2013 ANNUAL REPORT

Of the Luka Koper Group and Luka Koper, d. d.

CONTENTS

BUSINESS REPORT

1 PERFORMANCE HIGHLIGHTS OF THE LUKA KOPER GROUP

Despite the harsh economic situation and delay in the dredging of basin I, the Luka Koper Group ended the year 2013 with good operating results. We managed to increase operating revenue and limit the growth of certain costs although this was – due to additionally disclosed impairments of property in the amount of €9 million – still not enough to enable us to surpass last year's operating result. The implementation of the key investments such as the dredging of basin I and the construction of sites for the disposal of the excavated material was not finished in 2013 due to too long administrative procedures. By making fewer investments in 2013 we managed to increase the Group's financial power by reducing its debt by €30 million.

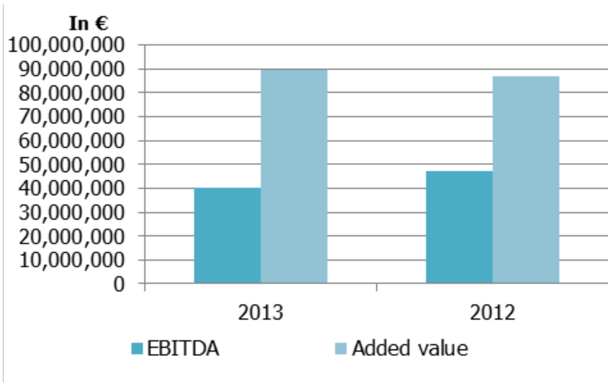
1.1 FINANCIAL INDICATORS

(in €)	2013	2012	Index 2013/2012
Income statement			
Operating revenue	144,235,477	141,732,087	102
Operating profit (EBIT)	12,201,713	19,184,237	64
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	40,385,025	47,216,586	86
Operating result from financing activities	-5,563,490	-6,054,587	92
Profit before tax	6,638,223	13,129,650	51
Net profit	7,749,500	10,498,559	74
Added value*	89,637,816	86,787,095	103
Statement of financial position (as at 31 December)			
Assets	443,558,563	462,086,555	96
Non-current assets	403,052,914	426,938,800	94
Current assets and deferred expenses and accrued revenue	40,505,649	35,147,755	115
Equity	259,204,139	249,328,319	104
Non-current liabilities with provisions and long-term accruals	152,987,169	149,124,673	103
Current liabilities and accrued expenses and deferred revenue	31,367,255	63,633,563	49
Financial liabilities	153,750,652	183,799,962	84
Cash flow statement			
Investments in property, plant and equipment, investment property and intangible assets	14,825,864	18,639,095	80
Indicators (in %)			
Return on sales (ROS)	8.5 %	13.5 %	62
Return on equity (ROE)	3.0 %	4.3 %	71
Return on assets (ROA)	1.7 %	2.2 %	77
EBITDA margin	28.0 %	33.3 %	84
Financial liabilities/equity	59.3 %	73.8 %	80
Net financial debt/EBITDA	2.8	3.0	93
Dividend payout ratio	4.1 %	-	-
Maritime throughput (in tonnes)			
Maritime throughput	17,999,663	17,880,698	101

*Added value is newly created value of a company in one year (Source: AJPES). It is calculated using the following formula:

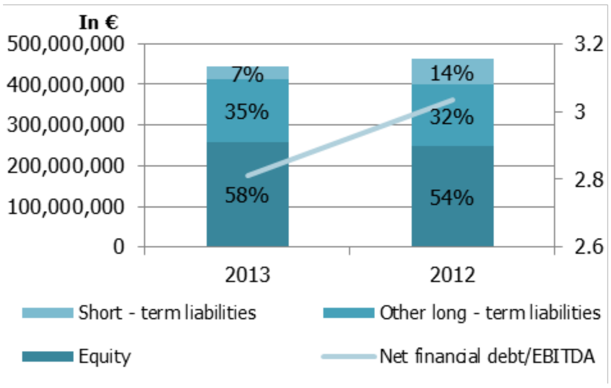
Added value = operating revenue + other revenue – cost of goods, material and services – other operating expenses

EBITDA and added value



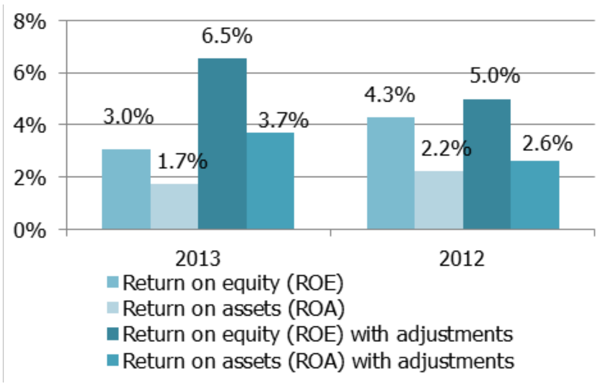
Compared with 2012, earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased by €6.8 million in 2013, and by €6.6 million compared to the forecast for 2013. Lower operating profit plus EBITDA was affected by impairments of property in the amount of €9 million, and to a lesser degree also higher labour costs. Added value (operating profit before write-downs and labour cost) increased by €2.9 million compared with the previous year.

