Vojkovo nabrežje 38, 6001 Koper, Slovenia, is the controlling company of the Luka Koper Group. The complete set of the consolidated financial statements of the Luka Koper Group for the reporting period 2008 comprises:

- balance sheet,
- an income statement,
- cash flow statement,
- statement of changes in equity,
- notes comprising a summary of significant accounting policies and other explanatory notes.

For the purpose of consolidation, the stand-alone financial statements of all Group companies were added up. The financial statements of Group companies were prepared on the same reporting date.

For similar transactions and other events occurring in similar circumstances, harmonised accounting policies were applied. The financial statements were prepared on a going concern basis. The Group is considered as a going concern that prepares financial statements using the accrual basis of accounting and the consistency principle.

Basis of the preparation of consolidated financial statements

Statement of compliance

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Companies Act.

The management of the company approved the financial statements on 13 March 2008.

Functional and presentation currency

The functional currency of the consolidated financial statements is EUR, and the financial statements are presented in euros without cents.

Fair value

Available-for-sale financial assets are carried at fair value, with all other financial statement items being presented at cost or amortised cost.

Transactions in foreign currencies

Transactions denominated in a foreign currency are translated into the domestic currency at the reference exchange rate of the Bank of Slovenia on the day of transaction. Cash, receivables and liabilities denominated in a foreign currency at the balance sheet date are translated into the domestic currency using the reference exchange rate of the Bank of Slovenia effective on the last day of the accounting period. Foreign exchange differences are recognised in the income statement.

Estimates and judgements

International Financial Reporting Standards require management to present estimates, judgements and assumptions affecting the application of accounting policies and the disclosed amounts of assets, liabilities, revenue and expenses during the preparation of financial statements. The estimates are made based on experience from previous years and developments expected during the accounting period. As actual results may differ from these estimates, these are regularly checked and adjusted.

7. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Individual categories are disclosed in accordance with the International Financial Reporting Standards requiring the disclosures. All matters of material significance are disclosed. The accounting policies applied and the nature and relevance of individual disclosures are set out in the company's internal documents. All material amounts contained in the financial statements are accompanied by comparative data from the previous period, which are also included in numeric and descriptive information. Comparative data is adjusted so that they correspond to the presentation of information for the current year.

The accounting policies provided below are consistently applied to all periods presented in these financial statements.

Property, plant and equipment

The items of property, plant and equipment are carried at cost. Under the cost model, an asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses. The principle and methods of adjusting the value of assets due to impairment are described below under the heading "Impairment of assets".

The parts of items of property, plant and equipment with different useful lives are accounted for as individual assets. Land is carried separately and is not subject to depreciation.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the crediting period rather than an increase in the carrying amount of the item.

Finance lease

At the commencement of the lease term, finance lease is recognised in the balance sheet as an asset and liability at amounts equal to the fair value of the asset under lease or, if lower, to the present value of the minimum lease payments, each determined at the inception of the lease. In calculating the present value of minimum lease payments, the discount rate used is the interest rate implicit in the lease if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount which is recognised as an asset.

Subsequent costs

Subsequent costs incurred in relation to property, plant and equipment are disclosed either as general maintenance costs that are immediately recognised in profit or loss or as capital expenditure costs that are recognised in the carrying amount of an asset.

Depreciation

Depreciation charge is recognised in profit or loss for each period. Depreciation of an asset begins when it is available for use. The items of property, plant and equipment are depreciated using the straight-line method, taking into account the useful lives of individual items. The depreciation method used is tested at the end of each financial year. As a rule, the residual value of an item of property, plant and equipment is recognised only in relation to material items, in which case the item's liquidation costs are also considered. Land and works of art are not subject to depreciation.

If the cost of an item of property, plant and equipment is significant, it is allocated to asset's parts, provided these have different useful lives. Each part is treated separately.

Annual depreciation rates applied

	2008	2007
Buildings	1.5% - 6%	1.5% - 6%
Transportation equipment	5.0% - 20%	5.0% - 20%
Computer equipment	20.0% - 33.3%	20.0% - 33.3%
Other equipment	10.0% - 33.3%	10.0% - 33.3%

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised:

- on disposal, or
- when no future economic benefits are expected from its use or disposal.

Intangible assets

An intangible fixed asset is initially recognised at cost.

After the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation

Amortisation begins when an asset is available for use, i.e. when it is at a position and in the condition required for it to operate in a manner intended by management.

The carrying amount of an intangible asset is adjusted using the straight-line amortisation method over its useful life.

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

The useful life of an intangible asset that arises from contractual or other legal rights does not exceed the period of the contractual or other legal rights, but may be shorter, depending on the period in which the company expects to use the asset. The estimated useful life of other intangible assets is 10 years.

Investment property

Investment property is held to earn rentals or for capital appreciation. Investment property is measured using the cost model.

Depreciation is calculated on a straight-line basis, taking into account the estimated useful life of individual assets. Land is not subject to depreciation. Leasehold buildings are divided into parts with different useful lives, as are proprietary buildings with useful lives ranging from 20 to 50 years. This category includes only buildings and land leased out to non-related entities.

Investments in associates

Investments in associates and jointly controlled companies are valued using the equity method. These are companies in which the Group exercises significant influence, but does not control their financial and business orientations.

Financial instruments

Financial instruments have been classified into the following categories:
1. Financial instruments at fair value through profit or loss
2. Held-to-maturity investments
3. Loans and receivables
4. Available-for-sale financial assets
5. All other investments carried at fair value for which no active market and, consequently, fair value exist.

1. Financial instruments at fair value through profit or loss

The first category has been created to include financial instruments recognised according to their trade date, measured at fair value through profit or loss, and held for active trading. Because the company was not engaged in such activities, no instruments were included in this category in 2008 and 2007.

2. Held-to-maturity investments

The second category has been created to include investments which the company may decide to hold in its portfolio to their maturity should they be recognised. These investments would have been recognised according to their settlement date and measured at amortised cost using the effective interest method. No investments were classified into this category.

3. Loans and receivables

The third group includes all loans given and received as well as receivables that are recognised on the settlement date and measured at amortised cost using the effective interest method.

- Operating receivables

In the company's books of account, long-term and short-term trade receivables and receivables due from the state and employees are recorded separately. Operating receivables also include receivables from interest on the above receivables. Long-term and short-term operating receivables are initially recognised at amounts derived from contracts or relevant bookkeeping documents. Operating receivables denominated in foreign currencies are translated into the domestic currency using the reference exchange rate of the Bank of Slovenia on the last day of the financial year.

At the end of the accounting period, the adequacy of the disclosed amount of a receivable is assessed on the basis of substantiated evidence concerning the collectability of such receivables. A receivable is impaired when it has been overdue for more than one year or when it is doubtful or disputed.

- Loans given

Loans given are initially carried at amortised cost using the effective interest method. On the settlement date, they are either classified as long-term or current assets, depending on their maturity. For credit risk management purposes, the loans are secured with standard security instruments (e.g. blank bills of exchange, pledge of securities and other (im)movable property, possibility of unilateral settlement of mutual obligations and so forth), subject to the borrower's credit rating, loan maturity and settlement method. Should a borrower fail to meet their contractual obligations as they fall due, the company proceeds with the realisation of collaterals or, in case legal action has been taken, with the impairment of the receivable.

- Loans received

Loans received are initially recognised at amortised cost using the effective interest method. The structure of loans received is dominated by bank loans, the principal of which is repaid upon the expiry of the loan agreement. When recognised, the loans are either classified as long-term or short-term financial liabilities, depending on their maturity. On the last day of the year, all financial liabilities that fall due in the next year are reclassified as short-term financial liabilities.

4. Available-for-sale financial assets

Available-for-sale financial assets include all investments in equity securities. At the time of initial recognition, they were measured at fair value, adding transaction costs associated with the purchasing or issuing of the financial asset to it. Fair value is a market-based value, such as an average share price or a published daily value of a mutual fund unit. The changes in fair value are recognised directly in equity and are accounted for every quarter. Shares are written down using the average cost method. Derecognition gains or losses are transferred to profit or loss. Purchases and disposals are recorded at the trade date.

Cash

Cash includes cash on hand and demand deposits, deposits redeemable at notice or with a maturity of up to three months. The balance of cash in foreign currencies is translated into the domestic currency at the middle exchange rate of the Bank of Slovenia on the last day of the financial year.

Derivative financial instruments

The Luka Koper Group does not hold or issue derivative financial instruments for trading purposes.

Equity

The Group discloses the components of majority and minority interest and their changes in the statement of changes in equity.

Dividends

Dividends are recognised in the Group's financial statements once a General Meeting's decision on the distribution of dividends has been adopted.

Earnings per share

The Luka Koper Group only discloses basic earnings per share. Basic earnings per share have been calculated by dividing net profit for 2008 with the weighted average number of ordinary shares.

Financial liabilities

Loans received are initially recognised at fair value less associated transaction costs. Over the loan repayment period, the difference between historical cost and amortised cost is disclosed in the income statement based on the effective interest rate method.

Operating liabilities

Long-term operating liabilities include security instruments received in connection with leased business premises. Trade liabilities and liabilities to the state and employees are disclosed separately. Operating liabilities also include interest liabilities and liabilities for profit participation. Operating liabilities expressed in foreign currencies are converted into the domestic currency at the reference exchange rate of the Bank of Slovenia on the last day of the financial year.

Short-term liabilities are disclosed in connection with the following groups of persons: Management Board members, Supervisory Board members and employees with individual contracts.

Provisions

Provisions for lawsuits

The Group created provisions for lawsuits related to alleged business offences. The amount of the provisions is determined based on the amount of compensation claims or an estimate if the amount of the claims is not yet known. The basis on which the provisions are made is tested regularly.

Provisions for termination and jubilee benefits

Pursuant to the Enterprise Collective Agreement and applicable regulations, Group companies are obliged to account for and pay jubilee benefits and termination benefits on retirement. These benefits are measured using the simplified method of accounting, which requires that an actuarial liability be assessed in accordance with anticipated salary growth from the date of the assessment to the expected retirement of an employee. This means that benefits are accrued in proportion to the work performed. The assessed liability is recognised in the amount of the present value of expected future expenditure. Expected staff turnover and salary increases are also assessed as part of this measurement.

Actuarial calculations which are used as a basis for determining the amount of provisions are performed every two years. Actuarial gains or losses for the current year are recognised in the income statement.

Corporate income tax

Corporate income tax is accounted for in accordance with the Corporate Income Tax Act. Because the company has an economic zone user status, income taxes are also calculated in accordance with the Economic Zones Act, enabling the company to benefit from tax breaks on investments in new fixed assets in the economic zone. The base for calculating the corporate income tax comprises gross profit plus non-deductible costs, minus allowed tax breaks. This base is then used to calculate the corporate income tax liability. In 2008 the applicable tax rate for all Group companies stood at 22%.

Deferred tax

Deferred taxes have been calculated to ensure that the income statement for the reporting period is properly presented. Deferred taxes are recorded as deferred tax assets and deferred tax liabilities. They were accounted for using the balance sheet liability method. The carrying amount of assets and liabilities was compared with their tax values, and the resulting difference was either determined as permanent or temporary. Temporary differences were divided into taxable and deductible. Taxable temporary differences increased the taxable amounts and deferred tax liabilities, whereas deductible temporary differences decreased the taxable amounts and increased deferred tax assets.

Revenue

Revenue from services rendered

Operating revenue is recognised when it can be reasonably expected it will result in receipts unless these were already realised when revenue was generated and can be reliably measured.

Revenue from services rendered is recognised based on the stage of completion as at the balance sheet date. Under this method, revenue is recognised in the accounting period in which the services are rendered. The company discloses the amount of each significant category of revenue recognised in the period and revenue generated in the domestic and foreign markets.

Rental income

Rental income from investment property is recognised on a straight-line basis over the lease term.

Other revenue

Other revenue includes fixed assets acquired free of charge, grants for the acquisition of fixed assets, and government subsidies, primarily in the form of retained contributions on salaries of employees of our disability firm. Government grants are initially recognised as deferred revenue. When used up, they are recognised as other revenue. This is dedicated funding, and the majority of funds is used to cover the depreciation charge of fixed assets.

Finance income and expenses

Finance income comprises income from interest on investments, income from dividends, income from the disposal of available-for-sale financial assets and foreign exchange gains. Interest income is recognised when it arises, using the effective interest method. Income from dividends is recognised in profit or loss when a shareholder's right to payment is established.

Finance expenses comprise the costs of interest on loans, foreign exchange losses and loss due to the impairment of financial assets, which are recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

Expenses – costs

The Luka Koper Group recognises costs as expenses in the period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed by natural function, using the company's three-digit chart of accounts, and by functional group. Expenses are recognised if a decrease in economic benefits in the accounting period gives rise to a decrease in assets or increase in debt and this decrease can be reliably measured.

Impairment of assets

Impairment of property, plant and equipment

If there is any indication that an asset may be impaired, the asset's recoverable amount is estimated. If it is not possible to estimate the recoverable amount of an asset, the company determines the recoverable amount of the cash-generating unit to which the asset belongs. Impairment is disclosed in the income statement. Impairment loss should be reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Impairment loss is reversed to such an extent that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in respect of the asset in prior years. The reversal of the impairment loss is recognised in profit or loss as revenue.

Impairment of intangible assets

Intangible assets are reviewed for impairment on the reporting date.

If the recoverable amount of an asset is less than its carrying amount, the latter is reduced to its recoverable amount. The company discloses such a decrease as impairment loss and records it as revaluation operating expense.

Impairment of financial assets

On each reporting date, the Group tests the estimated impairment of investments based on criteria laid down in the accounting handbook in order to determine whether there is any objective evidence that an investment is impaired. If there is such objective evidence, the company calculates the amount of impairment loss.

If the Group determines that it is necessary to impair investments carried at amortised cost, the amount of loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the original effective interest rate. The amount of loss is recognised in profit or loss. If the reasons for the impairment of such an investment cease to exist, the reversal of the impairment of the investment that is carried at amortised cost is recognised in profit or loss.

If in the case of investments in subsidiaries, associates, jointly controlled companies and other companies carried at cost the Group determines that it is necessary to impair an investment, any loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss as revaluation financial expense. In the event of the impairment, the Group also considers having individual companies appraised, depending on their estimated materiality.

Recognised in profit or loss, the amount of impairment loss arising from investments classified as available for sale is measured as the difference between the investment's carrying amount and its market or fair value on the balance sheet cut-off date. All of the above investments, the fair value of which was more than 40 percent lower than their cost on the last day of the year, are impaired by the difference between cost and fair value.

Segment reporting

The Luka Koper Group only reports by business segments as it has no geographical segments.

A business segment is an identifiable part which is concerned with a particular service and is exposed to different risks and returns than other segments. Business segments are determined by taking into account the type of the regulatory environment of operations. The Group has determined the following business segments:
- market activities of the Luka Koper Group and
- the performance of public economic service.

New standards, amendments and interpretations that were not yet effective

In 2008 the amended IAS 39 Financial Instruments: Recognition and Measurement and amended IFRS 7 Financial Instruments: Disclosures (reclassification of financial assets) were effective as from 1 July 2008.

The adoption of the above amendments to the existing standards had no effect on the Group's accounting policies.

The following new standards, amendments and interpretations for the year ended 31/12/2008 have not yet entered into force and were not taken into account in the preparation of the financial statements:

- IFRS 8 Operating Segments. The application is required for periods beginning on 1 January 2009. The standard will require that operations be disclosed by segment in accordance with management's requirements pertaining to internal reporting. If the results disclosed in accordance with management's requirements pertaining to internal reporting differ from those disclosed for the purpose of external reporting, these differences will have to be explained in the financial statements, taking into account data confidentiality requirements.

- IAS 23: The revised standard suggests that borrowing costs should be capitalised and that International Financial Reporting Standards also do not allow the classification of borrowing costs as an item which directly reduces profit or increases loss. The application of the standard is required from 1 January 2009 onwards. The Group is already examining its effect on the financial statements as all of the company's fixed assets are carried at cost, excluding interest expense, which is immediately recognised as cost for the period.

- IFRIC 11 IFRS 2: Group and Treasury Share Transactions: The application is required as from 1 March 2007. The standard was not applicable because the company did not have any treasury share transactions.

- Amended IAS 1 Presentation of Financial Statements (effective from 1 January 2009): The amended standard requires that information in the financial statements be combined based on common characteristics and introduces the term "statement of comprehensive income". Cost and expense items as well as components of other comprehensive income may be presented in a statement of comprehensive income (which combines the income statement and any non-owner changes in equity in a single financial statement) or in two separate financial statements (income statement and statement of comprehensive income).
  The Group will prepare two separate consolidated financial statements for the year 2009.

- IFRS 2 Share-based Payment amended for vesting conditions and cancellations (effective from 1 January 2009). The standard clarifies vesting conditions, introduces the principle of non-vesting conditions, and requires that non-vesting conditions be reflected in the grant-date fair value. The standard also prescribes accounting for non-vesting conditions and cancellations.

- Amended IAS 27 Consolidated and Separate Financial Statements (effective from 1 January 2009). The amendments relate to deletion of the cost method definition from IAS 27. Instead, all dividends received from a subsidiary, jointly controlled company or associate are recognised as revenue in the separate financial statements of the investor when the right to receive dividends is exercised. Because the accompanying financial statements are consolidated financial statements, the amendments to IAS 27 are not relevant.

- Amended IAS 32 Financial Instruments: Disclosures and amended IAS 1 Presentation of Financial Statements (effective from 1 January 2009). The amendments introduce an exception to the principle which is normally applied under IAS 32 in connection with the classification of instruments as equity, making it possible for certain puttable instruments issued by the Group and normally classified as liabilities to be classified as equity, but only under certain conditions. The amendments are not relevant to the Group because the Group has not yet issued any puttable instruments.

- Amendments to various standards and interpretations for the purpose of harmonisation (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41). Most of these amendments have been in force since 1 January 2009.

- IFRIC 13 Customer Loyalty Programmes (effective from 1 January 2009): The interpretation addresses accounting by companies that operate or participate in customer loyalty programmes. The interpretation will not affect the Group as the Group does not participate in such programmes.

- IFRIC 14 IAS 19 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2009): The interpretation explains the IAS 19 provisions relating to the measurement of defined benefit assets from retirement benefit plans if a minimum funding requirement exists. The Group has no defined benefit plans.

Below we list the standards that had already been issued, but the EU did not adopt them by the date of the annual report:

- Amended IFRS 3 Business Combinations (effective from 1 July 2009): The scope of the standard has been extended and the definition of »transaction« broadened. The amended standard also comprises several other changes:
  1. All components of the consideration transferred by the acquirer are recognised and measured at acquisition-date fair value, including the amounts whose payment is contingent on future events.
  2. Subsequent changes in the amounts whose payment is contingent on future events are recognised in profit or loss.
  3. The costs of transfer other than share issue costs and debt security issue costs are expensed on the day they are incurred.
  4. The acquirer may elect to measure the non-controlling interest either at acquisition-date fair value (total amount of goodwill) or at proportionate share of the fair value of identifiable assets and liabilities of the acquiree.
  The amended IFRS 3 does not apply to the Group's operations.

- Amended IAS 27 Consolidated and Separate Financial Statements (effective from 1 July 2009): The amended standard addresses the term "minority interest", replacing it with "non-controlling interest" which is defined as "equity interest that is not owned, directly or indirectly through subsidiaries, by the parent". Moreover, the amended standard introduces changes in accounting for non-controlling interest, loss of control of subsidiaries, and allocation of profit or loss and other comprehensive income between controlling and non-controlling interests.
  The Group has not yet finished analysing the effect of this amendment.

- Amended IAS 39 Financial Instruments: Recognition and Measurement (effective from 1 July 2009): The amended standard describes in detail the application of the existing principles determining whether special forms of cash flow risk or cash flow parts can reflect hedging relationships. In order for a hedging relationship to be reflected, the risks or parts have to be recognised and measured separately, but inflation cannot be designated unless special circumstances arise.
  The Group has not yet finished analysing the effect of this amendment.

- IFRIC 12 Service Concession Arrangements: Effective date is 1 January 2008.
  In 2008 the parent company signed a concession agreement, which entered into force on 1 October 2008 and governs the

right to collect port duties. At the end of 2006, IFRIC 12 Service Concession Arrangements had been issued and was to enter into force on 1 January 2008, but the EU did not adopt the interpretation by the end of 2008. The company expects that the interpretation will enter into force on 1 January 2009, which will give rise to certain changes in its financial statements. IFRIC 12 contains guidance on the disclosure and valuation of public service concessions. It clarifies the effect of the grantor-operator relationship on the financial statements when the following conditions are met:

- the grantor controls which services are rendered by the operator using the grantor's infrastructure, for whom they are rendered and at what price,
- on the expiry of the concession agreement, the grantor – in the capacity of owner, entity entitled to benefits or in other capacity – controls an important remaining portion of infrastructure.

The interpretation relates to the infrastructure constructed by the operator or acquired from third parties for the purpose of providing services covered by the concession agreement. It also relates to the existing infrastructure made available by the grantor to the operator for the purpose of providing services covered by the concession.
Considering the provisions of the concession agreement through which the state grants the company the right to collect port duties, the company will record the said right as an intangible asset. The accounting treatment of intangible assets is laid down in IAS 38.

IAS 8 provides that changes in accounting policies should be applied retrospectively. If retrospective application of an interpretation is impracticable:

- the intangible asset that existed at the beginning of the earliest period presented should be recognised,
- the previous carrying amount of the intangible asset should be used (irrespective of the asset's classification) as the new carrying amount as at that day,
- the intangible asset should be checked for impairment on that day; if that is impracticable, indications of impairment need to be checked at the beginning of the current period.

On 31 December 2008, the parent company had the infrastructure, which is used to provide services under the concession agreement, recorded as an item of property, plant and equipment. As indicated in chapter 10, the port infrastructure is currently being inventoried, and the resulting inventory will be used as a basis for reclassifying the items of property, plant and equipment as intangible assets.

- IFRIC 15 Agreements for the Construction of Real Estate (effective from 1 January 2009): The interpretation provides that revenue arising from real estate construction contracts should be recognised on a percentage-of-completion basis if the following conditions are met:
  1. the contract corresponds to the definition of construction contract as specified in IAS 11.3;
  2. the contract only covers the rendering of services as laid down in IAS 18 (the company does not have to supply construction materials);
  3. the purpose of the contract is to sell goods, with revenue being recognised as construction progresses, in accordance with IAS 18.14.

  In all other cases, revenue is recognised when all conditions for the recognition of revenue in accordance with IAS 18.14 (i.e. after construction or delivery) are satisfied.
  IFRIC 15 is not relevant to the Group because the Group is not engaged in property development and does not develop property for sale.

- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008): The interpretation specifies the type of hedged risks and which Group company may hold a hedged item and explains whether the consolidation method affects hedging effectiveness. Moreover, it addresses the form of a hedging instrument and amounts that are reclassified from equity to profit or loss when a foreign operation is discontinued.
  The Group has not yet finished analysing the effect of this new amendment. .

- IFRIC 17 Distributions of Non-cash Assets to Owners (effective from 15 July 2009): The interpretation applies to a unilateral distribution of non-cash assets to owners. In accordance with this interpretation, a dividend payable is recognised when the dividend is appropriately authorised and is no longer at the discretion of the company and when the dividend is measured at the fair value of the asset to be distributed. On the reporting date, the carrying amount of the dividend is remeasured and a change in the carrying amount is recognised.
  Because the interpretation is effective as from the date of its application, it will not affect the financial statements for the periods preceding the adoption of the interpretation. Moreover, the interpretation applies to future dividends that will be subject to management's/members' judgement, which makes the effect of the interpretation impossible to assess.

Judgements and sources of uncertainty

Risk management

The Group companies monitors risks, aiming to manage them at all levels of their operations. In assessing the risks, the companies consider various factors and weigh the costs of monitoring against its benefits. Appropriate management of risks is achieved by identifying and controlling the risks in time based on the guidelines and policies defined in documents relating to the comprehensive management system.

The Group's operations are exposed to strategic, business and financial risks, which are strongly associated with market characteristics and require active monitoring. Risk identification, exposure level and loss probability are outlined in the chapter Risk management. In addition to strategic and business risks, the Group also encounters financial risks, the most significant of which are the risk of fair value change, interest rate risk, liquidity risk, currency risk and credit risk. In the period of rapid organic growth, the Group is faced with a newly identified financial risk, i.e. the risk of appropriate capital structure. The description of how the financial risks are identified and managed is given in Note 31: Management of financial risks.