Liabilities and net financial debts/EBITDA



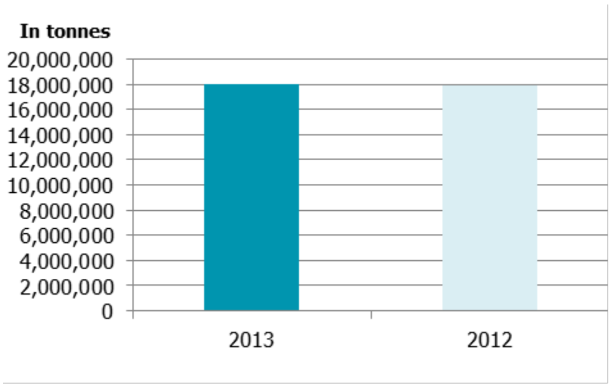
As at 31 December 2013, the equity of the Luka Koper Group totalled €259.2 million and constituted 58% of the balance sheet total. The net financial debt/EBITDA ratio dropped to 2.8 in 2013, thereby additionally increasing the financial safety of the Luka Koper Group.

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



The 2012 and 2013 net operating results of the Luka Koper Group were also affected by impairments of property and financial investments, hence the ROE and ROA were adjusted and calculated excluding this financial category for 2012 and 2013 to ensure comparability. The adjustments also include effects on deferred taxes. The net profit or loss of the Luka Koper Group in 2013 less the impairments of property and investments would be €17 million, and the adjusted ROE 6.5% and ROA 3.7%, which is higher than in 2012.

Maritime throughput in tonnes



The Luka Koper Group concluded 2013 with the total maritime throughput of 18 million tonnes, exceeding the previous year's result by one percent.

2 PRESENTATION OF THE LUKA KOPER GROUP

The Port of Koper is the only Slovenian international cargo port. It was built in 1957 and is controlled by a public limited company Luka Koper, d. d.,, which carries out port and logistics services, and manages all its terminals. On the basis of the Concession Agreement concluded with the Republic of Slovenia, Luka Koper, d. d., also takes care of the port infrastructure and its development. The Port is directly linked with the European railway and highway systems and has the status of the EU entry point. It represents a strong link in the logistics chain between Central Europe, Eastern Europe, the Mediterranean, the Middle East and the Far East.

The Port's activity has a strong impact on the environment, therefore Luka Koper, d. d., operates in a socially responsible way. It has adopted its own environmental policy and assumes increasing responsibility in terms of environmental protection.

Luka Koper, d. d., is listed on the Ljubljana Stock Exchange under the first quotation.

2.1 PROFILE OF THE MANAGING COMPANY AS AT 14TH APRIL 2014

Full company name	Luka Koper, pristaniški in logistični sistem, delniška družba
Short company name	Luka Koper, d. d.
Registered office	Vojkovo nabrežje 38, Koper Telephone: +386 (0)5 66 56 100 Fax: +386 (0)5 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
Tax number	SI 89190033
Share capital	€58,420,964.78
Number of shares	14,000,000 ordinary no-par-value shares
Shares listing	Ljubljana Stock Exchange, prime market
Share ticker symbol	LKPG
President of the Management Board	Gašpar Gašpar Mišič
Member of the Management Board	Andraž Novak[1]
Member of the Management Board	Jože Jaklin[2]
Member of the Management Board – Workers Director	Matjaž Stare
President of the Supervisory Board	Dr Alenka Žnidaršič Kranjc
Number of companies included in consolidation	12
Core activity of Luka Koper, d. d.,	Seaport and logistics system service provider
Activities performed in the Luka Koper Group	Various support and ancillary services

[1] As at 31st December 2013, the position was unoccupied.
[2] As at 31st December 2013, Marko Rems was Member of the Management Board.

2.2 ORGANISATION OF THE LUKA KOPER GROUP

Companies consolidated within the Luka Koper Group provide various services which accomplish the comprehensive operation of the Port of Koper. In addition to the parent company Luka Koper, d. d., the Luka Koper Group was comprised of the following subsidiary enterprises as of 31st December 2013:

- Luka Koper INPO, d. o. o., 100%
- Adria Terminali, d. o. o., 100%
- TOC, d. o. o., 68.13%
- Luka Koper Pristan, d. o. o., 100%
- Logis Nova, d. o. o., 96.26%
- Adria Investicije, d. o. o., 100%
- Adria - Tow, d. o. o., 50%
- Adria Transport, d. o. o., 50%
- Adriafin, d. o. o., 50%
- Avtoservis, d. o. o., 49%
- S.C.RAILPORT ARAD, S. R. L., 33.33%
- Golf Istra, d. o. o., 20%
- Adriasole, d. o. o., 98%

Further details regarding the changes in subsidiaries, associated and jointly-controlled companies are presented in the Consolidated Financial Report under the Composition of the Luka Koper Group in Chapter 5.

2.3 THE LUKA KOPER GROUP ACTIVITIES

The Port of Koper is a well-organised European port. It is the only Slovenian multipurpose port, therefore it is extremely important for the state, affecting the development of the Slovenian economy with its operations.

The Port carries out port activities intended for cargo and passenger transport. The basic port activities of throughput and warehousing of a variety of goods are supplemented with a range of services on goods and other services. Customers are provided with a comprehensive logistics support. The Port is a cross-border entry point to the European Union and has the status of an economic zone.

Port and Logistics Activities

The basic port activities of throughput and warehousing are carried out at twelve specialised port terminals. All the terminals are organised according to the goods/cargo they receive. Each terminal has its own characteristics determined by goods-specific work process, technological procedures and technology. The terminals are organised in five profit centres. In cooperation with our business partners, we also offer our customers a wide range of additional services to increase the value of products.

The port area consists of 270 hectares of land, with 48.4 hectares of covered storage and 109.6 hectares of open storage space. We provide 28 berths located on 3,282 metres of shoreline along 179 hectares of sea. In terms of logistics activities, our services include:

- Services provided by the collection and distribution centre for every cargo group;
- Services involving the assortment of goods (sorting, palletising, sampling, protection, labelling, weighing, cleaning and other services), which are regularly enhanced, based on the development of the transport industry and the needs of our clients;
- Management of the economic zone; and
- Integrated logistics solutions.

Services of individual terminals are supplemented by jointly-controlled companies Adria-Tow, d. o. o., and Adria Transport, d. o. o., which enables us to quickly adapt to customers' needs. With its five modern tugs, Adria-Tow, d. o. o. provides vessel towing services, ship supply services, as well as sea rescue and vessel assistance at the Port. Adria Transport, d. o. o., is in charge of setting up an efficient logistics route between the Port of Koper and its hinterland, and it ensures a greater volume of railway traffic, both in and out of the Port.
Koper is a well-known destination among shipping companies; therefore the passenger terminal is gaining increasing recognition on the world map of cruise destinations. Our main competitive advantages are enabling ships to stop in the very centre of city and providing excellent port services. The Passenger Terminal is located only 200 metres from the central city square and it has promoted tourist activities in Koper and other Slovenian cities for several consecutive years. In 2013, Koper received 65,434 visitors, which is 2% more than in the previous year.

In 2008, Luka Koper, d. d., concluded the Concession Agreement with the Republic of Slovenia for a period of 35 years, as defined in the Maritime Code. The Agreement regulates the execution of port activities and the management, development and regular maintenance of port infrastructure. The agreed concession fee is 3.5% of the Company's operating revenues, less revenues from port fees. The concession fee also includes water rights, water taxes and other taxes related to the use of the sea, which is owned by the Republic of Slovenia. The concession fee is paid to the Republic of Slovenia in the ratio of 50% and 50% to the Municipality of Koper.

Other Activities

In addition to the core activity, i.e. the port activity, the Luka Koper Group provides a variety of supporting activities.

Disability

Luka Koper INPO, d. o. o., is a social enterprise specialised in performing diverse and complex support services, as well as maintenance, maritime and public utility services. In addition to its basic mission – employment and training of disabled persons, the company contributes to the Group's overall business performance.

Catering

Luka Koper Pristan, d. o. o., offers hotel, accommodation, catering and congress services. It organises various kinds of events. The company is held for sale.

Quality Control

TOC, d. o. o., provides analytical services in the field of quality control of oil products, gas (LPG) and analysis-grade chemicals. The laboratory of TOC, d. o. o., has modern measuring equipment to carry out analyses in accordance with standard test methods determined with national and international standards. The laboratory operates impartially and independent of any entity ordering laboratory services, and in accordance with the requirements of the SIST EN ISO/IEC 17025 quality system.

Hinterland Logistics Activity

Sežana

The land logistics centre in Sežana is managed through Adria Terminali, d. o. o., in which Luka Koper, d. d., holds a 100-percent ownership share. Transactions include throughput and warehousing of general cargoes with iron products, wood pellets, packaged timber and logs, and in LCL and classical throughput.

The company operates in the role of a land terminal manager and it endeavours to attract goods flows in the inland transport in the areas of Central and East European markets. The strategic policy for Orleška Gmajna was determined within the 5-year strategic plan of the Group, and it envisages further activities to find a strategic partner. Since the Municipality of Sežana was actively adopting new spatial planning documents in 2013, we endeavoured to communicate our priorities. Our goal is to ensure that the investment receives a status that provides it with market opportunities. At the end of 2013 we again started with the activities to sell the Luna real estate. The activities have not finished yet.

Arad

We co-manage the Romanian hinterland container terminal in Arad with the company Railport Arad, s. r. l. The terminal, which is based on inland connections with other ports and land terminals, has not reached the expected extent of transportation or the planned results. The area of the Western Romania presents a big market with favourable development prospects; therefore the terminal can potentially create certain synergies in the future, both with the Sežana terminal as well as the Port of Koper.

Prekmurje

In 2008, the company Logis Nova, d. o. o. was established in order to make an acquisition of land in the area of the originally planned logistics centre in the community of Beltinci. In 2013, we made a capital increase of 2.7ha of land, which has increased the total area of land to 65.3ha. With the acquisition of the last 0.4ha of land by the end of March 2014, the land acquisition procedure will be completed and the ownership of the company will be consolidated.

3 BUSINESS DEVELOPMENT STRATEGY

3.1 VISION, MISSION AND STRATEGIC ORIENTATIONS OF THE LUKA KOPER GROUP FOR THE 2011–2015 PERIOD

Vision

We want to become the leading port and logistics system servicing Central and Eastern Europe.

Mission

With a reliable port system we promote logistics solutions on the shortest route to the heart of Europe.