8. SEGMENT REPORTING

Reportable segments are divided into two groups:
- market activities of the Luka Koper Group and
- the performance of public economic service.

The performance of public economic service is divided into three sub-segments:

- Under the existing lease contract and Article 35 of transitional provisions of the Decree on the Granting of Concession for the Administration, Management, Development and Regular Maintenance of Port Infrastructure at Koper Port Terminal, which ceased to apply when the new decree entered into force in July 2008, and the concession contract concluded for the period of 35 years, Luka Koper, d.d. will continue to perform public economic activity of maintaining port infrastructure in line with the requirements of public port traffic and safe navigation. In return, the company has the right to charge port duties, which have to be published in the Official Gazette of the Republic of Slovenia once the approval of the competent ministry has been obtained. Pursuant to the Maritime Code, port infrastructure cannot be included in bankruptcy estate.

- Pursuant to Article 26 of transitional provisions of »Decree on the concession to perform mandatory state public utility service for seabed and coastal land maintenance«, Luka Koper, d.d. is obliged to perform services in the area of prevention and cleanup of sea pollution. The services are funded out of the budget of the Republic of Slovenia and the funds contributed by users of the public economic service.

- In accordance with Article 26 of transitional provisions of »Decree on the manner, subject of, and conditions for performing a mandatory public economic service of collecting waste from vessels in the area of Koper cargo port«, Luka Koper is obliged to perform the services mentioned. Under this decree, funding is provided by service users. The price is set by the Government of the Republic of Slovenia.

Revenue, costs, assets and liabilities that cannot be directly attributed to segments have been classified according to relevant agreed-upon and harmonised classification criteria or have not be classified at all.

In 2008 the basis for determining prices relating to transfers between segments has not changed compared with previous periods.

(in EUR)	Activities in the market	Performance of public economic service			2007 total
Segment revenue	**Core business**	**Infrastructure maintenance**	**Protection of the sea**	**Waste collection**	
Revenue from sales to external customers	110,264,677	6,531,964	256,214	509,100	117,561,955
Revenue from transactions involving other segments	1,430,459	0	0	0	1,430,459
Non-cash expenses excluding depreciation or amortisation	1,993,451	0	0	38,202	2,031,653
Operating profit or loss of segment	23,829,811	-262,168	-255,591	82,718	23,394,770
Assets (carrying amount of fixed assets)	199,833,115	42,848,775	255,202	391,285	243,328,377
Liabilities (long-term and short-term liabilities)	108,414,417	0	0	0	108,414,417
Cost of fixed assets acquired in the period	78,855,116	6,595,108	265,552	28,893	85,744,669
Depreciation or amortisation	13,886,443	2,456,846	2,067	62,084	16,407,440

(in EUR)	Activities in the market	Performance of public economic service			2008 total
Segment revenue	**Core business**	**Infrastructure maintenance**	**Protection of the sea**	**Waste collection**	
Revenue from sales to external customers	123,850,703	6,611,484	225,063	529,926	131,217,176
Revenue from transactions involving other segments	2,114,788	0	0	0	2,114,788
Non-cash expenses excluding depreciation or amortisation	725,767	39,061	0	0	764,828
Operating profit or loss of segment	24,928,875	-1,092,640	-291,390	59,206	23,604,051
Assets (carrying amount of fixed assets)	306,853,210	59,764,681	10,088	334,312	366,962,291
Liabilities (long-term and short-term liabilities)	233,157,482	0	0	0	233,157,482
Cost of fixed assets acquired in the period	82,389,675	19,010,385	0	8,179	101,408,239
Depreciation or amortisation	16,167,304	2,258,217	12,428	62,482	18,500,431

9. DISCLOSURES RELATING TO THE INCOME STATEMENT

Costs and revenue are presented using three-digit accounts. Costs are disclosed according to their natural function. Significant items are subject to further descriptive explanation.

Note 1: Operating revenue

(in EUR)	2008	2007
Operating revenue	**137,228,249**	**122,221,811**
Net sales revenue	**133,331,964**	**118,992,415**
Revenue from services sold in Slovenia	38,639,894	32,203,685
Revenue from the merchandise sold in Slovenia	1,186,094	98,693
Revenue from rents in Slovenia	1,709,918	1,226,993
Revenue from services sold abroad	91,793,610	85,460,996
Revenue from rents abroad	2,448	2,048
Capitalised own products and own services	**7,605**	**1,059**
Other operating revenue	**3,888,680**	**3,228,336**
Elimination of provisions	867,402	563,310
Other operating revenue (despatch, grants, etc.)	2,717,484	2,259,585
Revaluation operating revenue	303,794	405,441

At the end of the financial year 2008, the Luka Koper Group's revenue from the core business totalled EUR 133 million, up 12% on the previous year. The largest share of the revenue (71 percent) was generated abroad, i.e. in EU and third-country markets.

Revenue was recognised based on the stage of completion as at the balance sheet date. Revenue was thus recognised in the accounting period in which the services were rendered. In 2008 inter-company operating revenue totalled EUR 4.1 million.

Note 2: Costs of goods, materials and services

(in EUR)	2008	2007
Costs of materials	**9,952,276**	**7,900,009**
Costs of materials	0	102,687
Costs of auxiliary materials	3,142,528	2,355,420
Costs of energy	6,136,419	4,946,736
Costs of office supplies and specialised literature	268,920	217,249
Other costs of materials	404,409	277,917
Costs of goods	**1,177,482**	**2,264**
Cost of goods and materials sold	1,177,482	2,264

The costs of materials rose significantly on account of energy costs and were 26 percent higher than in 2007, mostly due to higher prices of motor fuel and electricity.

Costs of services

(in EUR)	2008	2007
Costs of services	**37,080,807**	**33,855,600**
Costs of physical services	15,768,228	12,432,304
Costs of transport services	1,946,496	3,788,951
Costs of maintenance services	5,590,494	6,136,202
Lease payments	2,919,873	1,933,192
Reimbursement of work-related costs to employees	655,398	700,015
Payment processing costs and insurance premiums	641,712	578,933
Costs of professional and personal services	1,254,170	950,804
Costs of fairs, advertising and entertainment	1,847,810	1,756,903
Costs of services rendered by natural persons	275,687	323,531
Costs of other services	6,180,935	5,254,765

The costs of professional services include the costs of auditing. The total amount of auditing costs for the year 2008 was EUR 162,780. EUR 1,847,810 was spent to strengthen the brand and otherwise increase visibility. Out of the above amount, EUR 1,038,593 was allocated to sponsorships, in particular in the field sports. For more information about sponsorship and donations, see chapter Sustainable development. Other costs of services mostly comprise the costs of information support of EUR 3,296,676.

Note 3: Labour costs

(in EUR)	2008	2007
Labour costs	**38,030,604**	**30,857,201**
Salaries	24,230,440	19,492,983
Salary compensation	4,480,476	3,162,634
Costs of supplementary pension insurance	1,007,554	837,792
Annual leave allowance, reimbursements and other costs	4,421,293	2,909,112
Employer's contributions on salaries	3,302,813	3,601,691
Other charges on salaries	588,028	852,989

In 2008 the trend of increasing employee numbers continued. The Luka Koper Group had 1,109 employees on 31/12/2008, with their average number amounting to 1.095. This represent a 4-percent increase from the previous year, when there were 1,070 people employed at the Group, or 782 on average as at 31/12/2007. Labour costs were 23 percent higher than in 2007, mostly due to the increase in the number of employees and higher salaries resulting from the signing of a new collective labour agreement, which entered into force on 1 October 2008.

In 2007 the annual leave allowance totalled EUR 830 per employee, rising to EUR 870 in 2008.

Because the planned added value, which is used as a criterion for awarding bonuses, was achieved, all employees received in 2008 an additional salary (13th salary) equalling their average monthly salary. Other employee benefits include the payment of the supplementary pension insurance premium by the employer, which has been financing the pension scheme for the eighth consecutive year.

Remuneration by employee group in 2008

(in EUR)

Employee group	Gross salary - fixed and variable portion	Annual leave allowance and jubilee benefits	Other receipts and benefits	Total
Members of the Management Board and directors of subsidiary companies	1,408,650	8,337	194,884	1,611,871
Members of the Supervisory Board (9 members)			176,637	176,637
Employees with individual employment contracts employed at the Luka Koper Group	4,367,398	66,257	226,055	4,659,710

(in EUR)

Employee group	Balance of loans received as at 31/12/2008	Total amount of loan repayments	Balance of loans received as at 31/12/2007
Members of the Management Board and directors of subsidiary companies	0	0	0
Members of the Supervisory Board	0	0	0
Employees with individual employment contracts	25,084	7,248	32,332

All housing loans bear interest at a 6-percent nominal annual interest rate and are repaid according to an amortisation schedule. In accordance with internal regulations, loans are secured with prescribed security instruments, most frequently assignment statements (attachment of earnings) and blank bills of exchange accompanied with a signed settlement and realisation authorisation. In the case of higher amounts, a mortgage has to taken out on the property that is the subject of the loan agreement.

Note 4: Write-downs in value

(in EUR)	2008	2007
Write-downs in value	**19,644,631**	**16,764,462**
Amortisation of intangible assets	171,663	347,328
Depreciation of buildings	8,477,997	8,365,547
Depreciation of equipment and small tools	10,207,928	7,694,566
Depreciation of investment property	214,943	227,122
Revaluation operating expenses for property, plant and equipment	427,546	103,202
Revaluation operating expenses for operating current assets	144,554	26,697

Depreciation and amortisation charge increased by 17 percent on the previous year, mainly due to the purchasing of new equipment. Depreciation and amortisation rates remained unchanged.

Note 5: Provisions

(in EUR)	2008	2007
Provisions	**192,727**	**1,905,295**
Provisions for damage	183,448	316,086
Provisions for termination and jubilee benefits	9,280	1,589,209

Provisions for termination benefits on retirement and jubilee benefits include a liability amounting to the present value of expected future expenses. The provisions were decreased by termination benefits on retirement and jubilee benefits paid in 2008. On 31/12/2008, the balance of contingent liabilities was reassessed in all group companies and decreased on the basis of an actuarial calculation. Following the signing of the new collective labour agreement at the parent company and the subsidiary Luka Koper INPO, d.o.o. the rights to receive jubilee benefits and termination benefits on retirement were reduced.

Other provisions comprise provisions for damage, the amount of which increased by EUR 183,448 in 2007. Changes in provisions are disclosed in Note 26.

Note 6: Other operating expenses

(in EUR)	2008	2007
Other costs	**7,545,669**	**7,542,209**
Charges unrelated to labour costs	5,297,775	5,107,776
Environment protection expenditure	1,029,004	1,239,282
Awards and scholarships to students	9,774	6,910
Other costs	1,209,116	1,188,241

Charges unrelated to labour costs include in particular the fee for the building site use, which amounted to EUR 4,658,214 at the Luka Koper Group level.

Note 7: Finance income

(in EUR)	2008	2007
Total finance income	**9,677,894**	**14,080,376**
Finance income from interests	**7,325,743**	**11,915,087**
Finance income from interests in associates	3,425,746	5,069,572
Finance income from interests in other companies	3,899,997	6,845,515
Finance income from loans	**1,510,400**	**1,426,678**
Finance income from loans to others	1,510,400	1,426,678
Finance income from operating receivables	**841,751**	**738,612**
Finance income from operating receivables due from others	218,410	312,066
Foreign exchange gains	623,341	426,546

Finance income

In 2008 finance income decreased by 31.27 percent, in particular due to gains of EUR 5,223,769 realised by the parent company on the disposal of Banka Koper, d.d.'s shares and profits of associates attributed under the equity method in the amount of EUR 5,069,572.

Another significant item are dividends of EUR 1,137,097 received from the company Intereuropa, d.d.

Investment policy

In 2009 the Group does not plan to invest cash in short-term investments, such as bank deposits and similar products. Surplus cash will be used to finance core business activities to meet the needs of the cycle of intense organic growth aimed at expanding the core business, which has already begun.

Note 8: Finance expenses

(in EUR)	2008	2007
Total finance expenses	**16,900,197**	**3,798,898**
Finance expenses arising from impairment and write-downs of investments	**9,327,540**	**797,292**
Finance expenses relating to associates	180,337	17,290
Finance expenses relating to others	9,147,203	780,002
Finance expenses for financial liabilities	**7,023,758**	**2,306,406**
Finance expenses for loans from associates	27,223	0
Finance expenses for loans from banks	6,626,872	1,759,969
Finance expenses for other financial liabilities	369,663	546,437
Finance expenses for operating liabilities	**548,899**	**695,199**
Finance expenses relating to suppliers and bills payable	22,744	16,143
Finance expenses for other operating liabilities	3,197	4,072
Foreign exchange losses	522,958	674,984

In 2008 finance expenses increased substantially on account of a large increase in financial liabilities and impairment of investments in market securities.

Finance expenses mainly consist of expenses arising from the impairment of investments made by the parent company in market securities and expenses for loan interest.

Foreign exchange differences were slightly lower than in the previous year. Thanks to appropriate hedging policy and favourable foreign exchange movements, foreign exchange losses amounted to mere 83.89 percent of foreign exchange gains.

Interest rates and financial liabilities are disclosed in Notes 27 and 28.

Note 9: Total profit or loss

Total profit or loss of the Luka Koper Group, which stood at EUR 16,381,748, decreased by EUR 17,294,501 relative to 2007, when it had amounted to EUR 33,676,249. The decrease is the result of higher finance expenses, impairment of investments of the parent company, and lower profit of associates and jointly controlled companies that is attributed under the equity method.

Note 10: Corporate income tax

All Group companies calculate corporate income tax in accordance with the Corporate Income Tax Act. In the case of Luka Koper, d.d. the Economic Zones Act, which grants tax benefits subject to investments in fixed assets intended for the development and expansion of activities in the economic zone, was also considered. The amount of tax benefits for 2008 is indicated in the decision issued by the tax authority. Owing to the size of capital investments, the amount of government assistance under the tax authority's decision was so high that the parent company had a negative tax base and did not have to pay corporate income tax for 2008. The applicable tax rate for all Group companies stood at 22%.

Because the Luka Koper Group does not prepare a group tax assessment, the corporate income tax of EUR 654,180 represents the sum of taxes of payable by individual Group companies.

Note 11: Deferred taxes

As a means of accounting recognition of tax effects as accounting or taxable profit, deferred taxes as recorded in the original financial statements totalled EUR 1,512,497.

Note 12: Net profit or loss for the period

The Group's (majority shareholder's) net profit or loss totalled EUR 16,921,333, amounting to only 56 percent of the profit generated in 2007. The reasons for the lower profit have been given in Note 9.

Net profits/losses of subsidiaries

(in EUR)	31/12/2008	31/12/2007
Subsidiaries	**Net profit - loss**	**Net profit - loss**
Luka Koper Pristan, d.o.o.	84,056	84,658
Luka Koper INPO, d.o.o.	2,098,664	1,262,917
Adria Terminali, d.o.o.	-365,209	-447,719
Adria-Tow, d.o.o.	1,083,852	1,482,118
TOC, d.o.o.	-138,823	-1,297
Adria Investicije, d.o.o.	3,172	0
Total	**2,765,712**	**2,380,677**

Attributable profits/losses of associates and jointly controlled companies

(in EUR)	31/12/2008	31/12/2007
Associates		
Intereuropa, d.d.	**-327,109**	**3,172,513**
Profit attributed under the equity method	2,855,607	4,808,728
Dividends paid	-1,137,098	-1,636,215
Avtoservis, d.o.o.		
Profit attributed under the equity method	280,898	138,768
Golf Istra, d.o.o.		
Loss attributed under the equity method	-26,139	-9,690
Actual I.T., d.o.o.		
Profit attributed under the equity method	0	44,943
Railport Arad s.r.l.		
Profit attributed under the equity method	20,174	0
SC Trade Trans Terminal s.r.l.		
Loss attributed under the equity method	-128,713	0
Adriasole, d.o.o.		
Loss attributed under the equity method	-12,208	0
Ecoporto Koper, d.o.o.		
Loss attributed under the equity method	-9,728	0
Jointly controlled companies		
Adriafin, d.o.o.	**-502,020**	**76,936**
Profit attributed under the equity method	38,616	76,936
An interest paid	-540,636	0
Kopinvest Netherlands B.V.		
Loss attributed under the equity method	-3,550	-7,599
Adria Transport, d.o.o.		
Loss/profit attributed under the equity method	11,070	195

10. DISCLOSURES RELATING TO THE BALANCE SHEET

Note 13: Intangible assets

(in EUR)	31/12/2008	31/12/2007
Intangible assets	**5,895,817**	**1,078,022**
Long-term property rights	5,895,817	1,078,022

Intangible assets recorded in the books of account have finite useful lives and were not impaired in 2008. The changes in their value and adjustments made in relation to them are shown in the attached table for the year 2008, with the 2007 figures provided for comparison. No intangible assets were pledged as security as at 31/12/2008.

Note 14: Property, plant and equipment

(in EUR)	31/12/2008	31/12/2007
Property, plant and equipment	**330,716,396**	**242,250,356**
Land	31,353,965	25,542,200
Buildings	158,652,984	119,313,410
Plant and machinery	63,235,123	55,599,638
Other plant and equipment	148,952	145,235
Fixed assets being acquired	77,325,372	41,649,873
Short-term advances given	**30,350,695**	**0**
Short-term advances given to acquire property, plant and equipment	30,350,695	0

In its books of account, the Luka Koper Group discloses the items of property, plant and equipment at cost less any accumulated depreciation and impairments. Depreciation rates remained unchanged in 2008, and none of the companies impaired their fixed assets.

Short-term advances given to acquire fixed assets, which increased considerably in 2008, were secured with a supplier's bank guarantee.

The subsidiary Adria-Tow, d.o.o. pledged one of its fixed assets (a tugboat) with Luka Koper, d.d. as collateral for loan liabilities. No other fixed assets were pledged by the Group. Outstanding trade liabilities relating to fixed assets totalled EUR 14,635,355 as at 31/12/2008.

Note 15: Investment property

(in EUR)	31/12/2008	31/12/2007
Investment property	**3,554,139**	**3,732,466**

Investment property consists of buildings that are leased out to unrelated companies under an operating lease. The equity interest in the assets is checked every quarter.

The fair value of investment property was not determined because it does not show any indications of impairment and has a carrying amount that is immaterial compared with the Group's total assets.

Changes in property, plant and equipment, investment property, intangible assets as well as in adjustments to their values are presented in the tables below for the year 2008 and comparatively for 2007.

Table of changes in property, plant and equipment of the Luka Koper Group in 2008

(in EUR)	Land	Buildings	Manufacturing equipment and small tools	Property, plant and equipment being acquired	Total property, plant and equipment
Cost as at 01/01/2008	**25,542,200**	**237,991,480**	**172,821,324**	**41,649,873**	**478,013,948**
Increases	5,811,765	50,894,264	19,038,915	100,805,908	174,578,843
Transfer to use		275,494	-270,322	-64,878,654	-64,873,482
Decreases		-202,922	-4,641,082	-251,756	-5,095,760
Transfer to the sales account		-10,549	-1,903,349		-1,913,898
Transfer to investment property		9,071			
Transfer to ongoing investments		-3,268,544			-3,268,544
Cost as at 31/12/2008	**31,353,966**	**285,688,294**	**185,045,486**	**77,325,371**	**579,413,116**
Value adjustment as at 01/01/2008		**118,686,105**	**117,076,450**		**235,762,555**
Increases					
Depreciation for the current year		8,477,997	10,207,927		18,685,924
Decreases		-23,775	-3,977,533		-4,001,308
Transfer to equipment		456	-456		0
Transfer to the sales account		-9,975	-1,644,976		-1,654,951
Transfer to ongoing investments		-95,498			-95,498
Value adjustment as at 31/12/2008		**127,035,310**	**121,661,412**		**248,696,722**
Net carrying amount as at 01/01/2008	**25,542,200**	**119,314,410**	**55,744,874**	**41,649,873**	**242,250,357**
Net carrying amount as at 31/12/2008	**31,353,965**	**158,652,984**	**63,384,074**	**77,325,371**	**330,716,394**

Table of changes in property, plant and equipment of the Luka Koper Group in 2007

(in EUR)	Land	Buildings	Manufacturing equipment and small tools	Property, plant and equipment being acquired	Total property, plant and equipment
Cost as at 01/01/2007	**1,944,012**	**218,567,208**	**153,319,665**	**10,042,744**	**383,873,629**
Increases	19,436,984	10,656,019	22,802,485	58,709,103	111,604,591
Transfer from investment property	161,365				161,365
Decreases		-25,808	-2,347,729	-466,403	-2,839,940
Transfer to use				-26,635,571	-26,635,571
Transfer to the sales account			-994,507		-994,507
Increases (from sales account)			41,410		41,410
Transfer to land	3,999,839				3,999,839
Transfer to buildings		8,794,061			8,794,061
Cost as at 31/12/2007	**25,542,200**	**237,991,480**	**172,821,324**	**41,649,873**	**478,004,877**
Value adjustment as at 01/01/2007		**108,181,922**	**112,411,821**		**220,593,743**
Increases		2,593			2,593
Depreciation for the current year		8,138,566	7,694,565		15,833,131
Decreases		-8,003	-2,053,474		-2,061,477
Transfer to land		91,440			91,440
Transfer to the sales account			-977,332		-977,332
Increases (from sales account)			871		871
Depreciation for the current year		226,981			226,981
Transfer to buildings		2,044,571			2,044,571
Value adjustment as at 31/12/2007		**118,678,070**	**117,076,451**		**235,754,521**
Net carrying amount as at 01/01/2007	**1,944,012**	**110,385,286**	**40,907,844**	**10,042,744**	**163,279,886**
Net carrying amount as at 31/12/2007	**25,542,200**	**119,313,410**	**55,744,873**	**41,649,873**	**242,250,356**

Table of changes in investment property and intangible fixed assets of the Luka Koper Group in 2008

(in EUR)	Investment property	Intangible assets	Intangible fixed assets being acquired	Total intangible fixed assets
Cost as at 01/01/2008	**7,325,625**	**11,187,086**	**940,689**	**12,127,775**
Increases	37,652	638,484	4,401,067	5,039,551
Transfer to use			-50,093	-50,093
Transfer to investment property	-9,071			
Cost as at 31/12/2008	**7,354,206**	**11,825,570**	**5,291,663**	**17,117,233**
Value adjustment as at 01/01/2008	**3,593,159**	**11,049,754**		**11,049,754**
Depreciation for the current year	214,943	171,663		171,663
Transfer to investment property	-8,035			
Value adjustment as at 31/12/2008	**3,800,067**	**11,221,417**		**11,221,417**
Net carrying amount as at 01/01/2008	**3,732,466**	**137,332**	**940,689**	**1,078,021**
Net carrying amount as at 31/12/2008	**3,554,139**	**604,153**	**5,291,663**	**5,895,816**

Table of changes in investment property and intangible fixed assets of the Luka Koper Group in 2007

(in EUR)	Investment property	Intangible assets	Intangible fixed assets being acquired	Total intangible fixed assets
Cost as at 01/01/2007	**13,520,796**	**11,187,086**	**165,040**	**11,352,126**
Increases	6,983,206		775,649	775,649
Decreases	-226,762			
Transfer to investment property	3,650			
Transfer to land	-161,365			
Transfer to land	-3,999,839			
Transfer to buildings	-8,794,061			
Cost as at 31/12/2007	**7,325,625**	**11,187,086**	**940,689**	**12,127,775**
Value adjustment as at 01/01/2007	**5,667,632**	**10,702,551**		**10,702,551**
Depreciation or amortisation	454,103	347,328		347,328
Decreases	-165,584			
Transfer to land	-91,440			
Transfer to equipment		-125		-125
Depreciation for the current year	-226,981			
Transfer to buildings	-2,271,552			
Value adjustment as at 31/12/2007	**3,593,159**	**11,049,754**		**11,049,754**
Net carrying amount as at 01/01/2007	**7,853,164**	**484,535**	**165,040**	**649,575**
Net carrying amount as at 31/12/2007	**3,732,466**	**137,332**	**940,689**	**1,078,021**

Note 16: Long-term investments

(in EUR)	31/12/2008	31/12/2007
Long-term investments	**135,768,400**	**172,998,338**
Long-term investments, excluding loans	**129,981,589**	**161,381,205**
Interests in associates	66,799,508	62,315,790
Other shares and interests	63,182,080	99,065,415
a) Other shares and interests at fair value	34,597,851	92,643,513
b) Other shares and interests at cost	28,584,229	6,421,902
Long-term loans to others	**5,786,812**	**11,617,133**

Long-term investments

On the last day of the financial year 2008, the Group's long-term investments totalled EUR 135.8 million and accounted for 24.3% of its total assets. The investments mostly consist of the parent company's investments in associates and jointly controlled companies, and of other investments in securities and interests. Their decrease in 2008 can be almost entirely attributed to a decrease in the fair value of market securities.