Strategy

The renewal of the Company's business strategy that was started in 2010 was completed with the adoption of a strategic plan of the Company and the Luka Koper Group for the 2011–2015 period, which was endorsed by the Supervisory Board of the Company in August 2011 (http://seonet.ljse.si/?doc_id=46174).

The realisation of the set targets will contribute to a long-lasting stability of operations and development of the entire Group, the local community and Slovenian logistics in general.

Strategic orientations of the Luka Koper Group are based particularly on the coordination of the following four systems:

- The port system, which is put to the forefront; the emphasis will be put on its efficiency and the development of the role as a trade port,
- The logistics system, which will support the cooperation between individual providers in the logistics chain on the transportation route through Koper,
- The business system, which will take care of a long-lasting performance, and
- The institutional system, which will be focused on sustainable development, cooperation with institutions and wider spatial placement.

In order to ensure the comprehensiveness of the development, we divided strategic goals in three groups: marketing, corporative, and institutional.

Marketing goals

1. Increased turnover	▪ 19.5 million tonnes of maritime throughput by 2015 ▪ To keep the multi-purpose characteristics of the Port (risk management, synergies, cost-effectiveness)
2. Development of services	▪ The growth and balanced throughput and storage activities ▪ To promote distribution => trade port ▪ Higher expectations in RO-RO area and project cargoes
3. Management of markets	▪ The expansion of the gravitational market to the hinterland: o traditional markets – to increase the current market shares o newer European (transitional) markets – to commence new business operations

	▪ To strengthen our role in the Mediterranean
4. Customer satisfaction	▪ To keep the clients (increase their turnover), good references for new clients and business operations ▪ To improve the reliability and efficiency of port services
5. Efficiency of the Port community	▪ To maintain relationships with forwarding agencies, agents, control houses, customs offices and the police
6. Connections with transporters	▪ Shipping companies – to maximise the occupancy of existing lines and obtain new ones ▪ Railway transporters and operators – proactivity for new regular connections (devote attention to relationships with the Slovenian Railways)
7. Connections with global logistics providers	▪ Regular promotion and strengthening of cooperation with the main players and key accounts ▪ To enter into strategic partnerships
8. Establishing strategic partnerships	▪ For new cargoes/filling the vacant port capacities ▪ For new capacities (the possibility of joint investment to support new business)
9. Keeping up-to-date with the development of competition	▪ To ensure better conditions/offer from the competition
10. Established trademark and good reputation	▪ Recognisability for all stakeholders: buyers, suppliers, investors, the local community, EU and others ▪ Regular public appearance with a clear message: stable company, ahead of the competition, socially responsible, internationally oriented and with excellent services

Corporative goals

1. Positive EVA	▪ Positive EVA, ROS 15%
2. Sound financial foundations	▪ 40% share of debt sources in total sources of finance ▪ Net financial debt/EBITDA = 3 X ▪ Average maturity of debt sources > 3 years
3. Loyalty and motivation of employees	▪ Concentration and innovative business culture (joint values) ▪ Better efficiency (performance) of employees ▪ Optimal HR structure and use of available resources ▪ Dialogue with social partners
4. Knowledge as the key value	▪ Concentration of know-how/specialisation of new knowledge ▪ Upgrading of experiences and ensuring their transfer ▪ Generating new ideas and solutions (promoting creativity and creative environment)
5. Effective and bold business system	▪ To increase the productivity and manage risks ▪ To focus on ensuring safe conditions for work in the operative segment ▪ To improve organisation of process implementation ▪ The possibility of outsourcing non-strategic processes (partnerships) ▪ To create synergies, carry out regular communication, monitor results and take actions
6. Increased cost-effectiveness	▪ Process reorganisation of key processes
7. Managing subsidiaries and controlled companies	▪ The organisation of the Luka Koper Group in the form of a concern of companies with centralised control ▪ Control over companies with activities of strategic importance ▪ Core activities controlled by the managing company/strategic partnerships for other activities

8. Effective management of supplier relationships	▪ Encouraging competitiveness among suppliers; cooperation with suppliers and performers of port services who are most cost-effective in a long run (risk management) ▪ Sustainable policy to port service performers (control over the key processes with internal staff)
9. Investment management	▪ Effective disposal of portfolio and non-strategic investments and investment property
10. Regular dividend payout	▪ Payment up to 1/3 of net profit

Institutional goals

1. Responsible relationship to the social environment	▪ Continued and balanced dialogue
2. Port's establishment in the international area	▪ To be involved in transport corridors and infrastructural projects ▪ To be acquainted with everything that has to be implemented; to actively cooperate on EU projects, NAPA, ESPO and FEPORT ▪ To safeguard business interests of the company and the Concession Agreement
3. Infrastructural connection of the Port outwards	▪ Shorter transit time to hinterland markets; to eliminate the problems in the railway infrastructure ▪ To maintain waterways and drafts
4. Proactive relationships with the Republic of Slovenia	▪ To get support in developmental activities, the National Spatial Plan and other projects ▪ To increase the understanding of our activity ▪ To speed up the issuing of licenses and document confirmation ▪ To arrange for the possibility of pre-customs clearance ▪ To get help with solving our disputed projects outside the Port (status of land, spatial acts) ▪ To have the compliance of the Concession Agreement confirmed with certain corrections (we have already noticed certain inconsistencies)
5. Proactive relationships with the local community	▪ To get the local communities to understand the importance of the Port's development ▪ To prepare joint development projects and co-create a modern port city
6. Environmental protection	▪ To comply with all the required standards, introduce new rules and measurements to ensure safeguarding of the environment and the sea ▪ To introduce green logistics concepts (the Port as the greenest link of the logistics chain)
7. Safeguarding the Port's environment	▪ To follow all the required standards, introduce new rules, which will ensure safety of the area ▪ To recognise and manage safety risks
8. Effective drawing of grants	▪ To solve the issue of national aid and mass financing of the port's infrastructure through grants ▪ To make an agreement on concrete financing projects ▪ Proper (at least 30%) financing of the public port infrastructure from the funds of the European cohesion policy in the Republic of Slovenia