Investments in associates and jointly controlled companies are carried using the equity method. The quantitative test of the criterion that is used to compare the carrying amount of investments in these companies as at the balance-sheet cut-off date with the proportionate share of the carrying amount of total equity in which the Group invested and the impairment of which has to be assessed if variations exceed 20 percent revealed that there was no need for the investments to be impaired and recoverable amounts were not calculated as a result.

The investment in the associate Intereuropa, d.d. accounts for 24.8 percent of its equity, with the cost of the investment amounting to EUR 47,868,653.04 as at 31/12/2008. The proportionate share of Luka Koper, d.d. in the equity of the Intereuropa Group amounted to EUR 42,017,000 as at the balance sheet date.

According to its audited consolidated financial statements for the year 2008, the Intereuropa Group's total assets stood at EUR 446,246,000, its operating revenue at EUR 265,875,000 and its net profit or loss for the year at EUR 3,688,000.

The cost of investments classified in Group 4, i.e. investments carried at fair value through profit or loss, totalled EUR 37,128,438.54 as at 31/12/2008, with the fair value of this group of investments, which is based on stock market prices, amounting to EUR 34,597,850.83. Owing to downward stock market movements, the Group impaired all investments, the fair value of which was more than 40 percent lower than their cost, by the total amount of EUR 9,147,203.

Other shares and interests comprise investments in market securities that have been classified as available for sale in their entirety and which amount to EUR 34.6 million. Shares and interests carried at cost include non-market securities and interests, which increased in 2008 as a result of acquiring a 10-percent interest in the Slovak company Trade Trans Invest a.s., for which the parent company paid EUR 26.1 million. This group of investments used to include the parent company's remaining 1.67-percent interest in Banka Koper, d.d. which the parent company disposed of at the end of 2008.

Long-term loans

Long-term loans given by the Luka Koper Group totalled EUR 5.8 million as at 31/12/2008.

Out of the above amount, housing loans to employees with the maximum repayment period of 20 years accounted for 8.1 percent. All housing loans are secured with security instruments.

Other investments in this category comprise bank deposits, certificates of deposit and bonds issued by Slovene issuers. The bulk of this category consists of the parent company's investments in fixed rate securities, i.e. bonds that fall due not later than in 2020, the amortised cost of which totalled EUR 4.7 million as at 31/12/2008. Interest rates on investments in the category of loans given range between 4 percent and 8.6 percent. Variable interest rates have been converted into nominal interest rates on the last day of the financial year.

Note 17: Long-term operating receivables

(in EUR)	31/12/2008	31/12/2007
Long-term operating receivables	**217,865**	**217,293**
Long-term operating receivables from others	217,865	217,293

Note 18: Deferred tax assets

(in EUR)	31/12/2008	31/12/2007
Deferred tax assets	**2,658,092**	**1,145,595**

Deferred tax assets are recorded as temporary differences arising from the creation of provisions for employee benefits, unused tax losses and the impairment of available-for-sale investments through profit or loss.

Note 19: Assets (disposal groups) held for sale

This category includes the fixed assets of the Luka Koper Group that are earmarked for disposal under a Management Board decision. The carrying amount of the assets stood at EUR 103,865 as at 31/12/2007 and increased to EUR 126,483 as at 31/12/2008.

Note 20: Inventories

Inventories only exist at the subsidiary Luka Koper Pristan, d.o.o. which carries out restaurant and hotel management activities. The company did not pledge any inventories as collateral for liabilities and also did not write off any. As at 31/12/2007, the value of inventories stood at EUR 9,688, climbing to EUR 20,248 in 2008.

Note 21: Short-term investments

(in EUR)	31/12/2008	31/12/2007
Short-term investments	**10,700,203**	**8,624,943**
Short-term loans to others	2,903,681	6,000
Short-term loans to associates	4,191,285	0
Short-term deposits	3,605,237	8,618,943

On the last day of the financial year 2008, short-term investments of the Luka Koper Group totalled EUR 10.7 million.

In this category, short-term deposits decreased the most because a EUR 6.4 million deposit of one the subsidiaries had fallen due.

Short-term loans to associates increased substantially. They include two loans given by the parent company to two newly established companies engaged in environment protection activities in the port of Koper.

Other investments in this category comprise short-term loans to others in the amount of EUR 1.6 million and bonds issued by Slovene issuers in the amount of EUR 1.3 million in respect of which the short-term portion was recognised as the bonds fall due in 2009.

Note 22: Short-term operating receivables

(in EUR)	31/12/2008	31/12/2007
Short-term operating receivables	**25,966,825**	**28,786,798**
Short-term domestic trade receivables	5,960,428	6,208,358
Allowances	-416,977	-333,645
Short-term foreign trade receivables	5,817,915	6,193,383
Advances given to acquire operating current assets	0	4,597,370
Short-term operating receivables from exporters	5,631,296	6,025,997
Allowances	-37,901	-30,392
Short-term interest receivables	151,352	178,022
Allowance	-12,498	-1,792
Input VAT receivables	2,118,895	1,152,115
Other short-term receivables	1,214,097	206,094
Receivables from taxes and excise duties	5,540,218	4,591,288

With most trade receivables, the Luka Koper Group has an option to enforce a legal lien over warehoused goods in its possession, in accordance with Article 167 of the Law of Property Code. The Luka Koper Group has no claims towards members of the Management Board and the Supervisory Board, and towards managing directors of Group companies. In most cases, allowances have already been made for receivables that are more than 365 days overdue; i.e. in the case of doubtful receivables (bankruptcy, composition, etc.).

(in EUR)	31/12/2008	31/12/2007
Maturity		
Outstanding trade receivables not yet due	**14,540,077**	**14,972,855**
Up to 30 days overdue	2,236,912	2,319,808
31 to 60 days overdue	489,339	408,528
61 to 90 days overdue	493,521	46,162
91 to 180 days overdue	449,648	165,617
181 to 365 days overdue	84,762	324,541
More than 365 days overdue	477,681	368,249
Total overdue amount	**4,231,863**	**3,632,905**
Impairment - more than 365 days overdue	**- 467,375**	**-365,827**
Total trade receivables	**18,771,940**	**18,605,760**

(in EUR)	
Changes in allowances for receivables	
Allowance for receivables as at 01/01/2008	**365,827**
- write-downs during the year	24,673
- payments during the year	18,332
+ additional increase in allowance	144,553
Closing balance as at 31/12/2008	**467,376**

The impairment receivables by EUR 467,376 mainly relates to a receivable of EUR 279,411 due from a customer against which bankruptcy proceedings have already been proposed.

(in EUR)	
Changes in allowances for receivables	
Allowance for receivables as at 01/01/2007	**445,540**
- write-downs during the year	38,038
- payments during the year	68,371
+ additional increase in allowance	26,696
Closing balance as at 31/12/2007	**365,827**

Note 23: Cash

Cash, which totalled EUR 7,917,220 as at 31/12/2008, consists of deposit money and short-term bank deposits with the maximum maturity of 3 months. The Group has not arranged any facilities for automatic borrowing through current accounts with banks. Daily cash surpluses in the transaction account are managed through a framework deposit contract and a surplus transfer contract concluded by Luka Group companies with a commercial bank, thus ensuring optimum liquidity.

Note 24: Accrued revenue and deferred costs

(in EUR)	31/12/2008	31/12/2007
Accrued revenue and deferred costs	**2,718,100**	**199,138**
Insurance premiums	91,318	88,137
Short-term deferred other costs	2,573,312	98,927
Temporarily accrued revenue	53,470	12,074

Note 25: Equity

(in EUR)	31/12/2008	31/12/2007
Equity	**311,059,034**	**340,663,798**
Equity - majority shareholder	**307,596,678**	**337,791,792**
Called-up capital	**58,420,965**	**58,420,965**
Share capital	58,420,965	58,420,965
Capital surplus	**89,562,703**	**89,562,703**
Revenue reserves	**119,211,332**	**114,597,316**
Legal reserves	18,877,775	18,868,358
Other revenue reserves	100,333,557	95,728,958
Revaluation surplus	**5,293,292**	**44,598,950**
Retained earnings	**25,058,917**	**13,025,799**
Net profit or loss for the period	**10,049,468**	**17,586,058**
Equity - minority owner	**3,462,356**	**2,872,006**
Share capital	827,898	236,898
Capital surplus	25,651	25,651
Legal revenue reserves	4,980	4,980
Other revenue reserves	1,763,831	1,087,560
Retained earnings	521,263	776,272
Net profit or loss for the period	318,732	740,645

The share capital consists of 14,000,000 registered ordinary no-par value shares of the controlling company Luka Koper, d.d. that are freely transferable. At its 13th meeting held on 19 July 2007, the General Meeting adopted a decision to convert 6,860,000 participating preference shares with limited voting rights to ordinary no-par value shares, thus changing the number of ordinary shares, which now amounts to 14,000,000.

For complete information about ownership structure, changes in the share's price, and dividend distribution policy, see chapter The share in the Luka Koper Group's business report.

Reserves

Capital surplus, legal reserves and revaluation surplus (fair value reserves), which together amount to EUR 113,733,770, cannot be distributed.

Profit

Other revenue reserves, net profit or loss for the year and retained earnings, which can be distributed, total EUR 135,441,942.

Revaluation surplus

Equity revaluation surplus relates to the revaluation of available-for-sale financial assets to their stock market value. The market value of most shares that are classified into this category and traded in an organised securities market decreased in 2008. Consequently, revaluation surplus decreased significantly, amounting to EUR 5.3 million as at the last day of 2008. All investments carried at fair value and classified into Group 4 are owned by the parent company. As a result, the parent company had to impair all investments measured at fair value, the fair value of which was more than 40 percent lower than their cost as at the balance sheet date. This downward valuation was charged against the income statement and recorded as impairment expense.

Equity of minority owners

Equity of minority owners comprises the minority interests of EUR 3,127,244 in the subsidiary Adria-Tow, d.o.o., minority interests of EUR 145,447 in the subsidiary TOC, d.o.o., and minority interests of EUR 189,665 in the subsidiary Adria Terminali, d.o.o.

Consolidated equity of the Luka Koper Group

The Group's consolidated equity is the sum of the majority owner's and minority owners' equity after offsetting the long-term investments of the parent company against the equity of subsidiaries in proportion to the parent company's interest in these companies. Consolidated equity of the Group thus equals EUR 311,059,034.

Equity is thus composed of the following items:
1. Majority owner: EUR 307,596,678
2. Minority owners: EUR 3,462,356

Earnings per share

(in EUR)	2008	2007
Net profit or loss of majority owner	16,921,333	30,124,485
Weighted average number of ordinary shares	14,000,000	14,000,000
Basic earnings per share	**1.21**	**2.15**

In 2008 only basic earnings per share were presented because at its 13th meeting held on 19 July 2007, the General Meeting adopted a decision to convert 6,860,000 participating preference shares with limited voting rights to ordinary no-par value shares.

Note 26: Provisions

(in EUR)	31/12/2008	31/12/2007
Provisions	**11,141,234**	**11,718,551**
Provisions for pensions and similar provisions	1,758,367	3,074,748
Other provisions - damage and compensation	2,624,370	1,941,905
Long-term accrued costs and deferred revenue	6,758,497	6,701,898

Changes in provisions

(in EUR)

Provisions	Provisions for damage and compensation	Provisions for termination benefits on retirement	Provisions for jubilee benefits	Long-term accrued costs and deferred revenue	Total
Opening balance as at 01/01/2008	1,941,906	2,161,068	913,680	6,701,898	11,718,551
Provisions set aside in 2008	183,448	0	9,280	3,338,130	3,530,858
Payment or reversal of provisions in 2008	-41,729	-853,121	-472,541	-2,740,784	-4,108,175
Closing balance as at 31/12/2008	**2,083,624**	**1,307,947**	**450,419**	**7,299,244**	**11,141,234**

Other provisions comprise provisions for damage, the amount of which increased by EUR 183,448 in 2008, with their reversed amount totalling EUR 41,729.

Provisions for termination benefits on retirement and jubilee benefits include a liability amounting to the present value of expected future expenses. The provisions were decreased by termination benefits on retirement and jubilee benefits paid in 2008. The balance of contingent liabilities was reassessed on 31/12/2008, and based on an actuarial calculation made by taking into account a 7.75-percent discount rate and a 4.5-percent increase in the average salary, some of excess existing provisions were reversed.

Long-term accrued cost and deferred revenue items relate to deferred revenue from fixed assets acquired free of charge or grants for the acquisition of fixed assets as well as to retained contributions on the salaries of employees working for the disability firm Luka Koper INPO, d.o.o. The funds have been made available for a particular purpose and are mainly used to cover the fixed asset depreciation charge.

Note 27: Long-term liabilities

(in EUR)	31/12/2008	31/12/2007
Financial and operating liabilities	**105,334,649**	**17,926,907**
Long-term financial liabilities	**103,836,807**	**6,622,990**
Long-term financial liabilities to banks	103,836,807	6,622,990
Long-term operating liabilities	**174,519**	**154,180**
Long-term operating liabilities	174,519	154,180
Deferred tax liabilities	**1,323,323**	**11,149,737**

Long-term financial liabilities

The controlling influence of the Group's parent company is also reflected in the item of long-term financial liabilities that all originate from the parent company and grew by EUR 97,213,817 in one year. In 2008 the parent company took out long-term loans amounting to EUR 110 million, which are being repaid according to a predetermined schedule. For some of the loans, the company was granted a one-year moratorium on the payment of the principal balance, as evident from the increase in these liabilities in 2010 and shown in the table below. All long-term loan liabilities to banks have been secured with blank bills of exchange and the usual financial commitments.

(in EUR)

Principal balance of long-term loans as at 31/12/2008 and their maturity by year	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Period 2014 - 2018
110,000,000	5,965,000	23,100,000	12,100,000	11,100,000	33,735,000	24,000,000

Long-term operating liabilities

Long-term operating liabilities include long-term collaterals received in connection with leased business premises and deferred tax liabilities arising from the valuation of investments at fair value, which were recorded as a specific equity component. Deferred taxes were measured at a 20% tax rate.

Note 28: Short-term liabilities

(in EUR)	31/12/2008	31/12/2007
Short-term financial liabilities	**97,521,399**	**52,014,429**
Short-term financial liabilities to associates	1,116,242	0
Short-term financial liabilities to banks	95,511,941	51,919,045
Short-term financial liabilities to others	893,216	95,385
Short-term operating liabilities	**30,301,433**	**38,473,080**
Short-term operating liabilities to associates	43,470	0
Short-term operating liabilities from advances	56,175	4,864
Short-term liabilities arising out of finance lease	0	6,457,206
Short-term trade liabilities	22,239,540	26,370,202
Short-term operating liabilities to others	7,962,249	5,640,808

Short-term financial liabilities

Short-term financial liabilities arising from bank loans received totalled EUR 97,521,399 as at 31/12/2008. The portion of long-term financial liabilities that falls due in 2009 was transferred to short-term financial liabilities. Given the existing economic situation, the Group decided to take advantage of more flexible, accessible and, above all, more favourable (cheaper) short-term sources.

Long-term and short-term financial liabilities mainly comprise liabilities with a variable interest rate. Variable interest rates as restated to a single nominal annual interest rate on the last day of the financial year 2008 ranged from 3.57 percent to 6.94 percent. Calculated using the effective interest rate method, total finance expenses arising from the Group's financial liabilities stood at EUR 7,023,758 in 2008 (up from EUR 2,306,406 in 2007). All financial liabilities are denominated in the national currency.

Short-term operating liabilities

In 2007 short-term operating liabilities increased significantly due to increased capital investment activities and changes in the parent company's financial policy, which resulted in the extension of payment terms in relation to suppliers. In 2008 the effect of the changed financial policy stabilised. Short-term operating liabilities totalled EUR 30,301,433 as at the last day of 2008.

Note 29: Accrued costs and deferred revenue

(in EUR)	31/12/2008	31/12/2007
Accrued costs and deferred revenue	**1,252,734**	**362,631**
Foreign commercial discounts	309,192	214,457
Accrued costs	943,542	148,174

Note 30: Off-balance sheet records

Off-balance sheet accounts include items that do not qualify for balance sheet recognition, and advances given and received.

(in EUR)	31/12/2008	31/12/2007
Total off-balance sheet assets and liabilities	**47,633,780**	**14,899,609**
Liability for a guarantee issued to the Ministry of Finance	737,646	728,647
Liability for outstanding letters of credit issued to suppliers	17,861,754	3,777,700
Centroprom liabilities	831,206	831,206
Guarantee received for a loan given	**563,350**	**563,350**
Guarantee received for advances for fixed assets	**22,158,618**	**3,517,500**
*** Received guarantee and lien on a fixed asset**	**4,600,000**	**4,600,000**
*** Other guarantees received**	**50,000**	**50,000**
*** Centroprom receivables**	**831,206**	**831,206**

The contingent liability for a loan received by the subsidiary Adria-Tow, d.o.o. has been secured with a lien on fixed assets, the fair value of which totalled EUR 4,600,000. Advances for fixed assets have been secured with supplier guarantees issued by foreign banks which will reimburse the funds invested should the suppliers fail to honour their obligations.

As for the Group's liabilities to the suppliers of fixed assets (ongoing capital investments), outstanding documentary letters of credit have been issued, while the payment of excise and customs duties has been secured with a bank guarantee.

Note 31: Risk management at the Group level

The most significant financial risks of the Luka Koper Group include:
1. The risk of changes in fair value
2. The risk of changes in interest rates
3. Liquidity risk
4. The risk of changes in foreign exchange rate
5. Credit risk
6. The risk of appropriate capital structure

The management of financial risks has been organised within the parent company's finance department for the entire Luka Koper Group. The department carries out regular and comprehensive monitoring which is sufficient to control the above uncertainties, in particular fluctuations in finance income and expenses. Having in place a system for the management of financial risks, we achieved a considerably higher realisation of plan categories - especially those concerning future cash flows - among which we could point out a reduced possibility of extraordinary financial expenses incurred as a result of downward changes in various economic categories.

The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of variability and, consequently, higher level of risk. Therefore, by tightening control over individual financial categories, the company considerably shortened certain time intervals for monitoring the categories concerned.

- **Management of the risk of changes in fair value at the Group level**

The exposure to the risk of changes in the fair value of financial instruments is recorded in relation to investments classified in Group 4. These investments comprise market securities issued by successful Slovene companies and units of Slovene mutual funds. Specific risks were mostly managed through the diversification of the parent company's and, consequently, the Group's portfolio. All investments measured at fair value are owned by the parent company.

Due to atypical conditions in the global market, the fair value of all market securities decreased substantially, as did the increases in equity arising from the revaluation surplus, which fell by EUR 39,305,658, amounting to EUR 5,293,292 at the end of 2008. As a result, all available-for-sale investments carried at fair value stood at EUR 34,597,851 on the last day of the financial year 2008.

Such abnormal conditions make it difficult to forecast future developments. Nevertheless, the Group estimates that stock market prices have come close to the bottom, making it likely that in a couple of years the value of all investments carried at fair value will stabilise at higher levels.

The sensitivity of investments to changes in fair value is shown in Table A.

Table A: Sensitivity analysis of investments to changes in fair value

Item	Balance at the end of the financial year (in EUR)	Increase in comparable class (in %)	Envisaged increase in value (in EUR)	Decrease in comparable class (in %)	Envisaged decrease in value (in EUR)
Year 2008					
Shares and interests at fair value	34,597,851	9.94	3,440,311	-6.45	-2,230,701
Shares and interests at fair value (10% change)	34,597,851	10.00	3,459,785	-10.00	-3,459,785
Shares and interests at fair value (annualised maximum change over the last 5 years)	34,597,851	78.13	27,029,591	-67.49	-23,351,704
Year 2007					
Shares and interests at fair value	92,643,513	2.61	2,415,294	-1.73	-1,607,247
Shares and interests at fair value (10% change)	92,643,513	10.00	9,264,351	-10.00	-9,264,351
Shares and interests at fair value (annualised maximum change over the last 5 years)	92,643,513	78.13	72,377,799	-5.59	-5,182,920

The sensitivity analysis of investments carried at fair value is conducted on the assumption that past fair value changes (the SBI or SBI20 index is used for this purpose) will be reflected in future periods. The average variability of the class was assessed for the period of past five years by calculating the average deviation of daily figures (both in terms of increases and decreases) from the annual trend of the SBI index[1]. On the basis of the above analysis, we can assume that in the financial year 2009 the fair value of the available-for-sale investments portfolio could decrease by 6.45 percent or increase by 9.94 percent. Taking into account the highest annual growth levels of the index over the period of past five years, the amount of the risk item could increase by 78.13 percent or decrease by 67.49 percent in 2009. If we further simplify our expectations and envisage the possibility of a 10% growth in the value of the index, such growth would result in an increase in the fair value of the market securities portfolio by EUR 3,459,785. A 10-percent decrease in the value of a comparable class would have the opposite effect, i.e. decrease in the fair value of such investments by the same amount. All amounts would be recognised as an increase or decrease in equity. The Group estimates that the probability of stock exchange prices declining even further is low, which is why the level of the risk of changes in fair value is also considered as low.

- **Management of the risk of changes in variable interest rates**

As the volume of foreign financing sources increases, interest rate risk becomes increasingly important because an unexpected increase in variable interest rates could pose a threat to the company's operating results.

Owing to a fast pace of growth (mainly of the parent company), the Group increased its financial liabilities considerably in 2008, which amounted to EUR 201,358,206 as at the last day of the financial year 2008. The share of financial liabilities in the overall structure of liabilities rose from 12.7 percent (in 2007) to 36.2 percent, proving that the Group is improving the structure of liabilities through borrowing, thus taking advantage of the positive effects of financial leverage. In 2008 the maturity structure of financial liabilities improved as well, with the share of long-term liabilities of the parent company increasing considerably. Long-term financial liabilities are described in more detail in Note 27 and in chapters Analysis of operations of the Luka Koper Group and Financial management.

Over the next medium-term period, the Group, and especially the parent company, will continue to finance their organic growth by increasing the share of financial liabilities in total liabilities in order to complete capital investment projects

1 For the purpose of sensitivity analysis, all types of risk were assessed using a method based on which the variability of each class has been calculated over the period of past five years preceding the year to which the sensitivity analysis relates (i.e. for 2009, the figures from the period 2004-2008 were used). The process of calculating the variability of individual class is provided below: the calculation of an annual trend is made on the basis of daily figures for a chosen class for each financial year included in the period under consideration; the calculation of linear deviations of daily figures is made based on the annual trend calculated; the average annual deviation of the class from the annual trend line is obtained by summing up all positive deviations on the one hand or negative deviations on the other, dividing them with the number of data for an individual positive or negative deviation; finally, a five-year average is calculated from annual averages. The highest absolute increase or decrease of the stock exchange index in a financial year is excluded from the past five-year period and the financial effect of such a change on the value of investments measured at fair value is determined.

within envisaged deadlines, thus generating the planned operating revenue and achieving higher return on equity.

The Group did not additionally hedge its financial liabilities that are linked to variable interest rates (other than by partially offsetting changes in variable interest rates on investments in the bonds of commercial banks on the assets side). The main reason for this are atypical movements in variable interest rates in 2008. Due to the widespread decrease in variable interest rates, the Group has not yet decided to employ hedging in this area, but it estimates that could be useful in 2009.

The effect of potential changes in variable interest rates on future profit or loss is shown in Table B.

Table B: Sensitivity analysis of financial liabilities with regard to changes in variable interest rates

Amount of liabilities linked to a variable interest rate	31/12/2008	Potential increase in interest rates (historical data)		Potential decrease in interest rates (historical data)		Hypothetical increase or decrease in interest rate by 5%
	Amount of liabilities (in EUR)	Figure (in %)	Value (in EUR)	Figure (in %)	Value (in EUR)	Value (in EUR)
1M EURIBOR	73,923,950	4.61	-3,407,536	-2.79	2,062,171	3,696,198
3M EURIBOR	60,557,453	5.44	-3,293,189	-1.91	1,154,964	3,027,873
6M EURIBOR	65,000,000	5.71	-3,711,207	-2.05	1,335,159	3,250,000
1M LIBOR	0	75.79	0	-41.56	0	0
Total effect	**199,481,403**		**-10,411,931**		**4,552,294**	**9,974,070**

Amount of liabilities linked to a variable interest rate	31/12/2007	Potential increase in interest rates (historical data)		Potential decrease in interest rates (historical data)		Hypothetical increase or decrease in interest rate by 5%
	Amount of liabilities (in EUR)	Figure (in %)	Value (in EUR)	Figure (in %)	Value (in EUR)	Value (in EUR)
1M EURIBOR	55,716,000	0.08	-43,221	-2.50	1,395,578	2,785,800
3M EURIBOR	1,161,473	0.33	-3,789	-2.02	23,482	58,074
6M EURIBOR	0	0.43	0	-2.12	0	0
1M LIBOR	1,664,289	2.74	-45,631	-1.79	29,799	83,214
Total effect	**58,541,762**		**-92,642**		**1,448,859**	**2,927,088**

The analysis of financial liabilities' sensitivity to changes in variable interest rates relies on the following assumptions:
- potential decrease or increase in interest rates is in line with historical data for a five-year period[2] and
- potential decrease or increase in variable interest rates amounts to 5 percent.