3.2 FORECASTS FOR THE MACROECONOMIC ENVIRONMENT IN 2014

The global economy is in the process of a new transition that is marked by the slow recovery of developed countries and the substantial decline in the growth of developing countries, including BRIC countries (Brazil, Russia, India, and China), which were in previous years the main driving forces of the global economy. Emerging economies are facing a dual challenge, i.e. a decline in growth and harsh global financial conditions. The US economy has remained in the centre of events.

The International Monetary Fund’s forecast for 2014 is for a gradual recovery of the economic activity in the eurozone, which, however, with its 1% growth remains behind other global economies. While the main European countries are already starting to recover, those in the southern regions of the eurozone, including Slovenia, continue to face significant problems and a decline in GDP. The improvement in the competitiveness and increased export cannot make up for the reduced domestic consumption, which would contribute positively to the economic growth. Slovenia and Cyprus are the only two European countries for which the IMF has forecast a further drop in GDP in 2014. Uncertainty regarding banking operations remains a concern of the entire eurozone.

GDP growth by important hinterland markets (in %)[3]

COUNTRY	2013 ESTIMATE	2014 ESTIMATE	2014/2013 CHANGE
Eurozone	-0.4	1.0	**1.4**
Slovenia	-2.6	-1.4	**1.2**
Austria	0.4	1.6	**1.2**
Italy	-1.8	0.7	**2.5**
Hungary	0.2	1.3	**1.1**
Slovakia	0.8	2.3	**1.5**
Germany	0.5	1.4	**0.9**
The Czech Republic	-0.4	1.5	**1.9**

In spite of the first signs of recovery in the Eurozone, domestic factors will continue slowing down the recovery of the Slovenian economy. Continued fiscal consolidation, harsh labour market conditions and rehabilitation of the banking system will result in a decrease in GDP also in 2014. Along with further decline in the available income in 2014, the lower GDP will be a result of private consumption. The decline of state consumption will be lower, while the drop in investments will increase significantly. Limited sources of finance will continue blocking the growth of business investments; investments in construction will also decrease. Exports will slightly improve with gradual improvement of the situation in the international environment.[4]

In 2014 and the following years, economic policies of the countries, which represent the key hinterland markets of the Luka Koper Group, will focus on the following:[5]

- The key task in Austria will be to decrease the budget deficit, keep a low level of unemployment, increase the level of employment, increase expenses for research and development, increase educational standards, improve the competitiveness of the economy, promote entrepreneurship and improve workforce copetences.
- Italy's priority tasks will be to manage and decrease the large public debt, to insure the banking system, and to stay in the eurozone. Italy presents a risk of the failure to fulfil its

[3] World Economic Outlook: Transition and Tensions. Oktober 2013. Washington. International Monetary Fund
[4] Jesenska napoved gospodarskih gibanj 2013. September 2013. Ljubljana. UMAR
[5] EIU – Factiva, 2013. Izvozno okno. URL: www.izvoznookno.si

contractual obligations, a risk of the emergence banking crisis and a risk of exiting the eurozone.

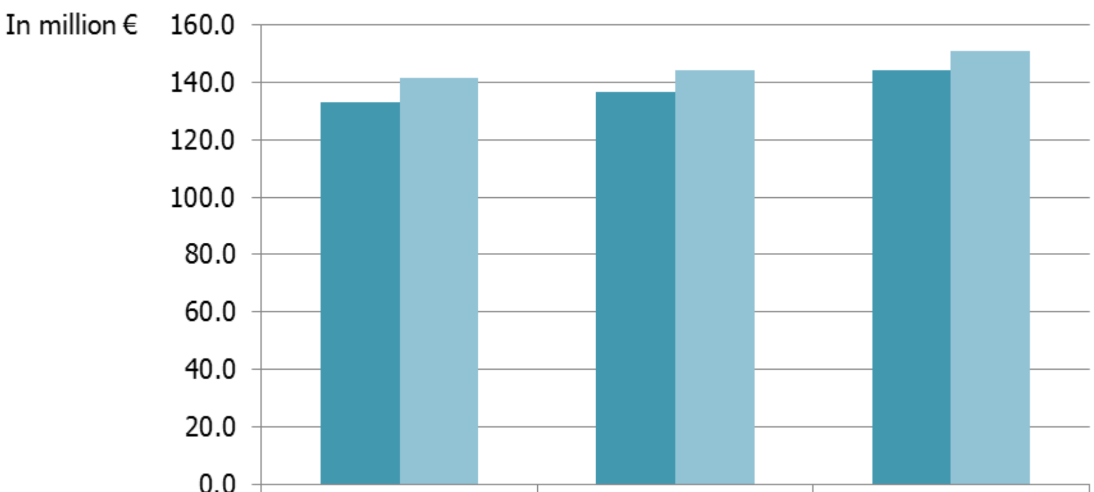
- The top priorities of Hungary's government will be to consolidate public finance and to speed up the economic growth.
- In Slovakia, the government will endeavour to run the fiscal consolidation, increase economic growth and to decrease the debt.
- One of the priorities of the German government will be to manage the crisis of the eurozone. Furthermore, the government has set two extensive priority tasks, namely, to decrease the fiscal deficit in a period of four years and to restore the stability of its financial sector.
- In the Czech Republic, the government's economic policy will be focused on ensuring long-lasting stability of public finance.