If an increase in variable interest rates were to take place in 2009, as historical data suggests, the Group would incur a negative effect on interest expense of EUR 10,411,931 (assuming that the amount of financial liabilities remained unchanged). According to the Group's expectations regarding interest, such a development has been assessed as unlikely. On the other hand, a decrease in interest rates would result in 2009 in a decrease in interest expense by EUR 4,552,294. If in 2009 variable interest rates increased or decreased by 5 percent, the impact on the income statement would amount to EUR 9,974,070, either in the form of extra interest (in the case of increase) or savings (in the case of decrease).

Regardless of the sensitivity analysis, the Group believes that the current cycle of variable interest rates will reach its bottom in 2009 and expects that changes in variable interest rates will have but a favourable impact on the financial categories.

Negative expectations concerning interest rates mainly relate to interest rate margins that are expected to largely cancel out any decreases in variable interest rates. What is more, actions by commercial banks and the overall situation in the money market are the factors which are beyond the company's influence. The Group, and especially the parent company, adapt to these conditions by seeking out banks specialised in the financing of infrastructure investments.

- **Management of liquidity risk**

The Group manages liquidity risk through regular planning of cash flows with different maturities. This process is centralised within the parent company, thus ensuring effective management of the Group's cash. The matching of assets and liabilities by maturity is the key to ensuring sustained solvency. By carefully planning its operating and financial liabilities,

2 The method of forecasting potential decreases or increases in variable interest rates relies on the analysis of data for a five-year period preceding the period under consideration, and aims to determine how interest expense relating financial liabilities would change if variable interest rates increased or decreased in the next annual period by an average increase or decrease recorded in the five-year period indicated. The average annual level of decrease or increase is calculated as an average of all annual averages for the five-year period that are calculated based on all negative or positive deviations from an annual trend line describing changes in an interest rate.

the Group ensures that maturity dates are consistently respected. The Group has a system to monitor the maturity of trade liabilities and liabilities to financial institutions, the state and other parties. It also consistently plans and checks expected inflows from trade receivables. Timely and regular settlement of liabilities to all creditors thus enables the Group to significantly improve payment discipline both in Slovenia and in a wider economic environment. In future, more attention will also be given to the calculation of default interest. The Group considers this to be an appropriate corrective and preventive measure for addressing payment indiscipline of its customers.

As the controlling company of the Group, the parent company plans to prolong all its short-term loan agreements once they have fallen due. In the light of the current conditions in the money market, such an assumption poses an additional liquidity risk, which the parent company has identified and prepared for by means of various adaptation scenarios.

- **Management of currency risk**

The risk of changes in foreign exchange rates mainly arises from the Group's trade receivables denominated in US dollars. As a result, any negative changes in the value of the US dollar reduce the value of inflows from services rendered. In previous years, the share of trade receivables denominated is US dollars decreased, which led to a significant reduction in the degree of the company's exposure to currency risks. The decrease was mainly due to the impact of the parent company whose average monthly invoiced sales denominated in US dollars again decreased significantly in 2008, amounting to mere 55.4 percent of the 2007 figure. In 2008 the Group's average monthly invoiced sales stood at USD 1.3 million (down from USD 2.3 million in 2007).

Outstanding trade receivables denominated in USD also decreased substantially (to 62.8 percent of the 2007 figure). The Group estimates that the share of USD-denominated receivables is negligible, which is why it has decided it will no longer hedge this item through the creation of USD-denominated liabilities. Previously, the Group hedged the risk item by creating US-dollar denominated liabilities corresponding to the amount of the average monthly invoiced sales, thus managing the bulk of its currency risk by means of its internal hedging techniques.

The appropriateness of the Group's actions is supported by the analysis of annual foreign exchange differences, showing that foreign exchange gains exceeded the losses by 19.2 percent.

Through its parent company, the Group had hedged against exposure to currency risk by creating a USD-denominated financial liability corresponding to the amount of the average monthly invoiced sales by June 2008. Since the USD-denominated loan had fallen due, this area has been favourably affected by movements in the spot currency market.

- **Management of credit risk**

Given the situation of global recession, the management of counterparty risk, i.e. credit risk, has gained in importance. Much like in a chain reaction, customer defaults are being passed on to economic entities, which significantly reduces the assessed probability of timely inflows. The accelerated debt collection process contributes to minimising the consequences of wide-spread insolvency.

The uncertainty as to whether counterparties will be able to meet their commitments on time while the Group regularly settles its liabilities to suppliers lead to additional borrowing and higher financing costs. In this respect, the specific structure of the Group's customer portfolio plays an important role as the majority of transactions are concluded with a limited number of large companies, i.e. freight forwarders and agents. Such a customer structure considerably reduces exposure to credit risk because the customer portfolio of intermediaries is very diverse. What is more, the Group has relatively few receivables arising from its direct business relations with the end-users of its services.

Another distinctive feature of the Group's business is the use of liens on warehoused goods, which can be exercised in order to collect debt or receive payment for obligations that are not settled by customers.

Some receivables have been secured with collaterals which are returned to customers once all obligations have been settled. The Group's investments include loans secured with blank bills of exchange and other (im)movable property.

The credit risk management policy as outlined above is reflected in a relatively low percentage of impaired receivables. This is the result of a comprehensive approach to the management of trade receivables as the Group devoted considerably more attention to this area, adapting its internal procedures to the situation of insufficient liquidity in the wider economic environment.

The Group estimates that the credit quality of receivables that have not yet fallen due or been impaired is good.

- **Management of the risk of appropriate capital structure**

The capital structure expressed as a ratio between equity and all three types of liabilities has a significant impact on the performance of an economic entity. Equity is the most expensive form of financing. Therefore it is vital that successful companies identify optimal capital structure and align their existing capital structure with it.

In the past five years, the share of equity in liabilities decreased from 82.57 percent as at the last day of 2003 to 55.88 percent as at the last day of 2008. In the last year alone, this share decreased by 17.99 percentage points as a result of increased borrowing on the one hand and decreased revaluation surplus on the other. For more on this subject, see Note 25.

A few years ago, the Group, and especially the parent company, began to gradually increase the share of loans in liabilities, thus taking advantage of positive effects of financial leverage. The parent company also began to calculate the weighted average cost of capital to identify optimal capital structure. The decrease in the cost enables the Group to near the optimal capital structure and, consequently, have a more efficient and successful business process.

11. DISCLOSURES RELATING TO THE CASH FLOW STATEMENT

Cash flows from operating activities have been presented using the indirect method. Material increases or decreases in individual items that affect the Group's cash flows have been disclosed in the income statement, balance sheet and the statement of changes in equity.

The cash flow statement shows that the Luka Koper Group generated EUR 34,867,748 in cash flows from operating activities and EUR 28,539,958 in cash flows from investing activities (dividends, disposal of investments and fixed assets) that were used to cover expenses arising from the higher level of investments, mainly those in fixed assets, and long-term investments, which totalled EUR 185,389,616. The difference was covered by taking out additional long-term loans. Net cash inflow from financing activities stood at EUR 127,886,237, meaning that total net cash for the period stood at EUR 5,904,327.

The Luka Koper Group has also prepared an annual cash flow plan as it was faced with uncertainty regarding forecasts. The following was considered in planning for the 2009 cash flows:
- the share of sales on credit,
- timing of credit repayment by customers,
- the method of payment of overhead costs,
- expenses for capital investments,
- timing of tax payments.

Based on the above, the Group draws up measures to eliminate cash flow imbalances.

12. DISCLOSURES RELATING TO THE STATEMENT OF CHANGES IN EQUITY

Movements to equity

Equity was increased by the majority owner's net profit for the year, which stood at EUR 16,921,333, but due the valuation of investments carried at fair value and classified as available for sale revaluation surplus decreased by EUR 39,305,657.

Movements within equity

In accordance with the resolutions of the Management Board and the Supervisory Board, half of the 2008 net profit, i.e. EUR 6,867,662, was allocated to other revenue reserves and EUR 4,203 to legal reserves.

In accordance with the resolution of the General Meeting, a portion of the 2007 net profit amounting to EUR 17,586,058 remained unallocated. Retained earnings of EUR 5,209,210 were allocated to other revenue reserves.

Movements from equity

In accordance with the General Meeting resolution, equity was reduced by dividends amounting to EUR 7,700,000, which were paid from other revenue reserves (EUR 7,472,274) and retained earnings (EUR 227,726). Equity was further reduced by bonuses to Supervisory Board members amounting to EUR 110,790, which were paid from retained earnings.

13. RELATED PARTY TRANSACTIONS

Key financial information of associates

(in EUR)	2008	2007	2008	2007	2008	2007
	Intereuropa, d.d.		Avtoservis, d.o.o.		Golf Istra, d.o.o.	
Revenue	164,898,000	170,609,000	4,843,454	5,334,300	5,719	0
Assets	359,850,000	253,616,000	3,232,126	3,163,700	930,580	597,563
Liabilities	205,562,000	152,110,000	671,951	518,400	105,343	88,513
Profit or loss	3,265,000	19,383,000	573,261	283,200	-130,693	-123,852

(in EUR)	2008	2007	2008	2007	2008	2007	2008	2007
	SC Trade Trans Terminal s.r.l.		Adriasole, d.o.o.		Ecoporto Koper, d.o.o.		Railport Arad s.r.l.	
Revenue	54,367	-	0	-	0	-	342,281	535
Assets	6,591,952	-	3,167,418	-	1,372,103	-	8,679,007	27,951
Liabilities	3,351,835	-	2,792,972	-	1,401,171	-	5,145,308	30,062
Profit or loss	-298,084	-	-49,028	-	-39,068	-	77,591	-2,154

Key financial information of jointly controlled companies

(in EUR)	2008	2007	2008	2007	2008	2007
	Adriafin, d.o.o.		Kopinvest Netherlands B.V.		Adria Transport, d.o.o.	
Revenue	287,327	1,099,864	0	0	1,806,668	195,361
Assets	13,290,667	14,172,468	3,638,510	3,190,573	14,263,461	181,973
Liabilities	175,313	53,454	0	0	13,342,859	83,361
Profit or loss	77,232	153,871	-7,100	-8,805	22,140	393

Relations between the parent company and subsidiaries, and between subsidiaries

(in EUR) Items	31/12/2008	31/12/2007
Long-term investments	**7,337,688**	**5,827,135**
Receivables	**1,579,275**	**677,824**
Short-term trade receivables	1,171,275	677,824
Other short-term receivables	408,000	0
Short-term investments	**9,894,647**	**6,570,055**
Liabilities	**11,473,922**	**7,247,879**
Short-term operating liabilities	1,171,275	677,824
Short-term financing liabilities	10,302,647	6,570,055
Revenue	**4,501,742**	**3,701,266**
Operating revenue	4,144,253	3,465,099
Finance income	357,489	236,167
Costs and expenses	**4,501,742**	**3,701,266**
Costs of materials	173,731	177,573
Costs of services	3,740,181	3,167,203
Labour costs	3,144	3,632
Other costs	227,197	116,691
Finance expenses	357,489	236,167

Relations between the parent company and associates and jointly controlled companies

(in EUR)	Adriafin, d.o.o.		Avtoservis, d.o.o.		Intereuropa, d.d.	
Turnover for the period	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Controlling company's services used	13,440	13,440	41,949	76,639	15,323,181	15,648,333
Controlling company's lease services used	0	0	178,277	183,337	54,131	0
Services performed for the controlling company	0	0	5,243	7,658	166,657	251,985
Interest on loan from the controlling company	0	0	0	0	0	0
Lease services performed for the controlling company	0	0	0	0	161,128	170,810
Interest on loan to the controlling company	0	7,982	0	0	0	0
Balance as at	**31/12/2007**	**31/12/2008**	**31/12/2007**	**31/12/2008**	**31/12/2007**	**31/12/2008**
Controlling company's outstanding receivables from services performed	1,344	1,344	7,262	12,815	2,361,355	1,706,473
Controlling company's outstanding liabilities for services used	0	3,256	5,348	19,683	11,362	26,752
Loan given to the controlling company	0	700,000	0	0	0	0
Loan received from the controlling company	0	0	0	0	0	0

(in EUR)	Adria Transport, d.o.o.		Ecoporto Koper, d.o.o.		Adriasole, d.o.o.	
Turnover for the period	**2007**	**2008**	**2007**	**2008**	**2007**	**2008**
Controlling company's services used	4,104	61,461	0	0	0	0
Controlling company's lease services used	0	0	0	0	0	0
Services performed for the controlling company	0	0	0	0	0	0
Interest on loan from the controlling company	0	0	0	29,744	0	52,541
Lease services performed for the controlling company	0	0	0	0	0	0
Interest on loan to the controlling company	0	19,242	0	0	0	0
Balance as at	**31/12/2007**	**31/12/2008**	**31/12/2007**	**31/12/2008**	**31/12/2007**	**31/12/2008**
Controlling company's outstanding receivables from services performed	0	37,212	0	0	0	0
Controlling company's outstanding liabilities for services used	0	0	0	0	0	0
Loan given to the controlling company	0	397,000	0	0	0	0
Loan received from the controlling company	0	0	0	1,370,000	0	2,739,000

14. EVENTS AFTER THE BALANCE SHEET DATE

In January 2009, the Management Board confirmed an increase in the capital of the company Railport Arad s.r.l. by EUR 1,500,000 and an increase in the capital of the company SC Trade Trans Terminal s.r.l. by EUR 1,300,000.

As the sole member of the subsidiary Luka Koper INPO, d.o.o. the Management Board adopted a decision to convert, in accordance with Article 359 of the Companies Act, other revenue reserves of EUR 2,759,122 to nominal capital so that the registered nominal of the company increased from EUR 240,878 to EUR 3,000,000.

In January, the Management Board adopted a decision to convert loans to associates Adriasole, d.o.o. and Ecoporto Koper, d.o.o. to equity interests.

In December 2008, the General Meeting of the company TOC, d.o.o. adopted a resolution to increase the company's capital by means of a subscribed contribution by the company member Insol, d.o.o. After the in-kind contribution had actually been transferred to the company, the interest of Luka Koper, d.d. in the nominal capital of the subsidiary decreased from 68.13 percent to 50.81 percent in accordance with a court decision of 2 February 2009.

15. INDEPENDET AUDITOR'S REPORT

DELOITTE REVIZIJA D.O.O.
Davčna ulica 1
1000 Ljubljana
Slovenija

Tel: +386 (0) 1 3072 800
Faks: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to owners of the company Luka Koper d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the Luka Koper Group, which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Luka Koper Group as at 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the company's business report. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija

Dr. Yuri Sidorovich
Certified Auditor
President of the Board

Ljubljana, 31 March 2009

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Pursuant to Article 60a of the Companies Act, the Management Board declares that the annual report and all its components, including the corporate governance statement, have been prepared and published in accordance with the Companies Act and International Financial Reporting Standards.

The Management Board of Luka Koper, d.d. declares that it fully approves the annual report of the Luka Koper Group for the financial year ended 31 December 2008.

The Management Board confirms that the financial statements have been prepared under the assumption of going concern and in accordance with applicable legislation. Consistent application of accounting policies and guidelines together with prudent preparation of accounting estimates represent a basis for a true and fair presentation of the financial position of the Luka Koper Group and of the results of its operations in the year 2008.

Robert Časar
President of the Management Board

Aldo Babič, MSc
Deputy President of the Management Board

Marjan Babič, MSc
Member of the Management Board

Boris Marzi, MSc
Member of the Management Board, Worker Director

Koper, 13 March 2009

UNCONSOLIDATED FINANCIAL REPORT OF LUKA KOPER, D.D. FOR 2008

1. INCOME STATEMENT - (audited and unconsolidated)

(in EUR)	Notes	2008	2007
Operating revenue		**122,744,761**	**111,331,815**
Net sales revenue	1	120,101,053	108,950,005
Other operating revenue	2	2,643,708	2,381,810
Operating costs		**102,285,236**	**90,732,104**
Costs of goods, materials and services	3	46,109,675	41,672,259
Labour costs	4	30,697,827	25,073,937
Write-downs in value	5	17,751,821	15,175,580
Other operating expenses	6	7,725,913	8,810,328
Operating profit or loss		**20,459,525**	**20,599,711**
Total finance income	**7**	**8,308,638**	**10,194,595**
Finance income from interests		6,406,379	8,481,730
Finance income from loans		1,098,847	1,005,776
Finance income from operating receivables		803,412	707,089
Total finance expenses	**8**	**16,668,034**	**3,430,862**
Finance expenses arising from impairment and write-downs of investments		9,147,203	780,002
Finance expenses for financial liabilities		6,990,726	1,981,546
Finance expenses for operating liabilities		530,105	669,314
Total profit or loss	**9**	**12,100,128**	**27, 363,444**
Corporate income tax	10	0	2,285,975
Deferred taxes	11	1,635,196	-9,081
Net profit or loss	**12**	**13,735,324**	**25,068,388**
Earnings per share	**13**	**0.98**	**1.79**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with them.

2. BALANCE SHEET - (audited and unconsolidated)

(in EUR)	Notes	31/12/2008	31/12/2007
Assets		**534,709,567**	**434,312,786**
Long-term assets		**490,179,850**	**405,307,103**
Intangible fixed assets	14	**5,895,567**	**1,077,540**
Property, plant and equipment	15	**329,837,644**	**217,180,278**
Land and buildings		171,039,469	130,972,114
Manufacturing plant and equipment		52,390,866	44,440,930
Other plant and equipment		138,696	135,220
Property, plant and equipment being acquired		106,268,613	41,632,014
Investment property	16	**17,087,083**	**14,254,814**
Long-term investments	17	**134,611,141**	**171,681,824**
Long-term investments, excluding loans		129,477,892	160,718,249
Long-term loans		5,133,249	10,963,575
Long-term operating receivables	18	**217,865**	**217,293**
Deferred tax assets	19	**2,530,550**	**895,354**
Current assets		**41,885,700**	**28,848,131**
Assets (disposal groups) held for sale	20	**126,483**	**103,865**
Short-term investments	21	**9,305,990**	**43,006**
Short-term operating receivables	22	**22,811,661**	**27,194,812**
Short-term corporate income tax assets	22	**2,095,477**	**207,859**
Cash	23	**7,546,089**	**1,298,589**
Short-term accrued revenue and deferred costs	24	**2,644,017**	**157,552**
Off-balance-sheet assets	30	**46,412,261**	**17,539,666**
Liabilities		**534,709,567**	**434,312,786**
Equity	25	**291,777,487**	**325,158,610**
Called-up capital	25	**58,420,965**	**58,420,965**
Capital surplus	25	**89,562,703**	**89,562,703**
Revenue reserves	25	**119,098,671**	**114,494,073**
Revaluation surplus	25	**5,293,292**	**44,598,950**
Retained earnings	25	**12,534,194**	**5,547,725**
Net profit or loss for the period	12	**6,867,662**	**12,534,194**
Provisions and long-term accrued costs and deferred revenue	26	**3,286,229**	**4,160,511**
Long-term liabilities	27	**105,237,194**	**17,481,844**
Long-term financial liabilities	27	**103,836,807**	**6,265,538**
Long-term operating liabilities	27	**77,064**	**66,569**
Deferred tax liabilities	27	**1,323,323**	**11,149,737**
Short-term liabilities	28	**133,173,216**	**87,172,026**
Short-term financial liabilities	28	**105,196,557**	**56,514,874**
Short-term operating liabilities	28	**27,976,659**	**30,657,152**
Short-term accrued costs and deferred revenue	28	**1,235,441**	**339,795**
Off-balance-sheet assets	30	**46,412,261**	**17,539,666**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with them.

3. CASH FLOW STATEMENT

	(in EUR)	2008	2007
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**		
	Profit or loss before tax	12,100,128	27,363,444
	Income taxes and other taxes not included in operating expenses	0	-2,295,056
		12,100,128	**25,068,388**
b)	**Adjustments for**		
	Depreciation or amortisation (+)	17,212,727	14,610,380
	Revaluation operating revenue associated with investing and financing items (–)	-249,584	-379,806
	Revaluation operating expenses associated with investing and financing items (+)	424,376	85,568
	Finance income less finance income from operating receivables (–)	-7,505,226	-9,487,506
	Finance expenses less finance expenses from operating liabilities (+)	16,137,929	3,219,191
		26,020,222	**8,047,827**
b)	**Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)**		
	Opening less closing operating receivables	-2,027,760	-6,613,790
	Opening less closing accrued revenue and deferred costs	-2,486,465	-72,815
	Opening less closing deferred tax assets	-	9,081
	Opening less closing assets (disposal groups) held for sale	-22,619	21,227
	Closing less opening operating liabilities	-2,669,998	18,783,006
	Closing less opening accrued costs and deferred revenue, and provisions	21,365	8,047
	Closing less opening deferred tax liabilities	-	5,119,279
		-7,185,476	**17,254,035**
c)	**Net cash from operating activities (a + b)**	**30,934,874**	**50,370,250**
B.	**Cash flows from investing activities**		
a)	**Cash receipts from investing activities**		
	Interest and dividends received from investing activities	6,776,578	3,384,375
	Cash receipts from disposal of intangible assets	249,584	-
	Cash receipts from disposal of property, plant and equipment	4,872,306	1,045,689
	Cash receipts from disposal of long-term investments	6,540,210	26,129,383
	Cash receipts from disposal of short-term investments	1,600,722	110,365,244
		20,039,400	**140,924,691**
b)	**Cash disbursements for investing activities**		
	Cash disbursements to acquire intangible assets	-4,989,458	-775,649
	Cash disbursements to acquire property, plant and equipment	-129,978,774	-83,772,628
	Cash disbursements to acquire investment property	-3,326,116	-6,983,206
	Cash disbursements to acquire long-term investments	-32,586,838	-14,271,276
	Cash disbursements to acquire short-term investments	-5,297,023	-104,330,712
		-176,178,209	**-210,133,471**
c)	**Net cash from investing activities (a + b)**	**-156,138,809**	**-69,208,780**
C.	**Cash flows from financing activities**		
a)	**Cash receipts from financing activities**		
	Cash proceeds from increase in long-term financial liabilities	192,716,269	43,670,000
	Cash proceeds from increase in short-term financial liabilities	136,007,731	29,447,889
		328,724,000	**73,117,889**
b)	**Cash disbursements from financing activities**		
	Interest paid on financing activities	-6,990,726	-1,422,659
	Cash repayments of long-term financial liabilities	-32,860,000	-31,581,772
	Cash repayments of short-term financial liabilities	-149,680,232	-10,624,216
	Dividends and other profit shares paid	-7,741,607	-9,667,912
		-197,272,565	**-53,296,559**
c)	**Net cash from financing activities (a + b)**	**131,451,435**	**19,821,330**
D.	**Closing balance of cash**	**7,546,088**	**1,298,588**
x)	**Net cash for the period (sum total of net cash A.c., B.c. and C.c.)**	**6,247,500**	**982,800**
y)	**Opening balance of cash**	**1,298,589**	**315,788**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with them.

4. STATEMENT OF CHANGES IN EQUITY

(in EUR)	Called-up capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Net profit for the year	Revaluation surplus	Total
As at 1 January 2007	**58,420,965**	**89,562,703**	**18,765,115**	**82,430,361**	**6,003,453**	**9,976,588**	**20,188,925**	**285,348,110**
Movements to equity	**0**	**0**	**0**	**0**	**0**	**25,068,388**	**24,410,025**	**49,478,413**
Net profit or loss for the period						25,068,388		25,068,388
Change in the fair value of available-for-sale investments							24,410,025	24,410,025
Movements within equity				**22,966,509**	**-455,728**	**-22,510,782**	**0**	**0**
Creation of other revenue reserves based on a decision of the management and the supervisory board				12,534,194		-12,534,194		0
Movement to other revenue reserves based on a decision of general meeting				10,432,315	-6,003,453	-4,428,862		0
Movement of net profit for the previous year to retained earnings					5,547,726	-5,547,726		0
Movements from equity				**-9,667,912**				**-9,667,912**
Payment of dividends				-9,667,912				-9,667,912
As at 31December 2007	**58,420,965**	**89,562,703**	**18,765,115**	**95,728,958**	**5,547,726**	**12,534,194**	**44,598,950**	**325,158,610**
Movements to equity	**0**	**0**	**0**	**0**	**0**	**13,735,324**	**-39,305,657**	**-25,570,333**
Net profit or loss for the period						13,735,324		13,735,324
Change in the fair value of available-for-sale investments							-39,305,657	-39,305,657
Movements within equity				**12,076,872**	**7,324,984**	**-19,401,856**	**0**	**0**
Creation of other revenue reserves based on a decision of the management and the supervisory board				6,867,662		-6,867,662		0
Movement to other revenue reserves based on a decision of general meeting				5,209,210	-5,209,210			0
Movement of net profit for the previous year to retained earnings					12,534,194	-12,534,194		0
Movements from equity				**-7,472,274**	**-338,516**			**-7,810,790**
Dividends				-7,472,274	-227,726			-7,700,000
Bonus paid to supervisory board members					-110,790			-110,790
As at 31 December 2007	**58,420,965**	**89,562,703**	**18,765,115**	**100,333,556**	**12,534,193**	**6,867,662**	**5,293,293**	**291,777,487**
Net profit or loss, revenue and expenses recognised directly in equity						13,735,324	5,239,293	19,028,617

The accompanying notes are an integral part of the financial statements and should be read in conjunction with them.

5. NOTES TO THE FINANCIAL STATEMENTS

Luka Koper, d.d. port and logistic system, based in the Republic of Slovenia, is the controlling company of the Luka Koper Group. The financial statements of the controlling company have been prepared for the year ended 31/12/2008.

5.1 Statement of compliance

The financial statements have been prepared in accordance with the Companies Act and International Financial Reporting Standards (IFRS) as adopted by the EU.
They were approved by the Management Board of Luka Koper, d.d. on 13 March 2009.

5.2 Basis of preparation

The financial statements are presented in euros without cents. Luka Koper, d.d. prepared its stand-alone financial statements to bring information on its financial position, performance and changes in its financial position in 2008 and, for comparison, in 2007 to the widest range of users.

Fair value

Available-for-sale financial assets are carried at fair value, with all other financial statement items being presented at cost or amortised cost.

Transactions in foreign currencies

Transactions denominated in a foreign currency are translated into the domestic currency at the middle exchange rate of the Bank of Slovenia on the day of transaction. Cash and liabilities denominated in a foreign currency at the balance sheet date are translated into the domestic currency using the reference exchange rate of the Bank of Slovenia published on the last day of the accounting period. Foreign exchange differences are recognised in the income statement.

Estimates and judgements

International Financial Reporting Standards require management to present estimates, judgements and assumptions affecting the application of accounting policies and the disclosed amounts of assets, liabilities, revenue and expenses during the preparation of financial statements. The estimates are made based on experience from previous years and developments expected during the accounting period. As actual results may differ from these estimates, these are regularly checked and adjusted.

5.3 Summary of significant accounting policies and disclosures

Individual categories are disclosed in accordance with the International Financial Reporting Standards requiring the disclosures. All matters of material significance are disclosed. The accounting policies applied and the nature and relevance of individual disclosures are set out in the company's internal documents. All material amounts contained in the financial statements are accompanied by comparative data from the previous period, which are also included in numeric and descriptive information. Comparative data is adjusted so that they correspond to the presentation of information for the current year.

The accounting policies provided below are consistently applied to all periods presented in these financial statements.

Property, plant and equipment

The items of property, plant and equipment are carried at cost. Under the cost model, an asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses. The principle and methods of adjusting the value of assets due to impairment are described below under the heading »Impairment of assets«.

If the cost of an item of property, plant and equipment is significant, it is allocated to asset's parts, provided these have different useful lives. Each part is treated separately. Land is carried separately and is not subject to depreciation.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the crediting period rather than an increase in the carrying amount of the item.

Finance lease

At the commencement of the lease term, finance lease is recognized in the balance sheet as an asset and liability at amounts equal to the fair value of the asset under lease or, if lower, to the present value of the minimum lease payments, each determined at the inception of the lease. In calculating the present value of minimum lease payments, the discount rate used is the interest rate implicit in the lease if this is practicable to determine; if not, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount which is recognised as an asset.

In 2008 no fixed assets were leased under a finance lease.

Subsequent costs

Subsequent costs incurred in relation to property, plant and equipment are disclosed either as general maintenance costs that are immediately recognised in profit or loss or as capital expenditure costs that are recognised in the carrying amount of an asset.

Depreciation

Depreciation charge is recognised in profit or loss for each period. The depreciation of an asset begins when the asset is available for use. The items of property, plant and equipment are depreciated using the straight-line method, taking into account the useful lives of individual items.
The depreciation method used is tested at the end of each financial year. As a rule, the residual value of an item of property, plant and equipment is recognised only in relation to material items, in which case the item's liquidation costs are also considered. Land and works of art are not subject to depreciation.

Depreciation rates remained unchanged in 2008.

Estimated depreciation rates for the current and comparable period

Asset	2008	2007
Buildings	3% - 6%	3% - 6%
Transportation and cargo handling equipment	5.6% - 25%	5.6% - 25%
Computer equipment	20% - 25%	20% - 25%
Other equipment	10% - 25%	10% - 25%

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised:
- on disposal, or
- when no future economic benefits are expected from its use or disposal.

Intangible assets

An intangible fixed asset is initially recognised at cost. After the initial recognition, intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

Amortisation

Amortisation begins when an asset is available for use, i.e. when it is at a position and in the condition required for it to operate in a manner intended by management.

The carrying amount of an intangible asset is adjusted using the straight-line amortisation method over its useful life.

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

The useful life of an intangible asset that arises from contractual or other legal rights does not exceed the period of the contractual or other legal rights, but may be shorter, depending on the period in which the company expects to use the asset. The estimated useful life of other intangible assets is 10 years.

Investment property

Investment property is held to earn rentals or for capital appreciation. Investment property is measured using the cost model.

Depreciation is calculated on a straight-line basis, taking into account the estimated useful life of individual assets. Land is not subject to depreciation. Leasehold buildings are divided into parts with different useful lives, as are proprietary buildings with useful lives ranging from 16 to 33 years. The carrying amount of investment property accounts for 5% of the carrying amount of total fixed assets.

Investments in associates

Investments in subsidiaries, associates, jointly controlled companies and other companies are carried at cost.

Financial instruments

Financial instruments have been classified into the following categories:
1. Financial instruments at fair value through profit or loss
2. Held-to-maturity investments
3. Loans and receivables
4. Available-for-sale financial assets
5. All other investments for which no active market exists and the fair value of which cannot be reliably measured are carried at cost

1. Financial instruments at fair value through profit or loss

The first category has been created to include financial instruments recognised according to their trade date, measured at fair value through profit or loss, and held for active trading. Because the company was not engaged in such activities, no instruments were included in this category in 2008 and 2007.

2. Held-to-maturity investments

The second category has been created to include investments which the company may decide to hold in its portfolio to their maturity should they be recognised. These investments would have been recognised according to their settlement date and measured at amortised cost using the effective interest method. No investments were classified into this category.

3. Loans and receivables

The third group includes all loans given and received as well as receivables that are recognised on the settlement date and measured at amortised cost using the effective interest method.

- Operating receivables

In the company's books of account, long-term and short-term trade receivables and receivables due from the state and employees are recorded separately. Operating receivables also include receivables from interest on the above receivables. Long-term and short-term operating receivables are initially recognised at amounts derived from contracts or relevant bookkeeping documents. Operating receivables denominated in foreign currencies are translated into the domestic currency using the reference exchange rate of the Bank of Slovenia on the last day of the financial year.

At the end of the accounting period, the adequacy of the disclosed amount of a receivable is assessed on the basis of substantiated evidence concerning the collectability of such receivables. A receivable is impaired when it has been overdue for more than one year or when it is doubtful or disputed.

- Loans given

Loans given are initially carried at amortised cost using the effective interest method. On the settlement date, they are either classified as long-term or short-term assets, depending on their maturity. For credit risk management purposes, the loans are secured with standard security instruments (e.g. blank bills of exchange, pledge of securities and other (im)movable property, possibility of unilateral settlement of mutual obligations and so forth), subject to the borrower's credit rating, loan maturity and settlement method. Should a borrower fail to meet their contractual obligations as they fall due, the company proceeds with the realisation of collaterals or, in case legal action has been taken, with the impairment of the receivable.

- Loans received

Loans received are initially recognised at amortised cost using the effective interest method. The structure of loans received is dominated by bank loans, the principal of which is repaid upon the expiry of the loan agreement. When recognised, the loans are either classified as long-term or short-term financial liabilities, depending on their maturity. On the last day of the year, all financial liabilities that fall due in the next year are reclassified as short-term financial liabilities. The loans received have been secured with blank bills of exchange and certain financial commitments.

4. Available-for-sale financial assets

Available-for-sale financial assets include all investments in equity securities. At the time of initial recognition, they were measured at fair value, adding transaction costs associated with the purchasing or issuing of the financial asset to it. Fair value is a market-based value, such as an average share price or a published daily value of a mutual fund unit. The changes in fair value are recognised directly in equity and are accounted for every quarter. Shares are written down using the average cost method. Derecognition gains or losses are transferred to profit or loss. Purchases and disposals are recorded at the trade date.

Cash

Cash includes cash on hand and demand deposits, deposits redeemable at notice or with a maturity of up to three months. The balance of cash in foreign currencies is translated into the domestic currency at the middle exchange rate of the Bank of Slovenia on the last day of the financial year.

Derivative financial instruments

The company does not hold or issue derivative financial instruments for trading purposes.

Equity

Share capital

The share capital of Luka Koper, d.d. consists of 14,000,000 registered ordinary no-par value shares that are freely transferable. At its 13th meeting held on 19 July 2007, the General Meeting adopted a decision to convert 6,860,000 participating preference shares with limited voting rights to ordinary no-par value shares, thus changing the number of ordinary shares, which now amounts to 14,000,000.

Dividends

Dividends are recognised in the company's financial statements once a General Meeting's decision on the distribution of dividends has been adopted. The dividend distribution policy has been set out in the company's governing documents.

Repurchase of own shares

The company did not set up a reserve for own shares in 2008 nor did it trade in own shares.

Authorised capital

The company had no authorised capital as at 31/12/2008.

Provisions

Provisions for lawsuits

The company created provisions for lawsuits related to alleged business offences. The amount of the provisions is determined based on the amount of compensation claims or an estimate if the amount of the claims is not yet known. The basis on which the provisions are made is tested regularly.

Provisions for termination and jubilee benefits

Pursuant to the Enterprise Collective Agreement and applicable regulations, the company is obliged to account for and pay jubilee benefits and termination benefits on retirement. These benefits are measured using the simplified method of accounting, which requires that an actuarial liability be assessed in accordance with anticipated salary growth from the date of the assessment to the expected retirement of an employee. This means that benefits are accrued in proportion to the work performed. The assessed liability is recognised in the amount of the present value of expected future expenditure. Expected staff turnover and salary increases are also assessed as part of this measurement.

Actuarial calculations which are used as a basis for determining the amount of provisions are performed every two years. Actuarial gains or losses for the current year are recognised in the income statement.

Operating liabilities

Long-term operating liabilities include security instruments received in connection with leased business premises. Trade liabilities and liabilities to the state and employees are disclosed separately. Operating liabilities also include interest liabilities and liabilities for dividend payments. Operating liabilities expressed in foreign currencies are converted into the domestic currency at the reference exchange rate of the Bank of Slovenia on the last day of the financial year.

Corporate income tax

Corporate income tax is accounted for in accordance with the Corporate Income Tax Act. Because the company has an economic zone user status, income taxes are also calculated in accordance with the Economic Zones Act, enabling the company to benefit from tax breaks on investments in new fixed assets in the economic zone. The base for calculating the corporate income tax comprises gross profit plus non-deductible costs, minus allowed tax breaks. This base is then used to calculate the corporate income tax liability. In 2008 the applicable tax rate stood at 22%.

Deferred taxes

Deferred taxes have been calculated to ensure that the income statement for the reporting period is properly presented. Deferred taxes are recorded as deferred tax assets and deferred tax liabilities. They were accounted for using the balance sheet liability method. The carrying amount of assets and liabilities was compared with their tax values, and the resulting difference was either determined as permanent or temporary. Temporary differences were divided into taxable and deductible. Taxable temporary differences increased the taxable amounts and deferred tax liabilities, whereas deductible temporary differences decreased the taxable amounts and increased deferred tax assets.

Earnings per share

Basic earnings per share have been calculated by dividing net profit for 2008 with the weighted average number of ordinary shares.

Revenue

Revenue from services rendered

Operating revenue is recognised when it can be reasonably expected it will result in receipts unless these were already realised when revenue was generated and can be reliably measured.

Revenue from services rendered is recognised based on the stage of completion as at the balance sheet date. Under this method, revenue is recognised in the accounting period in which the services are rendered. The company discloses the amount of each significant category of revenue recognised in the period and revenue generated in the domestic and foreign markets. Revenue generated in the domestic market represents revenue generated in Slovenia, whereas foreign markets stand for EU member states and third countries.

Rental income

Rental income mainly comprises revenue from investment property, i.e. buildings and land leased out under operating lease.

Other revenue

Other revenue arises from the reversal of provisions, donations, bonuses and revaluation revenue from the disposal of fixed assets.

Finance income and expenses

Finance income comprises income from interest on loans given, income from dividends, income from the disposal of available-for-sale financial assets and income from foreign exchange gains. Interest income is recognised when it arises using the effective interest method. Income from dividends is recognised in profit or loss when the right to payment is established.

Finance expenses comprise the costs of interest on loans received, foreign exchange losses and loss due to the impairment of financial assets, which is recognised in the income statement. Borrowing costs are recognised in the income statement using the effective interest method.

Expenses - costs

Costs are recognised as expenses in the period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed according to their natural functions and based on the company's three-digit chart of accounts. Expenses are recognised if a decrease in economic benefits in the accounting period gives rise to a decrease in assets or increase in debt and this decrease can be reliably measured.

Impairment of assets

Impairment of property, plant and equipment

If there is any indication that an asset may be impaired, the asset's recoverable amount is estimated. If it is not possible to estimate the recoverable amount of an asset, the company determines the recoverable amount of the cash-generating unit to which the asset belongs. Impairment is disclosed in the income statement. Impairment loss should be reversed if there has been a change in the estimates used to determine the asset's recoverable amount. Impairment loss is reversed to such an extent that the increased carrying amount of the asset does not exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in respect of the asset in prior years. The reversal of the impairment loss is recognised in profit or loss as revenue.

Impairment of intangible assets

Intangible assets are reviewed for impairment on the reporting date.

If the recoverable amount of an asset is less than its carrying amount, the latter is reduced to its recoverable amount. The company discloses such a decrease as impairment loss and records it as revaluation operating expense.

Impairment of financial assets

On each reporting date, the company tests the estimated impairment of investments based on criteria laid down in the accounting handbook in order to determine whether there is any objective evidence that an investment is impaired. If there is such objective evidence, the company calculates the amount of impairment loss.

If the company determines that it is necessary to impair investments carried at amortised cost, the amount of loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at the original effective interest rate.

The amount of loss is recognised in profit or loss. If the reasons for the impairment of such an investment cease to exist, the reversal of the impairment of the investment that is carried at amortised cost is recognised in profit or loss.

If in the case of investments in subsidiaries, associates, jointly controlled companies and other companies carried at cost the company determines that it is necessary to impair an investment, any loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset and recognised in profit or loss as revaluation financial expense. In the event of the impairment, the company also considers having individual companies appraised, depending on their estimated materiality.

Recognised in profit or loss, the amount of impairment loss arising from investments classified as available for sale is measured as the difference between the investment's carrying amount and its market or fair value on the balance sheet cut-off date. The investments are impaired if their fair value is more than 40 percent lower than their cost as at the balance sheet date. The amount of such an impairment is the difference between the cost and fair value of the investment.

Cash flow statement

The company reports cash flows from operating activities using the indirect method and based on balance sheet items as at 31/12/2008 and 31/12/2007, the income statement for the year 2008, and additional information required to adjust inflows and outflows.

Statement of changes in equity

The statement of changes in equity shows changes in individual components of equity during the financial year, including the allocation of net profit. In the financial statement, net profit for the current year has been increased by all revenue that is recognised directly in equity.

Segment reporting

The company did not determine business and geographical segments as it does not provide services that would differ significantly in terms of risks and returns. Geographical segments are only reported in the consolidated financial report of the Luka Koper Group.

New standards, amendments and interpretations that were not yet effective

In 2008 the amended IAS 39 Financial Instruments: Recognition and Measurement and amended IFRS 7 Financial Instruments: Disclosures (reclassification of financial assets) were effective as from 1 July 2008.

The adoption of the above amendments to the existing standards had no effect on the company's accounting policies.

The following new standards, amendments and interpretations for the year ended 31/12/2008 have not yet entered into force and were not taken into account in the preparation of the financial statements:

- IFRS 8 - Operating Segments - The application is required for periods beginning on 1 January 2009. The standard will require that operations be disclosed by segment in accordance with management's requirements pertaining to internal reporting. If the results disclosed in accordance with management's requirements pertaining to internal reporting differ from those disclosed for the purpose of external reporting, these differences will have to be explained in the financial statements, taking into account data confidentiality requirements.

- IAS 23 - The revised standard suggests that borrowing costs should be capitalised and that International Financial Reporting Standards also do not allow the classification of borrowing costs as an item which directly reduces profit or increases loss. The application of the standard is required from 1 January 2009 onwards. The company is already examining its effect on the financial statements as all of the company's fixed assets are carried at cost less interest expense, which is immediately recognised as cost for the period.

- IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions - The application is required as from 1 March 2007. The standard was not applicable because the company did not have any treasury share transactions.

- Amended IAS 1 - Presentation of Financial Statements (effective from 1 January 2009) - The amended standard requires that information in the financial statements be combined based on common characteristics and introduces the term »statement of comprehensive income«. Cost and expense items as well as components of other comprehensive income may be presented in a statement of comprehensive income (which combines the income statement and any non-owner changes in equity in a single financial statement) or in two separate financial statements (income statement and statement of comprehensive income).
  The company will prepare two separate financial statements for the year 2009.

- IFRS 2 - Share-based Payment amended for vesting conditions and cancellations (effective from 1 January 2009) - The standard clarifies vesting conditions, introduces the principle of non-vesting conditions, and requires that non-vesting conditions be reflected in the grant-date fair value. The standard also prescribes accounting for non-vesting conditions and cancellations.

- Amended IAS 27 - Consolidated and Separate Financial Statements (effective from 1 January 2009) - The amendments relate to deletion of the cost method definition from IAS 27. Instead, all dividends received from a subsidiary, jointly controlled company or associate are recognised as revenue in the separate financial statements of the investor when the right to receive dividends is exercised. The amendment will affect the company's separate financial statements because dividends will be recognised before their actual payment.

- Amended IAS 32 - Financial Instruments: Disclosures and amended IAS 1 Presentation of Financial Statements (effective from 1 January 2009) - The amendments introduce an exception to the principle which is normally applied under IAS 32 in connection with the classification of instruments as equity, making it possible for certain puttable instruments issued by a company and normally classified as liabilities to be classified as equity, but only under certain conditions.
  The amendments are not relevant to the company because so far none of its companies has issued puttable instruments.

- Amendments to various standards and interpretations for the purpose of harmonisation (IAS 1, IFRS 5, IAS 8, IAS 10, IAS 16, IAS 19, IAS 20, IAS 23, IAS 27, IAS 28, IAS 29, IAS 31, IAS 34, IAS 36, IAS 38, IAS 39, IAS 40, IAS 41). Most of these amendments have been in force since 1 January 2009.

- IFRIC 13 - Customer Loyalty Programmes (effective from 1 January 2009) - The interpretation addresses accounting by companies that operate or participate in customer loyalty programmes. The interpretation will not affect the company as the company does not participate in such programmes.

- IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (effective from 1 January 2009) - The interpretation explains the IAS 19 provisions relating to the measurement of defined benefit assets from retirement benefit plans if a minimum funding requirement exists. The company has no defined benefit plans.

Below we list the standards that had already been issued, but the EU did not adopt them by the date of the annual report:

- Amended IFRS 3 - Business Combinations (effective from 1 July 2009) - The scope of the standard has been extended and the definition of »transaction« broadened. The amended standard also comprises several other changes:
  1. All components of the consideration transferred by the acquirer are recognised and measured at acquisition-date fair value, including the amounts whose payment is contingent on future events.
  2. Subsequent changes in the amounts whose payment is contingent on future events are recognised in profit or loss.
  3. The costs of transfer other than share issue costs and debt security issue costs are expensed on the day they are incurred.
  4. The acquirer may elect to measure the non-controlling interest either at acquisition-date fair value (total amount of goodwill) or at proportionate share of the fair value of identifiable assets and liabilities of the acquiree.
     The amended IFRS 3 does not apply to the company's operations.

- Amended IAS 27 - Consolidated and Separate Financial Statements (effective from 1 July 2009) - The amended standard addresses the term »minority interest«, replacing it with »non-controlling interest« which is defined as »equity interest that is not owned, directly or indirectly through subsidiaries, by the parent«. Moreover, the amended standard introduces changes in accounting for non-controlling interest, loss of control of subsidiaries, and allocation of profit or loss and other comprehensive income between controlling and non-controlling interests.
  The company has not yet finished analysing the effect of this amendment.

- Amended IAS 39 - Financial Instruments: Recognition and Measurement (effective from 1 July 2009) - The amended standard describes in detail the application of the existing principles determining whether special forms of cash flow risk or cash flow parts can reflect hedging relationships. In order for a hedging relationship to be reflected, the risks or parts have to be recognised and measured separately, but inflation cannot be designated unless special circumstances arise.
  The company has not yet finished analysing the effect of this amendment.

- IFRIC 12 - Service Concession Arrangements: Effective date is 1 January 2008.

  In 2008 the company signed a concession agreement, which entered into force on 1 October 2008 and governs the right to collect port duties. At the end of 2006, IFRIC 12 Service Concession Arrangements had been issued and was to enter into force on 1 January 2008, but the EU did not adopt the interpretation by the end of 2008. The company expects that the interpretation will enter into force on 1 January 2009, which will give rise to certain changes in its financial statements.
  IFRIC 12 contains guidance on the disclosure and valuation of public service concessions. It clarifies the effect of the grantor-operator relationship on the financial statements when the following conditions are met:
  - the grantor controls which services are rendered by the operator using the grantor's infrastructure, for whom they are rendered and at what price,
  - on the expiry of the concession agreement, the grantor - in the capacity of owner, entity entitled to benefits or in other capacity - controls an important remaining portion of infrastructure.

  The interpretation relates to the infrastructure constructed by the operator or acquired from third parties for the purpose of providing services covered by the concession agreement. It also relates to the existing infrastructure made available by the grantor to the operator for the purpose of providing services covered by the concession. Considering the provisions of the concession agreement through which the state grants the company the right to collect port duties, the company will record the said right as an intangible asset. The accounting treatment of intangible assets is laid down in IAS 38.

IAS 8 provides that changes in accounting policies should be applied retrospectively. If retrospective application of an interpretation is impracticable:
- the intangible asset that existed at the beginning of the earliest period presented should be recognised,
- the previous carrying amount of the intangible asset should be used (irrespective of the asset's classification) as the new carrying amount as at that day,
- the intangible asset should be checked for impairment on that day; if that is impracticable, indications of impairment need to be checked at the beginning of the current period.

On 31 December 2008, the company had the infrastructure, which is used to provide services under the concession agreement, recorded as an item of property, plant and equipment. As indicated in chapter 10, the port infrastructure is currently being inventoried, and the resulting inventory will be used as a basis for reclassifying the items of property, plant and equipment as intangible assets.

- IFRIC 15 - Agreements for the Construction of Real Estate (effective from 1 January 2009) - The interpretation provides that revenue arising from real estate construction contracts should be recognised on a percentage-of-completion basis if the following conditions are met:
  1. the contract corresponds to the definition of construction contract as specified in IAS 11.3;
  2. the contract only covers the rendering of services as laid down in IAS 18 (the company does not have to supply construction materials);
  3. the purpose of the contract is to sell goods, with revenue being recognised as construction progresses, in accordance with IAS 18.14.