3.3 BUSINESS OBJECTIVES FOR 2014

As compared with 2013, the Luka Koper Group's 2014 business plan anticipates an increase in operating revenue and maritime throughput of 5%, a 35% increase in EBITDA, and the net profit of €20.8 million. Key investments will be made in extending and increasing the capacities of the Container Terminal at pier I.

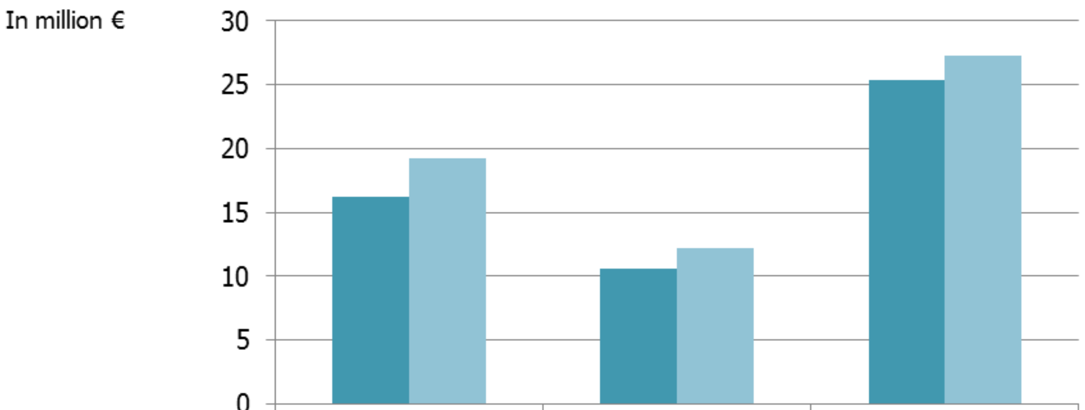
The Luka Koper Group plans to generate operating revenue of €151.2 million in 2014. The plan is based on macroeconomic forecasts, slow recovery in developed countries and substantial downturn in the growth of developing countries.

Operating revenue



	2012	2013	Plan 2014
Luka Koper, d. d.	133.3	136.8	144.1
The Luka Koper Group	141.7	144.2	151.2

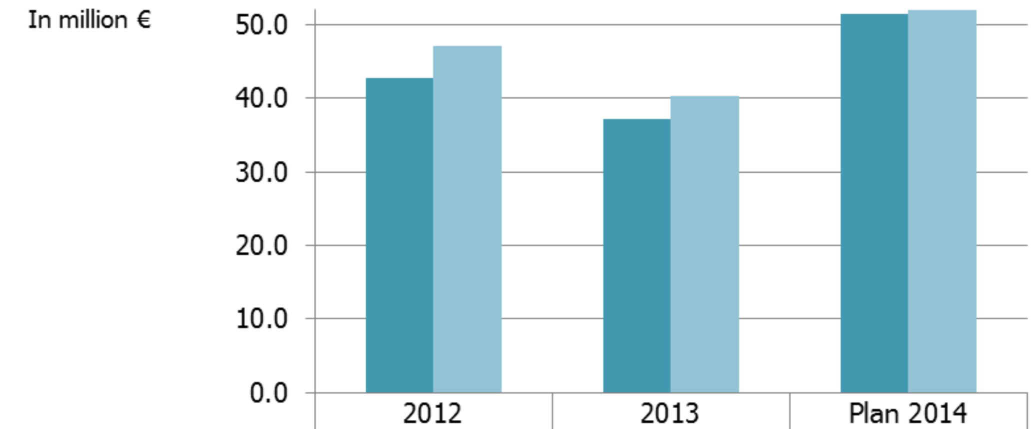
Operating result (EBIT)



	2012	2013	Plan 2014
Luka Koper, d. d.	16.2	10.6	25.4
The Luka Koper Group	19.2	12.2	27.3