  In all other cases, revenue is recognised when all conditions for the recognition of revenue in accordance with IAS 18.14 (i.e. after construction or delivery) are satisfied. IFRIC 15 is not relevant to the Group because it is not engaged in property development and does not develop property for sale.

- IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective from 1 October 2008) - The interpretation specifies the type of hedged risks and which Group company may hold a hedged item and explains whether the consolidation method affects hedging effectiveness. Moreover, it addresses the form of a hedging instrument and amounts that are reclassified from equity to profit or loss when a foreign operation is discontinued.

  The company has not yet finished analysing the effect of this new amendment.

- IFRIC 17 - Distributions of Non-cash Assets to Owners (effective from 15 July 2009) - The interpretation applies to a unilateral distribution of non-cash assets to owners. In accordance with this interpretation, a dividend payable is recognised when the dividend is appropriately authorised and is no longer at the discretion of the company and when the dividend is measured at the fair value of the asset to be distributed. On the reporting date, the carrying amount of the dividend is remeasured and a change in the carrying amount is recognised.

  Because the interpretation is effective as from the date of its application, it will not affect the financial statements for the periods preceding the adoption of the interpretation. Moreover, the interpretation applies to future dividends that will be subject to management's/members' judgement, which makes the effect of the interpretation impossible to assess.

Judgements and sources of uncertainty

Risk management

The company monitors risks, aiming to manage them at all levels of its operations. In assessing the risks, the company considers various factors and weighs the costs of monitoring against its benefits. Appropriate management of risks is achieved by identifying and controlling the risks in time based on the guidelines and policies defined in documents relating to the comprehensive management system.

The company's operations are exposed to strategic, business and financial risks, which are strongly associated with market characteristics and require active monitoring. In addition to strategic and business risks, the company also encounters financial risks, the most significant of which are the risk of fair value change, interest rate risk, liquidity risk, currency risk and credit risk. In the period of rapid organic growth, the company is faced with a newly identified financial risk, i.e. the risk of appropriate capital structure. The description of how the financial risks are identified and managed is given in Note 29: Management of financial risks.

6. ADDITIONAL NOTES TO THE INCOME STATEMENT

Note 1: Net sales revenue

(in EUR)	2008	2007
Net sales revenue	**120,101,053**	**108,950,005**
Revenue from sales in Slovenia	**33,745,457**	**28,022,634**
Revenue from services sold in Slovenia	32,080,344	26,364,812
Revenue from rents in Slovenia	1,656,502	1,560,556
Revenue from sales of goods and materials	8,611	97,266
Revenue from sales abroad	**86,355,595**	**80,927,371**
Revenue from services sold abroad	86,353,547	80,925,323
Revenue from rents abroad	2,048	2,048

In the financial year 2008, Luka Koper, d.d. generated EUR 120.1 million in core business revenue, which accounts for 98 percent of its total operating revenue. Compared with the previous year, the company's revenue therefore increased by 10 percent. The largest share of the revenue (70 percent) was generated abroad, i.e. in EU and third-country markets.

Note 2: Other operating revenue

(in EUR)	2008	2007
Other operating revenue	**2,643,708**	**2,381,810**
Elimination of provisions	867,402	563,310
Other operating revenue - despatch	1,420,338	1,220,375
Revaluation operating revenue	249,584	379,806
Subsidies, grants	16,826	85,264
Other revenue	89,558	133,055

Despatch revenue, which stood at EUR 1,420,265, represents a bonus or a premium for quicker loading and unloading of ships. Compared with the previous year, it was 16 percent higher, a sign of improved organisation and the quality of work.

Note 3: Costs of materials and services

(in EUR)	2008	2007
Costs of materials	**8,708,754**	**6,998,366**
Costs of auxiliary materials	2,728,247	2,171,924
Costs of energy	5,379,537	4,380,678
Costs of office supplies and specialised literature	235,809	190,555
Other costs of materials	365,161	255,209

The costs of materials rose significantly on account of energy costs. These were 23 percent higher than in 2007, mostly due to higher prices of motor fuel and electricity.

(in EUR)	2008	2007
Costs of services	**37,400,921**	**34,673,893**
Costs of physical services	16,195,973	12,956,778
Costs of transport services	1,714,110	3,737,125
Costs of maintenance services	6,387,505	6,886,109
Lease payments	2,450,467	1,865,650
Reimbursement of work-related costs to employees	589,976	658,881
Payment processing costs and insurance premiums	459,589	436,847
Costs of professional and personal services	1,149,888	859,529
Costs of fairs, advertising and entertainment	1,853,292	1,779,603
Costs of services rendered by natural persons	236,278	301,095
Costs of other services	6,363,843	5,192,276

The costs of professional and personal services include the costs of auditing. The contractual fee for the audit of the financial statements of Luka Koper d.d. for the year 2008 stood at EUR 146,780. Significant costs of other services include information support costs of EUR 3,232,240 and concession charges of EUR 994,652 arising from the concession agreement concluded with the Republic of Slovenia, which came into effect in September 2008.

Note 4: Labour costs

(in EUR)	2008	2007
Labour costs	**30,697,827**	**25,073,937**
Salaries	19,736,216	16,020,543
Salary compensation	3,621,251	2,504,142
Costs of supplementary pension insurance	800,049	673,190
Employer's contributions on salaries	3,581,047	2,941,111
Annual leave allowance, reimbursements and other costs	2,409,169	2,125,888
Other charges on salaries payable by employer	550,094	809,063

Luka Koper, d.d. had 774 employees on 31 December 2007, with their average number amounting to 744. As at 31 December 2008, there were 786 people employed at the company, or 782 on average, up 38 on the previous year. Labour costs were 22 percent higher than in 2007, mostly due to the increase in the number of employees and changes resulting from the signing of a new collective labour agreement in October 2008. This year, the said cost category also includes accrued costs of unutilised leave, which amount to EUR 510,630.

In 2007 the annual leave allowance totalled EUR 830 per employee, rising to EUR 870 in 2008. Because the planned added value, which is used as a criterion for awarding bonuses, was achieved, all employees received in 2008 an additional salary (13th salary) equalling their average monthly salary. Other employee benefits include the payment of the supplementary pension insurance premium by the employer which has been financing the pension scheme for the eighth consecutive year.

Remuneration of Management Board members in 2008

(in EUR)					2008
Surname and name	**Gross salary - fixed portion**	**Gross salary - variable portion (bonuses and performance pay for 2008)**	**Annual leave allowance and jubilee benefits**	**Benefits and other receipts**	**Total remuneration**
Časar Robert - President of the Management Board	213,327	83,980	870	4,142	302,319
Babič Aldo - Deputy President of the Management Board	203,953	80,778	870	11,800	297,401
Babič Marjan - Member of the Management Board	187,608	74,399	870	11,578	274,455
Marzi Boris - Member of the Management Board since 22/04/2008	114,634	0	0	2,246	116,880
Krumenaker Pavle - Member of the Management Board until 10/04/2008	62,445	76,221	870	156,453	295,989
Total	**781,968**	**315,378**	**3,480**	**186,219**	**1,287,045**

Remuneration by employee group in 2008

(in EUR)					2008
Employee group	**Gross salary - fixed and variable portion**	**Annual leave allowance and jubilee benefits**	**Benefits and other receipts**	**Session fees and profit participation**	**Total remuneration**
Members of the Management Board (president, deputy president and two members)	1,097,346	3,480	186,219		1,287,045
Members of the Supervisory Board (9 members)				176,637	176,637
Employees with individual employment contracts	4,162,302	59,518	221,322		4,443,142
Employees under enterprise collective agreement	17,004,026	713,742	192,971		17,910,739
Total remuneration	**22,263,674**	**776,740**	**600,512**	**176,637**	**23,817,563**

Loans given to employees based on individual contracts

(in EUR)	Total amount of outstanding loans		Repayment of principal	
	31/12/2008	31/12/2007	2008	2007
Luka Koper, d.d.	20,577	33,137	5,720	28,154

Based on its internal documents and business plan, Luka Koper, d.d. extends loans to help its employees solve their housing problems. The amount of loans given to employees based on individual contracts and loan repayments in 2008 and 2007 are shown in the table above. No loans were given to Management Board and Supervisory Board members.

Note 5: Write-downs in value

(in EUR)	2008	2007
Write-downs in value	**17,751,821**	**15,175,580**
Depreciation of fixed assets and amortisation of intangible assets	16,718,879	14,610,380
Depreciation of investment property	493,847	454,103
Revaluation operating expenses for property, plant and equipment	424,376	89,108
Revaluation operating expenses for operating current assets	114,719	21,989

In 2008 depreciation/amortisation rates applied to fixed assets, investment property and intangible assets remained unchanged. Owing to new purchases and capitalisation of certain ongoing capital investments, depreciation/amortisation charge on these assets increased by 14 percent in 2008.

Note 6: Other operating expenses

(in EUR)	2008	2007
Other costs	**7,542,465**	**7,497,645**
Charges unrelated to labour costs or other costs	5,232,039	5,052,803
Environment protection expenditure	1,117,166	1,263,303
Awards and scholarships to students	8,002	6,583
Other costs - fines, compensations, demurrage	1,185,258	1,174,956

Charges include a significant item »fee for the building site use«, which stood at EUR 4,561,054 in 2008 and EUR 4,222,880 in 2007. The amount earmarked for donations totalled EUR 354,537. Other costs include a significant item »fines«, which amounted to EUR 719,145 and were paid in 2008 pursuant to a decision issued by the Ministry of the Environment and Spatial Planning.

(in EUR)	2008	2007
Provisions	**183,448**	**1,312,683**
Provisions for damage	183,448	316,086
Provisions for termination and jubilee benefits	0	996,597

The changes in and creation of provisions are disclosed in Note 26: Provisions.

Note 7: Finance income

(in EUR)	2008	2007
Total finance income	**8,308,638**	**10,194,595**
Finance income from interests	**6,406,379**	**8,481,730**
Finance income from interests in subsidiaries	828,648	0
Finance income from dividends from associates	1,677,734	1,636,215
Finance income from dividends from other companies	1,686,451	980,204
Finance income from disposal of securities	2,213,546	5,662,040
Finance income from disposal of interests	0	203,271
Finance income from loans	**1,098,847**	**1,005,776**
Finance income from loans to group companies	116,316	7,553
Finance income from loans to others	982,531	998,223
Finance income from operating receivables	**803,412**	**707,089**
Finance income from operating receivables due from others	205,129	296,004
Foreign exchange gains	598,283	411,085

In 2008 finance income was 18 percent lower than in the previous year, when the company realised a profit of EUR 5,223,769 on the disposal of Banka Koper shares. Before the disposal, the company had a 10-percent interest in the bank, which was decreased to 1,67 percent as at 31/12/2007. In 2008 the company sold the remaining share, generating a profit of EUR 616,713.

Another significant item are dividends of EUR 1,137,097 received from the company Intereuropa, d.d.

Investment policy

No major activities have been planned in the area of investing financial surpluses in 2009, as these will be allocated to developing and supporting the company's core business activity as well as its ambitious capital investment plans. Depending on the need for financial assets and the market situation, the company will decide in 2009 whether to sell certain investments.

Note 8: Financial expenses

(in EUR)	2008	2007
Total financial expenses	**16,668,034**	**3,430,862**
Financial expenses for the impairment of investments	**9,147,203**	**0**
Financial expenses for the impairment of loans	**0**	**780,002**
Financial expenses for financial liabilities	**6,990,726**	**1,981,545**
Financial expenses for loans from group companies	336,630	221,576
Financial expenses for loans from associates	27,224	0
Financial expenses for loans from banks	6,626,872	1,759,969
Financial expenses for operating liabilities	**530,105**	**669,314**
Financial expenses for suppliers and notes payable	22,602	16,114
Financial expenses for other operating liabilities	2,858	3,642
Foreign exchange losses	504,645	649,558

Compared with 2007, financial expenses increased due to the costs of loans and interest on higher short-term and long-term loans obtained from banks and due to the recognised impairment of investments from the fourth group, i.e. investments measured at fair value. Impairment was required for all the investments measured at fair value whose fair value was more than 40 percent lower than their cost as at the balance sheet date. Revaluation deficit was removed from equity and recognised in the income statement.

Interest rates and financial liabilities are disclosed in Notes 27 and 28: Long-term financial liabilities and Short-term financial liabilities.

Note 9: Total profit or loss

Operating profit or loss stood at EUR 20,459,524 and was 1 percent lower than in 2007. Taking into account the financing loss of EUR 8,359,396, total profit or loss amounted to EUR 12,100,128 in 2008, but with deferred taxes included as revenue for the period, it stood at EUR 13,735,324, which is 55 percent of the 2007 net profit or loss.

Note 10: Corporate income tax

(in EUR)	2008	2007
Calculation of corporate income tax	**(economic zone activities)**	**(economic zone activities)**
Revenue as determined based on accounting regulations	130,066,737	120,599,062
Adjustment of revenue to the level of tax-deductible revenue - decrease	4,515,388	5,952,119
Adjustment of revenue to the level of tax-deductible revenue - increase	0	0
Tax deductible revenue	**125,551,349**	**114,646,942**
Expenses as determined based on accounting regulations	117,776,308	93,235,617
Adjustment of expenses to the level of tax-deductible expenses - decrease	11,793,331	3,224,592
Adjustment of expenses to the level of tax-deductible expenses - increase	21,453	0
Tax deductible expenses	**106,004,430**	**90,011,025**
Difference between tax-deductible revenue and expenses	19,546,919	24,635,917
Increase in tax base	188,627	264,414
Tax base	**19,523,282**	**24,900,331**
Decrease in tax base and tax reliefs	19,523,282	14,961,307
Tax base (22%, 23%)	**0**	**9,939,023**
Corporate income tax	**0**	**2,285,975**
Effective tax rate	0	8,4
Deferred taxes	1,635,196	-9,081

Corporate income tax was calculated in accordance with the Corporate Income Tax Act and the Economic Zones Act, which grants tax benefits subject to investments in fixed assets intended for the development and expansion of activities in the economic zone. Tax reliefs were calculated on the basis of the tax authority's tax assessment decision for 2007 and 2008.

Note 11: Deferred taxes

As a means of accounting recognition of tax effects as accounting or taxable profit, deferred taxes increased net profit by EUR 1,635,196. Deferred taxes decreased due to the reversal of a part of provisions for termination and jubilee benefits, and increased due to the creation of additional provisions for damage and the impairment of investments classified as available-for-sale, which has been charged against profit or loss.

Note 12: Net profit or loss for the period

Net profit or loss of Luka Koper, d.d. stood at EUR 13,735,324, amounting to only 55 percent of the 2007 profit. The profit was lower mostly due to a lower financial result. In 2007 the effective tax rate stood at 8.4 percent, but thanks to tax benefits and reliefs on new capital investments in the economic zone, the company did not have to pay corporate income tax in 2008. Pursuant to the Corporate Income Tax Act, a lower tax rate entered into force in 2008, decreasing from 23% to 22%.

Note 13: Earnings per share

This information aims to provide a measure for determining how much of the company's performance can be attributed to each ordinary share.

(in EUR)	2008	2007
Net profit or loss	13,735,324	25,068,388
Weighted average number of ordinary shares	14,000,000	14,000,000
Basic earnings per share	**0.98**	**1.79**

In calculating the 2008 basic earnings per share, net profit or loss was used as a numerator and the average number of all shares as a denominator. The calculation was made pursuant to the General Meeting resolution to convert all preference shares into ordinary shares at a ratio of 1:1. Share capital and changes in share capital are disclosed in Note 25: Equity and reserves.

7. ADDITIONAL NOTES TO THE BALANCE SHEET

Note 14: Intangible assets

(in EUR)	31/12/2008	31/12/2007
Intangible assets	**5,895,567**	**1,077,540**
Long-term property rights	5,895,567	1,077,540

Intangible assets recorded in the company's books of account have finite useful lives. The company uses a 10% amortisation rate and the straight-line amortisation method. Because there were no indications of their impairment, the intangible assets were not impaired in 2008. The changes in their value and adjustments made in relation to them are shown in the attached table for the year 2008, with the 2007 figures provided for comparison. No intangible assets were pledged as security as at 31/12/2008.

Note 15: Property, plant and equipment

(in EUR)	31/12/2008	31/12/2007
Property, plant and equipment	**300,556,894**	**217,180,278**
Land	24,391,476	21,542,361
Buildings	146,647,993	109,429,753
Plant and machinery	52,390,866	44,440,930
Other plant and equipment	138,696	135,220
Fixed assets being acquired	76,987,863	41,632,014
Advances for fixed assets	**29,280,750**	**0**
Advances for acquisition of fixed assets	29,280,750	0

In 2008 fixed assets accounted for 62% of total assets, up from 51% in 2007. The significant investments aimed at increasing the capacity and upgrading the equipment used for cargo handling and warehouse services were continued in 2008, as did investments in hinterland terminals. The cost of fixed assets thus increased by EUR 94.4 million. The investment policy implementation dynamics will be slowed down in 2009.

Because some items of property, plant and equipment were impaired in 2002, the company rechecked whether there was any indication that the impairment could be reversed, but calculations revealed no such indications. The items of property, plant and equipment were not pledged as security for debts.

Outstanding trade liabilities relating to fixed assets totalled EUR 14,508,732 as at 31/12/2008.

Luka Koper, d.d. also carries out its main line of business on the operational shores and land owned by the Republic of Slovenia and leased to the company under a long-term lease. The leasing relationship was previously specified in the contract which was effective until 30 September 2008. From 1 October 2008 onwards, the relationship has been governed by the Concession Contract For the Performance of Port Activities, Management, Development And Regular Maintenance of Port Infrastructure at Koper Cargo Terminal concluded with the Republic of Slovenia on 8 September 2008. The concession contract is explained in more detail in chapter 10.

Note 16: Investment property

(in EUR)	31/12/2008	31/12/2007
Investment property	**17,087,083**	**14,254,814**
Land	4,880,939	3,999,839
Buildings	12,206,144	10,254,975

Investment property consists of buildings that are leased out under operating lease. The equity interest in assets is checked every quarter. In 2008 the value of investment property increased mainly as a result of the purchase of land and warehouse capacities in Sežana, which were leased to the subsidiary company Adria Terminali, d.o.o. under operating lease. Revenue from lease payments stood at EUR 1,6 million in 2008. The investment property depreciation charge equalled EUR 493,847.

The fair value of investment property was not determined because more than half of it was acquired in 2007 and 2008. Previously acquired buildings show no indications of impairment and have a carrying amount which is immaterial compared to the company's total assets.

On the basis of the inventory count of fixed assets and a Management Board decision, the carrying amount of assets was adjusted to reflect their actual condition. No considerable inventory differences were established.

Changes in property, plant and equipment, investment property and intangible assets as well as adjustments to their values are presented in the tables below for the year 2008 and comparatively for 2007.

Table of changes in property, plant and equipment in 2008

(in EUR)	Land	Buildings	Plant and equipment	Fixed assets being acquired	Total property, plant and equipment
Cost as at 01/01/2008	**21,542,361**	**224,928,390**	**155,662,570**	**41,632,014**	**443,765,335**
Increases	3,730,214	48,196,838	17,382,047	100,237,150	169,546,249
Transfer to use		272,452	-272,452	-64,629,545	-64,629,545
Decreases		-5,059	-4,121,644	-251,756	-4,378,459
Transfer to investment property	-881,100	-4,173			-885,273
Transfer to the sales account		-10,549	-1,903,349		-1,913,898
Transfer to ongoing investments		-3,268,544			-3,268,544
Cost as at 31/12/2008	**24,391,475**	**270,109,355**	**166,747,172**	**76,987,863**	**538,235,865**
Value adjustment as at 01/01/2008		**115,498,638**	**111,086,419**		**226,585,057**
Increases					
Depreciation for the current year		8,075,202	8,472,246		16,547,448
Decreases		-5,059	-3,696,079		-3,701,138
Transfer to investment property		-1,947			-1,947
Transfer to the sales account		-9,975	-1,644,976		-1,654,951
Transfer to ongoing investments		-95,498			-95,498
Value adjustment as at 31/12/2008		**123,461,361**	**114,217,610**		**237,678,971**
Net carrying amount as at 01/01/2008	**21,542,361**	**109,429,752**	**44,576,151**	**41,632,015**	**217,180,278**
Net carrying amount as at 31/12/2008	**24,391,475**	**146,647,994**	**52,529,562**	**76,987,863**	**300,556,894**

Table of changes in investment property and intangible assets in 2008

(in EUR)	Total investment property	Intangible assets	Intangible fixed assets being acquired	Total intangible assets
Cost as at 01/01/2008	**20,119,525**	**11,184,612**	**940,689**	**12,125,301**
Increases	2,621,937	638,484	4,401,067	5,039,551
Transfer to use			-50,093	-50,093
Decreases	-197,185			
Transfer to investment property	885,273			
Cost as at 31/12/2008	**23,429,550**	**11,823,096**	**5,291,663**	**17,114,759**
Value adjustment as at 01/01/2008	**5,864,711**	**11,047,761**		**11,047,761**
Increases				
Amortisation for the current year	493,847	171,431		171,431
Decreases	-18,038			
Transfer to investment property	1,947			
Value adjustment as at 31/12/2008	**6,342,467**	**11,219,192**		**11,219,192**
Net carrying amount as at 01/01/2008	**14,254,814**	**136,851**	**940,689**	**1,077,540**
Net carrying amount as at 31/12/2008	**17,087,083**	**603,904**	**5,291,663**	**5,895,567**

Table of changes in property, plant and equipment in 2007

(in EUR)	Land	Buildings	Plant and equipment	Fixed assets being acquired	Total property, plant and equipment
Cost as at 01/01/2007	**1,944,012**	**214,730,847**	**137,470,971**	**10,042,744**	**364,188,574**
Increases	19,436,984	10,223,351	21,080,418	58,691,244	109,431,997
Transfer from investment property	161,365				161,365
Decreases		-25,808	-1,935,722	-466,403	-2,427,933
Transfer to use				-26,635,571	-26,635,571
Transfer to the sales account			-994,507		-994,507
Increases (from sales account)			41,410		41,410
Cost as at 31/12/2007	**21,542,361**	**224,928,390**	**155,662,570**	**41,632,014**	**443,765,335**
Value adjustment as at 01/01/2007		**107,389,671**	**107,522,023**		**214,911,694**
Increases		2,593			2,593
Depreciation for the current year		8,022,937	6,240,609		14,263,546
Decreases		-8,003	-1,699,752		-1,707,755
Transfer to land		91,440			91,440
Transfer to the sales account			-977,332		-977,332
Increases (from sales account)			871		871
Value adjustment as at 31/12/2007		**115,498,638**	**111,086,419**		**226,585,057**
Net carrying amount as at 01/01/2007	**1,944,012**	**107,341,176**	**29,948,948**	**10,042,744**	**149,276,880**
Net carrying amount as at 31/12/2007	**21,542,361**	**109,429,752**	**44,576,151**	**41,632,015**	**217,180,278**

Table of changes in investment property and intangible assets in 2007

(in EUR)	Total investment property	Intangible fixed assets in use	Intangible fixed assets being acquired	Total intangible assets
Cost as at 01/01/2007	**13,520,796**	**11,184,612**	**165,040**	**11,349,652**
Increases	6,983,206		775,649	775,649
Decreases	-226,762			
Transfer to investment property	3,650			
Transfer to land	-161,365			
Cost as at 31/12/2007	**20,119,525**	**11,184,612**	**940,689**	**12,125,301**
Value adjustment as at 01/01/2007	**5,667,632**	**10,701,053**		**10,701,053**
Increases				
Amortisation for the current year	454,103	346,833		346,833
Decreases	-165,584			
Transfer to land	-91,440			
Transfer to equipment		-125		-125
Value adjustment as at 31/12/2007	**5,864,711**	**11,047,761**		**11,047,761**
Net carrying amount as at 01/01/2007	**7,853,164**	**483,559**	**165,040**	**648,599**
Net carrying amount as at 31/12/2007	**14,254,814**	**136,851**	**940,689**	**1,077,540**

Note 17: Long-term investments

(in EUR)	31/12/2008	31/12/2007
Long-term investments	**134,611,141**	**171,681,824**
Long-term investments, excluding loans	**129,477,892**	**160,718,249**
Interests in group companies - at cost	7,381,470	5,870,917
Impairment of interests in group companies	-43,782	-43,782
Interests in associates - at cost	58,976,919	55,844,495
Impairment of interests in associates	-18,795	-18,796
Other shares and interests	63,182,080	99,065,415
a) Other shares and interests - available for sale	34,597,851	92,643,513
b) Other shares and interests - at cost	29,239,658	7,328,281
Impairment of shares and interests at cost	-655,429	-906,379
Long-term loans	**5,133,249**	**10,963,575**
Housing loans to employees	658,793	836,610
Value adjustment	-45,778	-56,178
Loans to others	8,867	972,198
Value adjustment	-144,469	-149,795
Bonds and deposits	4,655,836	9,360,740

Long-term investments, excluding loans

The share of long-term investments, which accounted for 25.2 percent of total assets as at 31/12/2008 (down from 39.5 percent in 2007), decreased by 14.3 percentage points relative to the previous year. The decrease was mainly the result of available-for-sale investments listed on the stock market, the fair value of which amounted to mere 37.4 percent of the previous year's value.

As laid down in the accounting handbook, the long-term investments were tested for potential signs of impairment. The process of impairment is explained in Note 8.

The quantitative test of the criterion that is used to compare the carrying amount of the investment in the company Intereuropa, d.d. as at the balance-sheet cut-off date with the proportionate share of the carrying amount of total equity of the Group in which the company invested and the impairment of which has to be assessed if variations exceed 20 percent revealed that there was no need for the investment to be impaired. According to its audited consolidated financial statements for the year 2008, the Intereuropa Group's total assets stood at EUR 446,246,000, its operating revenue at EUR 265,875,000 and its net profit or loss for the year at EUR 3,688,000. Luka Koper, d.d. owns 24.81 percent of Intereuropa, d.d. shares, the cost of which stood at EUR 47,868,653.04 as at 31/12/2008. The proportionate share of Luka Koper, d.d. in the equity of the Intereuropa Group amounted to EUR 42,017,000.

The cost of investments classified in Group 4, i.e. investments carried at fair value through profit or loss, totalled EUR 37,128,438.54 as at 31/12/2008, with the fair value of this group of investments, which is based on stock market prices, amounting to EUR 34,597,850.83. Owing to downward stock market movements, the company impaired all investments, the fair value of which was more than 40 percent lower than their cost, by the total amount of EUR 9,147,203.

The amount of investments in other shares and interests carried at cost rose mainly on account of the acquisition of a 10-percent interest in the Slovak-based company Trade Trans Invest, a.s., the cost of which totalled EUR 26,107,045. This group of investments used to include the company's remaining 1.67-percent interest in Banka Koper, d.d. which the company disposed of in 2008. The amount of interests in Group companies increased by EUR 2,081,552 as a result of acquiring the new company Adria Investicije, d.o.o.

Having disposed of its investments carried at fair value through equity, the company removed in 2008 from its equity the measurement effect (revaluation surplus) of EUR 1,481,843.76 (in 2007: EUR 343,169.58), recognising it in the income statement.

Long-term loans

Long-term loans given totalled EUR 5,133,249 as at 31/12/2008, of which housing loans to employees represented 9.3 percent and investments in bank deposits, certificates of deposit and bonds issued by commercial banks 90.7 percent. Housing loans were initially approved on the basis of the Housing Act of 1991, and on the basis of the internal housing rules later on. The longest repayment period is 20 years. All housing loans are secured using the security instruments laid down in the company's internal rules.

Among investments in securities with a fixed rate of return, investments in bank deposits and certificates of deposits made with various Slovene banks and with various maturities through 2020, account for the largest share. The bonds, whose amortised cost stood at EUR 4.7 million as at 31/12/2008 (down from EUR 5.6 million in 2007), are comprised of bonds with a variable interest rate (43.7 percent) and bonds with a fixed interest rate (56.3 percent). In addition to bonds, this group also includes bank deposits of EUR 1.7 million with the maturity of one year. The interest rate spread for investments classified as loans given ranges between the nominal level of 4% and 8.6%.

Note 18: Long-term operating receivables

(in EUR)	31/12/2008	31/12/2007
Long-term operating receivables	**217,865**	**217,293**
Long-term operating receivables from others - collaterals	217,865	217,293

Note 19: Deferred tax assets

(in EUR)	31/12/2008	31/12/2007
Deferred tax assets	**2,530,550**	**895,354**

Deferred tax assets are recorded as temporary differences arising from the creation of provisions, the impairment of long-term investments and allowances for trade receivables.

Note 20: Assets held for sale

(in EUR)	31/12/2008	31/12/2007
Assets (disposal groups) held for sale	**126,483**	**103,865**

Note 21: Short-term investments

(in EUR)	31/12/2008	31/12/2007
Short-term investments	**9,305,990**	**43,006**
Short-term loans to Group companies	133,888	0
Short-term loans to associates	4,191,285	0
Deposits with banks	2,077,136	0
Short-term loans to others	3,467,031	606,356
Adjustment to short-term loan	-563,350	-563,350

Short-term loans include only a loan to the subsidiary Adria Terminali, d.o.o. which was given at a tax-deductible interest rate applicable to related entities. The increase in the amount of bank deposits results from the recognition of the short-term portion of the deposit made in 2006, which matures in 2009.

Short-term loans to other legal entities consist of two loans: the first loan has already been repaid, while the second loan has been submitted for recovery through court. In the previous year, this investment had already been impaired by the amount of the outstanding portion of the loan. The bonds that mature in 2009 have also been transferred to this group of investments.

Total revenue from interest on long-term and short-term investments (calculated using the effective interest rate method) decreased due to a lower amount of loans given and deposits, amounting to EUR 801,843.45 in 2008 (down from EUR 1,005,775.46 in 2007).

Note 22: Short-term operating receivables

(in EUR)	31/12/2008	31/12/2007
Short-term operating receivables	**24,907,137**	**27,402,671**
Short-term domestic trade receivables	4,300,983	5,402,607
Allowances	-358,430	-284,555
Short-term operating receivables from Group companies	102,350	165,570
Short-term operating receivables from associates	842,641	0
Short-term foreign trade receivables	5,569,120	5,942,918
Allowances	-20,793	-16,897
Advances	0	4,522,721
Short-term operating receivables from exporters	4,803,615	5,774,822
Short-term operating receivables from associates	587,583	0
Allowances	-37,901	-30,392
Short-term interest receivables	139,708	162,410
Allowance	-10,370	-1,443
Input VAT receivables	562,630	1,105,559
Other short-term receivables	1,568,665	165,539
Receivables from taxes and excise duties	6,857,336	4,493,812

With most trade receivables, Luka Koper, d.d. has an option to enforce a legal lien over warehoused goods in its possession, in accordance with Article 167 of the Law of Property Code.

The company had no claims towards members of the Management Board and the Supervisory Board as at 31/12/2008.

(in EUR)	31/12/2008	31/12/2007
Maturity		
Outstanding trade receivables not yet due	**12.607.500**	**14.367.935**
Up to 30 days overdue	2.023.105	1.982.655
31 to 60 days overdue	433.641	379.949
61 to 90 days overdue	402.346	27.450
91 to 180 days overdue	421.007	86.413
181 to 365 days overdue	61.052	293.406
More than 365 days overdue	438.015	336.593
Total overdue amount	**3.779.166**	**3.106.469**
Impairment - more than 365 days overdue	**-427.495**	**- 333.286**
Total trade receivables	**16.386.666**	**17.474.404**

Note: The figure also includes interest receivables.

Total revenue from interest charged on the receivables paid in arrears stood at EUR 141,893 in 2008 (down from EUR 266,935 in 2007).

(in EUR)	
Changes in allowances for receivables	
Allowance for receivables as at 01/01/2008	333,286
- write-downs during the year	3,074
- payments during the year	17,435
+ additional increase in allowance	114,718
Closing balance as at 31/12/2008	**427,495**

The amount of impaired receivables (EUR 427,495) mainly relates to the receivables due from two customers against which bankruptcy proceedings have already been proposed, which amount to EUR 342,054.

(in EUR)	
Changes in allowances for receivables	
Allowance for receivables as at 01/01/2007	381,638
- write-downs during the year	22,767
- payments during the year	47,573
+ additional increase in allowance	21,989
Closing balance as at 31/12/2007	**333,286**

Note 23: Cash

(in EUR)	31/12/2008	31/12/2007
Cash	**7,546,089**	**1,298,589**
Cash in bank accounts	237,776	225,524
Short-term deposits	7,308,313	1,073,065

Cash, which totalled EUR 7,546,089 as at 31/12/2008, consists of deposit money and short-term bank deposits with the maximum maturity of 3 months. The company has not arranged any facilities for automatic borrowing through current accounts with banks. Daily cash surpluses in the transaction account are managed through a framework deposit contract and a surplus transfer contract concluded with a commercial bank, thus ensuring optimum liquidity.

Note 24: Accrued revenue and deferred costs

(in EUR)	31/12/2008	31/12/2007
Short-term accrued revenue and deferred costs	**2,644,017**	**157,552**
Short-term deferred costs	2,552,699	89,820
Insurance premiums	91,318	67,732

This category includes a significant item, i.e. EUR 2,552,699 in value added tax paid (2001) under a Tax Administration decision. Because the company appealed against the decision and the final decision is still pending, and also because a favourable outcome is expected, the above amount was recorded as an item of accrued revenue/deferred costs.

Note 25: Equity and reserves

(in EUR)	31/12/2008	31/12/2007
Equity	**291,777,487**	**325,158,610**
Called-up capital	**58,420,965**	**58,420,965**
Share capital - ordinary shares	58,420,965	58,420,965
Capital surplus	**89,562,703**	**89,562,703**
Revenue reserves	**119,098,671**	**114,494,073**
Legal reserves	18,765,115	18,765,115
Other revenue reserves	100,333,556	95,728,958
Retained earnings	**12,534,194**	**5,547,725**
Unallocated net profit for the year	**6,867,662**	**12,534,194**
Revaluation surplus	**5,293,292**	**44,598,950**
Adjustment to deferred tax surpluses	-1,323,323	-11,149,737
Surplus from the revaluation of investments	6,616,615	55,748,687

Share capital

The share capital of Luka Koper, d.d. consists of 14,000,000 registered ordinary no-par value shares that are freely transferable.
At its 13th meeting held on 19 July 2007, the General Meeting adopted a decision to convert 6,860,000 participating preference shares with limited voting rights to ordinary no-par value shares, thus changing the number of ordinary shares to 14,000,000. For more information on this topic, see chapter The share.

Reserves

The company has allocated 10% to legal reserves. Capital surplus and legal reserves are not distributed as accumulated profit. Capital surplus is carried at the amount resulting from the reversal of the general equity revaluation adjustment. The company has not set aside statutory reserves because they are not envisaged in the Articles of Association.

Revaluation surplus

Owing to the decline in the SBI index and the widespread economic crisis, equity revaluation surplus arising from the valuation of investments measured at fair value decreased significantly, from EUR 55,748,687 as at the end of 2007 to EUR 6,616,615 as at the end of 2008. Although this reflects the fair value of Slovene companies traded at the LJSE prime market, the fall in this category could not have been avoided. In accordance with its accounting policy, the company carried out an impairment test. Impairment was required for all investments measured at fair value, the fair value of which was more than 40 percent lower than their cost as at the balance sheet date. This downward valuation was charged against the income statement and recorded as impairment expense.

Note 26: Provisions

(in EUR)	31/12/2008	31/12/2007
Provisions	**3,286,229**	**4,160,511**
Provisions for termination and jubilee benefits	1,163,842	2,201,779
Provisions for damage	2,083,624	1,941,906
Long-term accrued expenses/deferred revenue	38,763	16,826

Provisions for termination benefits on retirement and jubilee benefits include a liability amounting to the present value of expected future expenses. On 31 December 2008, the company reassessed the amount of contingent liabilities, because there had been a change in the collective labour agreement (01/10/2008) which reduced the amount of the above employee benefits. Based on an actuarial calculation made by taking into account a 7.75-percent annual discount rate, a 4.5-percent annual increase in the average salary and the reduced amounts of jubilee and termination benefits, some of the existing provisions had to be reversed.

Overview of changes in provisions

(in EUR)

Provisions	Provisions for damage and compensation	Provisions for termination benefits on retirement	Provisions for jubilee benefits	Long-term accrued expenses/ deferred revenue	Total
Opening balance as at 01/01/2008	1,941,905	1,487,997	713,782	16,826	4,160,510
Created, received in 2008	183,448	0	0	58,763	242,211
Used in 2008	0	-90,212	-122,052	0	-212,264
Reversed in 2008	-41,729	-529,546	-296,127	-36,826	-904,228
Closing balance as at 31/12/2008	**2,083,624**	**868,239**	**295,603**	**38,763**	**3,286,229**

Note 27: Long-term liabilities

(in EUR)	31/12/2008	31/12/2007
Financial and operating liabilities	**105,237,194**	**17,481,844**
Long-term financial liabilities	**103,836,807**	**6,265,538**
Long-term loans from domestic banks	53,933,199	6,265,538
Long-term loans from foreign banks	49,903,608	0
Long-term operating liabilities	**1,400,387**	**11,216,306**
Deferred tax liabilities	1,323,323	11,149,737
Long-term advances and collaterals received	77,064	66,569

Long-term financial liabilities

Long-term financial liabilities increased by EUR 97,571,269 on the previous year. In 2008 the company took out long-term loans amounting to EUR 110 million. All long-term loans are repaid according to a predetermined schedule. For some of the loans, the company was granted a one-year moratorium on the payment of the principal balance, as evident from the increase in these liabilities in 2010 and shown in the table below. All long-term loan liabilities to banks have been secured with blank bills of exchange and the usual financial commitments.

(in EUR)

Principal balance of long-term loans as at 31/12/2008 and their maturity by year	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Period 2014 - 2018
110,000,000	5,965,000	23,100,000	12,100,000	11,100,000	33,735,000	24,000,000

Long-term operating liabilities

Long-term operating liabilities include long-term collaterals received in connection with leased business premises. Deferred liabilities arising from deferred taxes - which had been previously recorded as a result of the valuation of investments at fair value - and recorded as a separate component of equity were not disclosed this year because they were lower than deferred tax assets.

Note 28: Short-term liabilities

(in EUR)	31/12/2008	31/12/2007
Short-term financial liabilities	**105,196,557**	**56,514,873**
Short-term financial liabilities to banks	94,154,988	49,886,440
Short-term financial liabilities to Group companies	9,760,759	6,533,048
Short-term financial liabilities to associates	1,116,242	0
Short-term financial liabilities to others	164,568	95,385
Short-term operating liabilities	**27,976,659**	**30,657,152**
Short-term operating liabilities from advances	28,118	715
Short-term trade liabilities	19,862,757	24,469,354
Short-term operating liabilities to Group companies	1,062,384	541,101
Short-term operating liabilities to associates	43,470	944,297
Short-term operating liabilities to others	6,979,930	4,701,685

Short-term financial liabilities arising from bank loans raised totalled EUR 94,154,986 as at 31/12/2008. The amount of EUR 56,320,000 was transferred from long-term financial liabilities to short-term financial liabilities that fall due in 2009. The difference is the amount of new bank loans. Given the existing economic situation, the company decided to take advantage of more flexible, accessible and, above all, more favourable, i.e. cheaper, short-term sources. As envisaged in its business plan, Luka Koper, d.d. intends to prolong its short-term liabilities arising from bank loans, which increases liquidity risk in the existing circumstances as potential repayment of bank loans would slow down the company's organic growth significantly. All short-term financial liabilities have been secured with blank bills of exchange.

Long-term and short-term financial liabilities primarily consist of liabilities with a variable interest rate, which account for 94.8 percent of total financial liabilities. Variable interest rates that were restated to the single nominal annual interest rate on the last day of the financial year 2008 ranged from 3.57 percent to 6.94 percent. Total interest expense calculated using the effective interest rate method stood at EUR 6,990,726.13 in 2008 (up from EUR 1,981,545.56 in 2007).

Accrued costs and deferred revenue

(in EUR)	31/12/2008	31/12/2007
Accrued costs and deferred revenue	**1,235,441**	**339,795**
Accrued costs or expenses	1,097,427	339,795
Short-term deferred revenue	138,014	0

Accrued costs of interest on obtained loans and commercial discounts constitute a significant item.

Note 29: Risk management

The most significant financial risks of Luka Koper, d.d. include:
1. The risk of changes in fair value
2. The risk of changes in interest rates
3. Liquidity risk
4. The risk of changes in foreign exchange rate
5. Credit risk
6. The risk of appropriate capital structure

At Luka Koper, d.d. the management of financial risks has been organised within the finance department. The department carries out regular and comprehensive monitoring which is sufficient to control the above uncertainties, in particular fluctuations in finance income and expenses. Having in place a system for the management of financial risks, we achieved a considerably higher realisation of plan categories - especially those concerning future cash flows - among which we could point out a reduced possibility of extraordinary financial expenses incurred as a result of downward changes in various economic categories.

The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of variability and, consequently, higher level of risk. The company therefore tightened control over individual financial categories and due to global economic conditions considerably shortened certain time intervals for monitoring the categories concerned.

- **Management of the risk of changes in fair value**

Luka Koper, d.d. has invested 6.5 percent of its assets (down from 20.1 percent in the previous year) in investments from the fourth group, i.e. investments measured at fair value. The fair value risk associated with these investments is manifested in the form stock market price changes and affects the value of the assets and, consequently, the potential capital gain on their disposal.

The company has identified this type of risk with investments in market securities of successful Slovene companies and investments in Slovene mutual funds. Specific risks were mostly managed through the diversification of the portfolio. The year 2008 was marked by extraordinary conditions and drastic falls in stock market prices all over the world. This also adversely affected the value of the company's portfolio of market securities, which stood in 2008 at mere 37.3 percent of the previous year's value. Due to atypical conditions in the global market, increases in equity arising from the revaluation surplus decreased dramatically, by EUR 49,132,071.83, amounting to EUR 6,616,615.29 at the end of 2008. As a result, all available-for-sale investments were carried at fair value and stood at EUR 34,597,851 on the last day of the financial year 2008.

Such abnormal conditions make it difficult to forecast future developments. Nevertheless, the company estimates that stock market prices have come close to the bottom, making it likely that in a couple of years the value of all investments carried at fair value will stabilise at higher levels.

The sensitivity of investments to changes in fair value is shown in Table A.

Table A: Sensitivity analysis of investments to the change in fair value

Item	Balance at the end of the financial year (in EUR)	Increase in comparable class (in %)	Envisaged increase in value (in EUR)	Decrease in comparable class (in %)	Envisaged decrease in value (in EUR)
Year 2008					
Shares and interests at fair value	34,597,851	9.94	3,440,311	-6.45	-2,230,701
Shares and interests at fair value (10% change)	34,597,851	10.00	3,459,785	-10.00	-3,459,785
Shares and interests at fair value (annualised maximum change over the last 5 years)	34,597,851	78.13	27,029,591	-67.49	-23,351,704
Year 2007					
Shares and interests at fair value	92,643,513	2.61	2,415,294	-1.73	-1,607,247
Shares and interests at fair value (10% change)	92,643,513	10.00	9,264,351	-10.00	-9,264,351
Shares and interests at fair value (annualised maximum change over the last 5 years)	92,643,513	78.13	72,377,799	-5.59	-5,182,920

The sensitivity analysis of investments carried at fair value is conducted on the assumption that past fair value changes (the SBI or SBI20 index is used for this purpose) will be reflected in future periods. The average variability of the class was assessed for the period of past five years by calculating the average deviation of daily figures (both in terms of increases and decreases) from the annual trend of the SBI index[3]. On the basis of the above analysis, we can assume that in the financial year 2009 the fair value of the available-for-sale investments portfolio could decrease by 6.45 percent or increase by 9.94 percent. Taking into account the highest growth levels of the index over the period of past five years, the amount of the risk item could increase by 78.13 percent or decrease by 67.49 percent in 2009. If we further simplify our expectations and envisage the possibility of a 10% growth in the value of the index, such growth would result in an increase in the fair value of the market securities portfolio by EUR 3,459,785. A 10-percent decrease in the value of a comparable class would have the opposite effect, i.e. decrease in the fair value of such investments by the same amount. All amounts would be recognised as an increase or decrease in equity.

The company's management estimates that the probability of stock exchange prices declining even further is low, which is why the level of the risk and potential damage arising from changes in fair value are also considered as low.

- **Management of the risk of changes in interest rates**

As the volume of foreign financing sources increases, interest rate risk becomes increasingly important because an unexpected increase in variable interest rates could pose a threat to the company's operating results.

Owing to a fast pace of growth, the company increased its financial liabilities considerably in 2008, which amounted to EUR 209,033,363.39 as at the last day of the financial year 2008. The share of financial liabilities in the overall structure of liabilities rose from 14.4 percent (in 2007) to 39.36 percent, proving that the company is improving the structure of liabilities through borrowing, thus taking advantage of the positive effects of financial leverage. In 2008 Luka Koper, d.d. also considerably improved the maturity structure of its financial liabilities in favour of long-term liabilities. Regardless of harsh conditions in the banking market, the company managed to finance its development through long-term liabilities, thereby introducing into its operations additional security and long-term stability. Long-term financial liabilities are described in more detail in Note 27 and in chapters Analysis of operations of the Luka Koper Group and Financial management.

Over the next medium-term period, the company will continue to finance its organic growth by increasing the share of financial liabilities in total liabilities in order to complete capital investment projects within envisaged deadlines, thus generating the planned operating revenue and achieving higher return on equity.

The company did not additionally hedge its financial liabilities that are linked to variable interest rates (other than by partially offsetting changes in variable interest rates on investments in the bonds of commercial banks on the assets side). The main reason for this are a relatively low share of loans in total liabilities in the previous years and atypical movements in variable interest rates in 2008.

Due to the widespread decrease in variable interest rates, the company has not yet decided to employ hedging in this area, although the management estimates that could be useful in 2009.

The effect of potential changes in variable interest rates on future profit or loss is shown in Table B.

Table B: Sensitivity analysis of financial liabilities with regard to changes in variable interest rates

		Sensitivity analysis for 2008				
Amount of liabilities linked to a variable interest rate	31/12/2008	Potential increase in interest rates (historical data)		Potential decrease in interest rates (historical data)		Hypothetical increase or decrease in interest rate by 5 percent
	Amount of liabilities (in EUR)	Figure (in %)	Value (in EUR)	Figure (in %)	Value (in EUR)	Value (in EUR)
1M EURIBOR	72,924,450	4.61	-3,361,464	-2.79	2,034,289	3,646,223
3M EURIBOR	60,200,000	5.44	-3,273,750	-1.91	1,148,146	3,010,000
6M EURIBOR	65,000,000	5.71	-3,711,207	-2.05	1,335,159	3,250,000
1M LIBOR	0	75.79	0	-41.56	0	0
Total effect	**198,124,450**		**-10,346,420**		**4,517,595**	**9,906,223**

		Sensitivity analysis for 2007				
Amount of liabilities linked to a variable interest rate	31/12/2007	Potential increase in interest rates (historical data)		Potential decrease in interest rates (historical data)		Hypothetical increase or decrease in interest rate by 5 percent
	Amount of liabilities (in EUR)	Figure (in %)	Value (in EUR)	Figure (in %)	Value (in EUR)	Value (in EUR)
1M EURIBOR	54,160,000	0.08	-42,014	-2.50	1,356,604	2,708,000
3M EURIBOR	327,689	0.33	-1,069	-2.02	6,625	16,384
6M EURIBOR	0	0.43	0	-2.12	0	0
1M LIBOR	1,664,289	2.74	-45,631	-1.79	29,799	83,214
Total effect	**56,151,978**		**-88,715**		**1,393,027**	**2,807,599**

The analysis of financial liabilities' sensitivity to changes in variable interest rates relies on the following assumptions:

- potential decrease or increase in interest rates is in line with historical data for a five-year period[3] or
- potential decrease or increase in variable interest rates amounts to 5 percent.

If an increase in variable interest rates were to take place in 2009, as historical data suggests, Luka Koper, d.d. would incur a negative effect on interest expense of EUR 10,346,420 (assuming that the amount of financial liabilities remained unchanged). According to the company's expectations regarding interest, such a development has been assessed as unlikely. On the other hand, a decrease in interest rates would result in 2009 in a decrease in interest expense by EUR 4,517,595. If in 2009 variable interest rates increased or decreased by 5 percent, the impact on the income statement would amount to EUR 9,906,223, either in the form of extra interest (in the case of increase) or savings (in the case of decrease).

Regardless of the sensitivity analysis, the company believes that the current cycle of variable interest rates will reach its bottom in 2009 and expects that changes in variable interest rates will have but a favourable impact on the financial categories. As a result, the introduction of long-term interest rate hedging has been envisaged in the company's business plan for the year 2009.