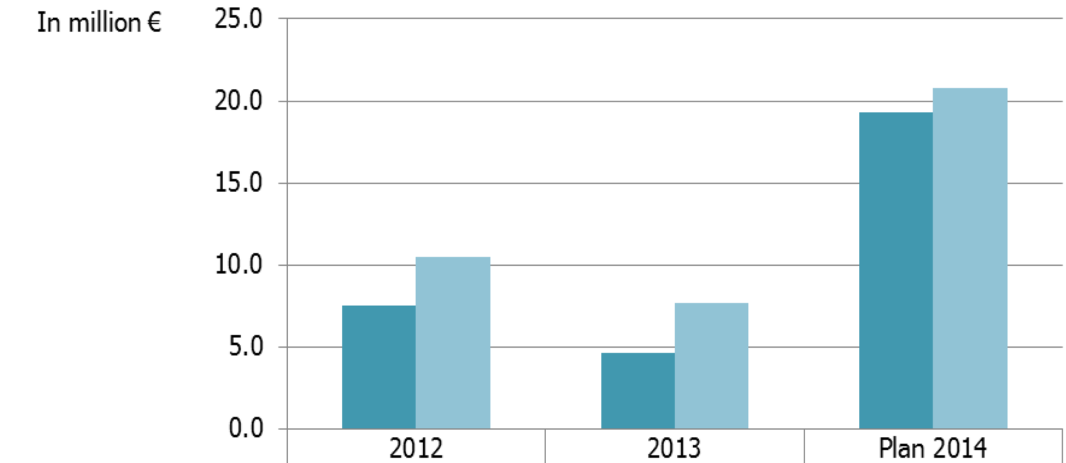
The planned EBIT of the Luka Koper Group for 2014 is €27.3 million, which is 124% above the 2013 EBIT. At the level of Luka Koper, d. d., the planned 2014 operating result is €25.4 million, which is 141% more than in 2013.

Earnings before interest, taxes, depreciation and amortisation (EBITDA)



	2012	2013	Plan 2014
Luka Koper, d. d.	42.7	37.2	51.4
The Luka Koper Group	47.2	40.4	54.7

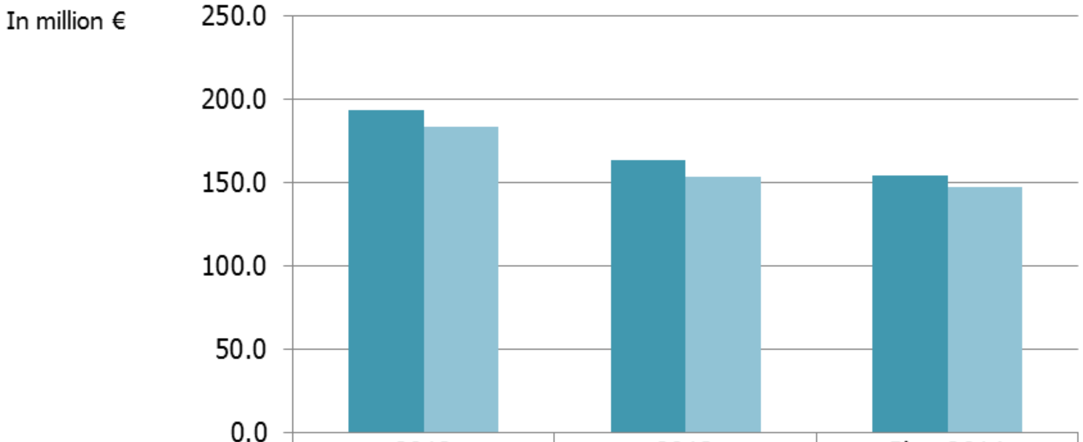
Net profit / loss



	2012	2013	Plan 2014
Luka Koper, d. d.	7.5	4.6	19.3
The Luka Koper Group	10.5	7.7	20.8

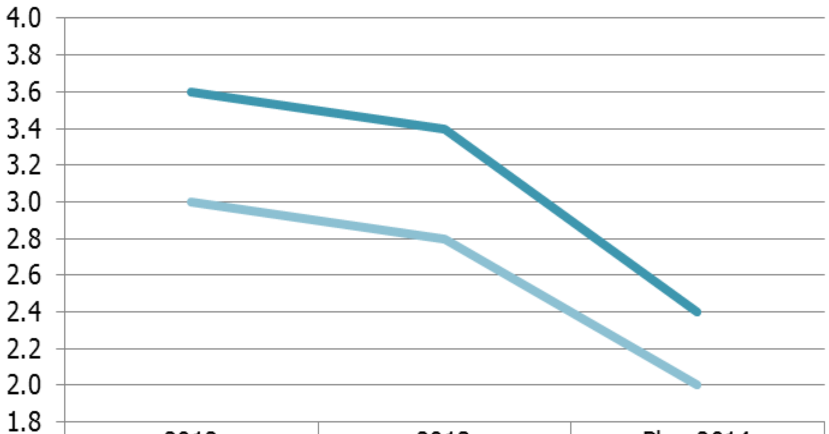
The planned net profit or loss of the Luka Koper Group for 2014 is €20.8 million, exceeding the 2013 net profit or loss by 168%. The planned net profit or loss of Luke Koper, d. d., for 2014 is €19.3 million.