Negative expectations concerning interest rates mainly relate to interest rate margins that are expected to largely cancel out any decreases in variable interest rates. What is more, actions by commercial banks and the overall situation in the money market are the factors which are beyond the company's influence. The company adapts to these conditions by seeking out banks specialised in the financing of infrastructure investments.

3 The method of forecasting potential decreases or increases in variable interest rates relies on the analysis of data for a five-year period preceding the period under consideration, and aims to determine how interest expense relating financial liabilities would change if variable interest rates increased or decreased in the next annual period by an average increase or decrease recorded in the five-year period indicated. The average annual level of decrease or increase is calculated as an average of all annual averages for the five-year period that are calculated based on all negative or positive deviations from an annual trend line describing changes in an interest rate.

- **Management of liquidity risk**

Luka Koper, d.d. manages liquidity risk through regular planning of cash flows with different maturities. The matching of assets and liabilities by maturity is the key to ensuring sustained solvency.

By carefully planning its operating and financial liabilities, the company ensures that maturity dates are consistently respected. The company has a system to monitor the maturity of trade liabilities and liabilities to financial institutions, the state and other parties. It also consistently plans and checks expected inflows from trade receivables. Timely and regular settlement of liabilities to all creditors thus enables the company to significantly improve payment discipline both in Slovenia and in a wider economic environment. Our expectations concerning future delays in the settlement of liabilities by our debtors (mainly customers) have been put into practice by introducing organisational changes in the area of collection, whose strengthened role will contribute to ensuring regular inflows from our customers. The company has already established a common financial policy towards suppliers and customers, based on which more attention will also be given to the calculation of default interest. We consider this to be an appropriate corrective and preventive measure for addressing payment indiscipline of our customers. Moreover, the company has adapted to the current situation of global recession by shortening time intervals for the monitoring of outstanding trade receivables. As a result, the average collection period for trade receivables decreased by 6.5 percent in 2008, with the average payment period for operating liabilities increasing by 21.3 percent. This has undoubtedly had a favourable impact on the efficient management of the company's liquid assets.

The company plans to prolong all its short-term loan agreements once they have fallen due. In the light of the current conditions in the money market, such an assumption poses an additional liquidity risk, which Luka Koper, d.d. has identified and prepared for by means of various adaptation scenarios. In 2009, based on information provided by partner commercial banks, the company will prepare a suitable plan also for this segment of its operations.

The management estimates that the company's exposure to liquidity risk is low, and thanks to the systems designed to manage this risk, the likelihood of an adverse effect is also considered as low.

- **Management of currency risk**

The risk of changes in foreign exchange rates mainly arises from trade receivables denominated in US dollars. As a result, any negative changes in the value of the US dollar reduce the value of inflows from services rendered. In previous years, the share of trade receivables denominated is US dollars decreased, which led to a significant reduction in the degree of the company's exposure to currency risks. The average monthly invoiced sales denominated in US dollars experienced another significant drop in 2008, amounting to mere 55.4 percent of the 2007 figure. In 2008 the company's monthly invoiced sales ranged from USD 0.6 million to USD 2.3 million, with the average monthly invoiced sales denominated in USD amounting to USD 1.2 million.

As at 31/12/2008, outstanding receivables denominated in USD accounted for 4.76 percent of total outstanding trade receivables, while in the previous year they had accounted for 15 percent. The company estimates that the share of USD-denominated receivables is negligible, which is why it has decided it will no longer hedge this item through the creation of USD-denominated liabilities. Previously, the company hedged the risk item by creating US-dollar denominated liabilities corresponding to the amount of the average monthly invoiced sales, thus managing the bulk of its currency risk by means of its internal hedging techniques.

When the loan denominated in US dollars matured, the USD-denominated receivable was left unprotected. In addition to a significant decrease in the share of the exposed item in total trade receivables, the above decision was also the result of the US dollar appreciation in 2008.

The appropriateness of the company's actions is further supported by the analysis of annual foreign exchange differences, showing that foreign exchange gains exceeded the losses by 18.6 percent.

The management estimates that the company's exposure to currency risk is low, and thanks to the systems designed to manage this risk and other conditions, the likelihood of an adverse effect is also considered as low.

- **Management of credit risk**

Given the situation of global recession, the management of counterparty risk, i.e. credit risk, has gained in importance. Much like in a chain reaction, customer defaults are being passed on to economic entities, which significantly reduces the assessed probability of timely inflows. The accelerated debt collection process contributes to minimising the consequences of wide-spread insolvency.

The uncertainty as to whether counterparties will be able to meet their commitments on time while the company regularly settles its liabilities to suppliers lead to additional borrowing and higher financing costs. In this respect, the specific structure of the company's customer portfolio plays an important role as the majority of transactions are concluded with a limited number of large companies, i.e. freight forwarders and agents. Such a customer structure considerably reduces exposure to credit risk because the customer portfolio of intermediaries is very diverse. What is more, the company has relatively few receivables arising from direct business relations with the end-users of its services. Another distinctive feature of the company's business is the use of liens on warehoused goods, which can be exercised in order to collect debt or receive payment for obligations that are not settled by customers.

Some receivables have been secured with collaterals which are returned to customers once all obligations have been settled. The company's investments include loans secured with blank bills of exchange and other (im)movable property.

The credit risk management policy as outlined above is reflected in a relatively low percentage of impaired receivables, which stood at 0.02 percent in 2008 (down from 0.47 in 2007). This can be attributed to a comprehensive approach to the management of trade receivables as the company devoted considerably more attention to this area, adapting its internal procedures to the situation of insufficient liquidity in the wider economic environment.

The company estimates that the credit quality of other receivables that have not yet fallen due or been impaired is good.

The management estimates that the company's exposure to credit risk is low, and thanks to the systems designed to manage this risk, the likelihood of an adverse effect is also considered as low.

- **Management of the risk of appropriate capital structure**

The capital structure expressed as a ratio between equity and all three types of liabilities has a significant impact on the performance of an economic entity. Equity is the most expensive form of financing. Therefore it is vital that successful companies identify optimal capital structure and align their existing capital structure with it.

In the past five years, the share of equity in liabilities decreased from 83.67 percent as at the last day of 2003 to 54.57 percent as at the last day of 2008. In the last year alone, this share decreased by 20.3 percentage points as a result of increased borrowing on the one hand and decreased revaluation surplus on the other (more on this subject in Note 25).

A few years ago, the company began to gradually increase the share of loans in liabilities, thus taking advantage of positive effects of financial leverage. It also began to calculate the weighted average cost of capital to identify optimal capital structure. The decrease in the cost enables the company to near the optimal capital structure and, consequently, have a more efficient and successful business process.

Nevertheless, the company has identified an aspect that, especially in the situation of the present global crisis, indicates a risk of excessive indebtedness. In accordance with its long-term policy, the company will therefore increase the share of total liabilities to not more than 60 percent. Moreover, certain measures have already been implemented based on which the company will try to shorten the time needed to complete ongoing capital investments and thus begin generating operating revenue arising from new capital investments sooner.

The management estimates that the company's exposure to the risk of appropriate capital structure is moderate, and thanks to the systems designed to manage this risk, the likelihood of an adverse effect is also considered as moderate.

Note 30: Off-balance sheet records

Off-balance sheet accounts include the following items that do not qualify for balance sheet recognition: collaterals given or received.

(in EUR)	31/12/2008	31/12/2007
Total off-balance sheet assets and liabilities	**46,412,261**	**17,539,666**
Liability for a loan guarantee issued to the subsidiary Adria-Tow	1,356,952	2,390,057
Joint collateral for a guarantee given by the subsidiary Adria Terminali	250,000	250,000
Liability for a guarantee issued to the Ministry of Finance	728,647	728,647
Liability for outstanding letters of credit issued to suppliers	3,290,000	3,777,700
Centroprom liabilities	831,206	831,206
Subsidiary collateral	12,044,400	0
Guarantee received for a loan given	**563,350**	**563,350**
Guarantee received for advances for fixed assets	**21,866,500**	**3,517,500**
*** Received guarantee and lien on a fixed asset**	**4,600,000**	**4,600,000**
*** Other guarantees received**	**50,000**	**50,000**
*** Centroprom receivables**	**831,206**	**831,206**

Luka Koper, d.d. guarantees a loan taken out by the subsidiary Adria-Tow, d.o.o. in the amount of EUR 1,356,952. The contingent liability is secured with a lien on fixed assets, the fair value of which totals EUR 4,600,000.

Advances for fixed assets have been secured with supplier guarantees issued by foreign banks which will reimburse the funds invested should the suppliers fail to honour their obligations.

As for the company's liabilities to the suppliers of fixed assets (ongoing capital investments), outstanding documentary letters of credit have been issued, while the payment of excise and customs duties has been secured with a bank guarantee.

8. ADDITIONAL NOTES TO THE CASH FLOW STATEMENT

Cash flows from operating activities have been presented using the indirect method. Material increases or decreases in individual items that affect the company's cash flows have been disclosed in the income statement, balance sheet and the statement of changes in equity.

The cash flow statement shows that the company generated EUR 30,934,874 in cash flows from operating activities and EUR 20,039,400 in cash flows from investing activities (dividends, disposal of investments and fixed assets) that were used to cover expenses arising from the higher level of investments, mainly those in fixed assets, and long-term investments, which totalled EUR 176,178,209. The difference was covered by taking out additional long-term loans.

Net cash inflow from financing activities stood at EUR 131,451,435, meaning that total net cash for the period stood at EUR 6,247,500.

The company has also prepared an annual cash flow plan as it was faced with uncertainty regarding forecasts. The following was considered in planning for the 2009 cash flows:

- the share of sales on credit,
- timing of credit repayment by customers,
- the method of payment of overhead costs,
- expenses for capital investments,
- timing of tax payments.

Based on the above, the company is drawing up measures to eliminate cash flow imbalances.

9. ADDITIONAL NOTES TO THE STATEMENT OF CHANGES IN EQUITY

Movements to equity

Equity was increased by net profit for the year, which stood at EUR 13,735,324, but due the valuation of investments carried at fair value and classified as available for sale revaluation surplus decreased by EUR 39,305,657.

Movements within equity

In accordance with the resolution of the Management Board and the Supervisory Board, half of the 2008 net profit, i.e. EUR 6,867,662, was allocated to other revenue reserves.

In accordance with the resolution of the General Meeting, a portion of the 2007 net profit amounting to EUR 12,534,194 remained unallocated. Retained earnings of EUR 5,209,210 were allocated to other revenue reserves.

Movements from equity

In accordance with the General Meeting resolution, equity was reduced by dividends amounting to EUR 7,700,000, which were paid from other revenue reserves (EUR 7,472,274) and retained earnings (EUR 227,726). Equity was further reduced by bonuses to Supervisory Board members amounting to EUR 110,790, which were paid from retained earnings.

10. REPORT UNDER THE PROVISIONS OF ARTICLES 4 AND 5 OF THE CONTRACT FOR THE LEASE OF OPERATIONAL SHORES AND LAND OWNED BY THE REPUBLIC OF SLOVENIA IN THE PORT OF KOPER DATED 2 FEBRUARY 2000 AND CONCESSION CONTRACT FOR THE PERFORMANCE OF PORT ACTIVITIES, MANAGEMENT, DEVELOPMENT AND REGULAR MAINTENANCE OF PORT INFRASTRUCTURE AT KOPER CARGO TERMINAL OF 8 SEPTEMBER 2008, FOR THE YEARS ENDED 31 DECEMBER 2007 AND 2008

Use of operational shores and land

Until 30 September 2008, Luka Koper, d.d. had a lease contract with the Republic of Slovenia governing the use of operational shores and land owned by the Republic of Slovenia in the port of Koper, which was concluded in 2000 and amended with Annex No. 1 in 2006 and Annex No. 2 in 2007. Under the contract, Luka Koper, d.d. was to use the subject of the lease and provide conditions for uninterrupted and ongoing performance of port activities over the entire lease period.

Pursuant to provision 5 of the lease contract, the company calculated and paid lease payments for the period 01/01/2008 to 30/09/2008 on the basis of maritime cargo throughput data, excluding petroleum products. The payments stood at EUR 851,081.02, while in 2007 the lease payments for the entire year had totalled EUR 1,118,108.56. Lease payments per tonne of cargo handled, excluding petroleum products throughput, equalled EUR 0.0835 (the conversion from SIT to EUR was made at the exchange rate of 239.640). The payment of the lease falls due once a year in January of the current year and relates to the previous year.

Year	Throughput in tonnes	Lease payment (in EUR)	Date of payment
2007 (01/01-31/12/2007)	13,390,522	1,118,108.56	31/01/2008
2008 (01/01-30/09/2008)	10,192,587	851,081.02	31/01/2009

In accordance with the concession contract effective from October 2008 onwards, Luka Koper, d.d. has to pay a concession charge amounting to 3.5 percent of total annual operating revenue less collected port duties. The concession charge for the period October to December 2008 calculated and paid by Luka Koper, d.d. stood at EUR 916,999.

Capital investments in the subject of the lease

Pursuant to provisions 4.4.1 and 4.4.2 of the lease contract and item 7.9 of the concession contract, Luka Koper, d.d. made the following capital investments in the subject of the lease in the period 01/01/2008 to 31/12/2008.

FA	Date of first use	Name of fixed asset	Cost (in EUR)
10002	24/09/2008	BPP and IP to deepen basin I	68,000.00
22122-1	03/06/2008	Rubber fenders on roro2 shore	10,850.00
22127	01/07/2008	Mooring platform for ships - jet terminal fender	830,920.00
22128	22/09/2008	Removal of sea sediments at basin I	67,120.00
I646110	22/12/2006	Construction of shore at extension of berth 11	136,892.00
I6461101	17/05/2007	Stress test on three steel piles at berth 12	84,728.47
I646149	08/12/2006	Construction of berth 7 C - pier I	7,452,721.17
I6461491	01/06/2008	Container shore - berth 7 C	20,599.05
I647009	12/12/2007	Mooring platform at basin II	29,950.64
I647022	10/03/2008	Removal of fender at container shore extension - berth 7 B	143,713.82
I647024	31/03/2008	Reclamation of roro3 shore	156,002.07
I647025	31/03/2008	Reconstruction of roro3 shore	76,086.90
I648018	20/11/2008	Deepening of basin I	42,567.80
I648020	09/12/2008	Deepening along shore structure of berth 7	65,000.00
I648135	09/06/2008	Disposal facility in front of pier II	750,119.26
I648012	04/11/2008	Vnt mooring site for roro vessels	40,000.00
Total			**9,975,271.18**

Performance of public economic service

- Under the existing lease contract and Article 35 of transitional provisions of the Decree on the Granting of Concession for the Administration, Management, Development and Regular Maintenance of Port Infrastructure at Koper Port Terminal, which ceased to apply when the new decree entered into force in July 2008, and the concession contract concluded for the period of 35 years, Luka Koper, d.d. will continue to perform public economic activity of maintaining port infrastructure in line with the requirements of public port traffic and safe navigation, for which it is entitled to receive payment out of port duties charged. Port duties have to be published in the Official Gazette of the Republic of Slovenia once the approval of the competent ministry has been obtained. Pursuant to the Maritime Code, port infrastructure cannot be included in bankruptcy estate.

- In accordance with item 7.4 of the concession contract, a 6-member committee comprising representatives of both contracting parties has been appointed to make an inventory of the port infrastructure. Within 6 months of the signing of the contract, the committee has to prepare a handover document listing all items of port infrastructure and describing the functional condition of all the items. Based on this document, the grantor will establish a port infrastructure register as laid down in item 7.3.

Income statement relating to the performance of public economic service of port infrastructure maintenance

(in EUR)	2008	2007
Revenue from port duties in the domestic market	4,139,291	4,163,591
Revenue from port duties in the foreign market	2,469,448	2,335,415
Other revenue	2,744	32,958
Operating revenue	**6,611,484**	**6,531,964**
Operating costs	**7,704,124**	**6,794,132**
Costs of materials	206,573	139,764
Costs of services	3,435,678	2,850,178
Depreciation/amortisation	2,545,320	2,456,846
Labour costs	322,608	252,370
Other costs	1,193,945	1,094,974
Operating loss	**1,092,640**	**262,168**

At the end of the year, in accordance with the concession contract, the company began to provide the grantor with criteria for the allocation of expenses, revenue, assets and liabilities, which had already been in use before the conclusion of the contract. A written consent was acquired that in 2008 the same method of presenting accounting records and capital investments in the development of port infrastructure can be used. Pursuant to Article 10 of Act amending the Transparency of Financial Relations and Maintaining Separate Accounts for Different Activities Act, the company is obliged to provide the grantor in 2009 with the above criteria, which need to be checked by auditors.

11. STATEMENT OF DISTRIBUTABLE PROFIT

Luka Koper, d.d.

In 2008 Luka Koper, d.d. generated EUR 13,735,324.27 in net profit. The company's Management Board and Supervisory Board allocated half of the 2008 net profit, i.e. EUR 6,867,662.11, to increase other revenue reserves. The remaining 2008 net profit of EUR 6,867,662.16 constitutes distributable profit, which was further increased by the 2007 retained earnings of EUR 12,534,194.17. The distributable profit for the year 2008 thus amounted to EUR 19,401,856.28.

(in EUR)	2008	2007
Total distributable profit	**19,401,856.28**	**25,554,194.12**
Other revenue reserves	0.00	7,472,274.49
Net profit for the year	6,867,662.16	12,534,194.12
Retained earnings	12,534,194.12	5,547,725.51

The General Meeting will decide on the allocation of the 2008 distributable profit of EUR 19,401,856.28 on the proposal of the Management Board and the Supervisory Board.

On 02/09/2008, the General Meeting adopted resolutions on the allocation of the 2007 distributable profit of EUR 25,554,194.12 on the proposal of the Management Board and the Supervisory Board.

The resolutions were as follows:

- The distributable profit of EUR 7,700,000 created from other revenue reserves of EUR 7,472,274.49 and a portion of the 2006 retained earnings of EUR 227,725.51 was allocated to shareholders as dividends attributable to ordinary shares.
- The distributable profit of EUR 110,790.00 was allocated to Supervisory Board members as profit participation.
- The distributable profit of EUR 5,209,210 was allocated to other revenue reserves.
- The allocation of the remaining distributable profit of EUR 12,537,194.12 will be decided in the coming years.
- Gross dividend per ordinary share stood at EUR 0.55. The dividends were distributed to shareholders that had been listed in the share register of Luka Koper, d.d. on the second day following the General Meeting at which the resolutions on the use of distributable profit were adopted. Dividends were paid to shareholders on 15/10/2008.

12. EVENTS AFTER THE BALANCE SHEET DATE

At its January meeting, the Supervisory Board adopted the following important decisions:
It approved the 2009 business plan.
It appointed Bojan Zadel as member of the Audit Committee.

In January and February 2009, the Management Board adopted the following important decisions:
In January 2009, it confirmed an increase in the capital of the company Railport Arad s.r.l. by EUR 1,500,000 and an increase in the capital of the company SC Trade Trans Terminal s.r.l. by EUR 1,300,000.

In January, it adopted a decision to convert loans to associates Adriasole, d.o.o. and Ecoporto Koper, d.o.o. to equity interests.

In February 2009, the General Meeting of the subsidiary Luka Koper INPO, d.o.o. adopted a resolution to convert, in accordance with Article 359 of the Companies Act, other revenue reserves of EUR 2,759,122 to nominal capital so that the registered nominal of the company increased from EUR 240,878 to EUR 3,000,000.

13. INDEPENDENT AUDITOR'S REPORT

Deloitte.

DELOITTE REVIZIJA D.O.O.
Davčna ulica 1
1000 Ljubljana
Slovenija

Tel: +386 (0) 1 3072 800
Faks: +386 (0) 1 3072 900
www.deloitte.si

INDEPENDENT AUDITOR'S REPORT
to owners of the company Luka Koper d.d.

Report on the Financial Statements

We have audited the accompanying unconsolidated financial statements of the company Luka Koper d.d., which comprise the balance sheet as at 31 December 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the unconsolidated financial statements present fairly, in all material respects, the financial position of the company Luka Koper d.d. as at 31 December 2008 and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the EU.

Without qualifying our opinion, we draw attention to the fact that Luka Koper d.d. is the parent company of Luka Koper Group and that consolidated financial statements of Luka Koper Group prepared in accordance with International Financial Reporting Standards, as adopted by the EU have been issued separately. The consolidated financial statements of Luka Koper Group as of and for the year ended 31 December 2008 were audited by us and our report dated 31 March expressed an unqualified opinion.

Report on Other Legal and Regulatory Requirements

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the company's business report. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Dr. Yuri Sidorovich
Certified Auditor
President of the Board

Ljubljana, 31 March 2009

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Pursuant to Article 60a of the Companies Act, the Management Board declares that the annual report and all its components, including the corporate governance statement, have been prepared and published in accordance with the Companies Act and International Financial Reporting Standards.

The Management Board of Luka Koper, d.d. declares that it fully approves the annual report of Luka Koper, d.d. for the financial year ended 31 December 2008.

The Management Board confirms that the financial statements have been prepared under the assumption of going concern and in accordance with applicable legislation. Consistent application of accounting policies and guidelines together with prudent preparation of accounting estimates represent a basis for a true and fair presentation of the financial position of Luka Koper, d.d. and of the results of its operations in the year 2008.

Robert Časar
President of the Management Board

Aldo Babič, MSc
Deputy President of the Management Board

Marjan Babič, MSc
Member of the Management Board

Boris Marzi, MSc
Member of the Management Board, Worker Director

Koper, 13 March 2009

REPRESENTATIVE OFFICES

Austria
Representative Office of Luka Koper, d.d.
Mr. Miran Petrinja
Opernring 1/R/4
A - 1010 Vienna

Tel.: +43 1 58 64 194 20
Fax: +43 1 58 64 194 21
Mobil: +43 664 400 16 41
E-mail: wien.office@luka-kp.si

Bulgaria and Romania
Representative Office of Luka Koper, d.d.
for Bulgaria and Romania
Mr. Ivo Konstantinov
127 Lipnik blvd., 7013 Rousse
Bulgaria

Mobi: +359 897 818 770
Tel.: +359 82 505 055
Fax: +359 82 505 056
E-mail: ivo.konstantinov@luka-kp.si

Czech Republic
Slovenija Trade s.r.o.
Mr. Boris Kroupa
Urešova 1384/8
CZ - 148 00 Praha 4

Tel.: +420 2 71 914 417
Fax: +420 2 71 914 412
Mobil: +420 602 206 831
E-mail: b.kroupa@slotrade.cz

Slovakia
Ing. Dušan Ostrovský Co.
Ing. Dušan Ostrovský
K horárskej studni 22
SR - 841 01 Bratislava

Tel.: +421 2 64 46 24 19
Fax: +421 2 64 46 24 19
Mobil: +421 910 960 539
E-mail: seatrade@stonline.sk

Hungary
Representative Office of Luka Koper, d.d. for Hungary
Mr. Marko Gabrijelčič
Logodi utca 34a/III
H - 1012 Budapest

Tel.: +36 1 21 20 000
Fax: +36 1 21 20 001
Mobil: +36 309 245 974
E-mail: budapest.office@lukakoper.hu

Germany
Representative Office of Luka Koper, d.d. for Germany
Mr. Mitja Dujc
Konrad-Zuse-Platz 1
D - 81829 München (Messestadt West)

Post address:
Hans Schwindt Strasse 11
D - 81829 München (Messestadt West)

Tel.: +49 89 4510 88 79
Fax: +49 89 4510 88 79 20
Mobil: +49 151 540 88 220 +386 41 661 896
E-mail: muenchen.office@luka-kp.si, DujcM@luka-kp.si

Far East
Regional Representative Office of Luka Koper, d.d.
Infinity Logistics and Transport Sdn. Bhd.

No 2, Jalan Kasuarina 8/KS07
Bandar Botanic
41200 Klang, Selangor
Malaysia

Tel.: +60 3 3325 2926
Fax: +60 3 3325 1023
E-mail: info@infinity.com.my, maefong@infinity.com.my
Web site: www.infinity.com.my

Text: Luka Koper, d.d., Studio Kernel
Production: Studio Kernel
Design: B. Pavletič, Studio Kernel
Photos: Jaka Jeraša, Dragan Zlatanovič, Franci Virant,
Jože Suhadolnik, Luka Koper archives
Prepress: Camera
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Luka Koper, d.d.
Port and logistics systems
6501 Koper
Tel: 05 665 61 00
Fax: 05 639 50 20
www.luka-kp.si
portkoper@luka-kp.si

Annual Report for the year 2008
is available on www.luka-kp.si.