Financial liabilities



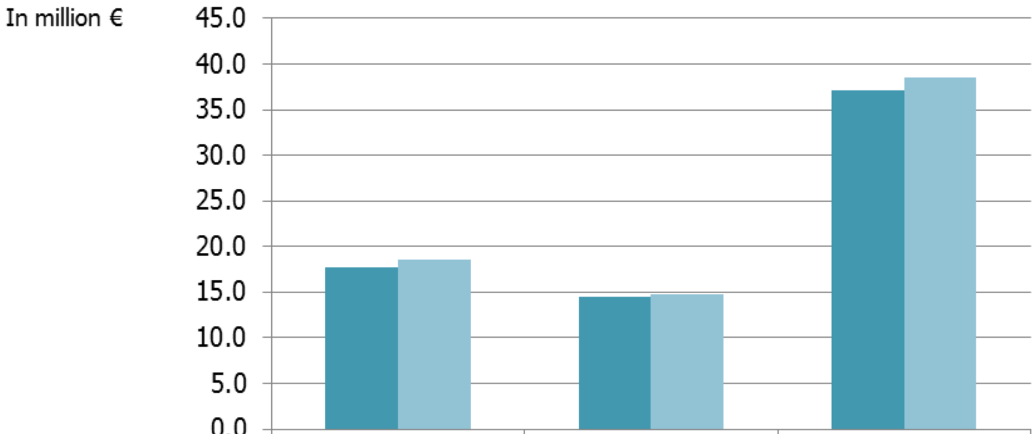
	2012	2013	Plan 2014
Luka Koper, d. d.	193.9	163.9	154.6
The Luka Koper Group	183.8	153.8	147.3

Net financial debt/EBITDA ratio



	2012	2013	Plan 2014
Luka Koper, d. d.	3.6	3.4	2.4
The Luka Koper Group	3	2.8	2

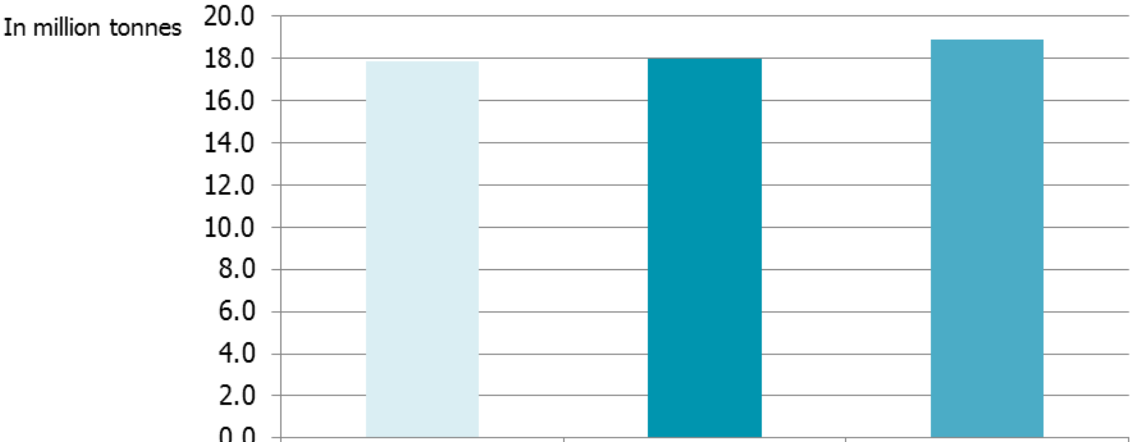
Investment in property, plant and equipment, investment property and intangible assets



	2012	2013	Plan 2014
Luka Koper, d. d.	17.8	14.5	37.1
The Luka Koper Group	18.6	14.8	38.5

The 2014 investment plan is focused on investments in port infrastructure, which are essential in order to improve the competitive position of Luka Koper, d. d. A majority part of investments will be made in extending and increasing the capacities of Container Terminal at pier I. The Luka Koper Group plans to invest €38.5 million in property, plant and equipment, investment property and intangible assets in 2014. 96% of all investments (€37.1 million) are planned at the level of Luka Koper, d. d.

Maritime throughput (in million tonnes)



	2012	2013	Plan 2014
Maritime throughput	17.9	18	18.9

Maritime throughput planned for 2014 is 18.9 million tonnes, which is 5% above that from 2013.

A summary of the key data from the 2014 business plan of Luka Koper, d. d., and the Luka Koper Group

	Luka Koper, d. d.			The Luka Koper Group		
	2013	Plan 2014	Index Plan 2014/ 2013	2013	Plan 2014	Index Plan 2014/ 2013
Operating revenue	136,808,792	144,082,569	105	144,235,477	151,231,286	105
Operating profit (EBIT)	10,560,216	25,369,761	240	12,201,713	27,330,036	224
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	37,239,565	51,420,042	138	40,385,025	54,663,265	135
Net profit/loss	4,612,246	19,304,430	419	7,749,500	20,797,516	268
Added value	80,085,543	86,779,578	108	89,637,816	95,452,780	106
Financial liabilities	163,889,772	154,591,262	94	153,750,652	147,270,205	96
Investment in property, plant and equipment, investment property and intangible assets (from the cash flow statement)	14,522,369	37,103,917	255	14,825,864	38,506,577	260
Maritime throughput (in tonnes)	17,999,663	18,888,885	105	17,999,663	18,888,885	105
Number of employees	784	820	105	982	1,008	103
	31st Dec 2013	Plan 31st Dec 2014	Index Plan 2014/ 2013	31st Dec 2013	Plan 31st Dec 2014	Index Plan 2014/ 2013
Return on sales (ROS)	7.7 %	17.5 %	227	8.5 %	18.1 %	214
Return on equity (ROE)	1.9 %	7.7 %	398	3.0 %	7.7 %	253
EBITDA margin	27.2 %	35.5 %	130	28.0 %	35.5 %	127
Financial liabilities/equity	67.7 %	60.0 %	89	59.3 %	53.0 %	89
Equity share in balance sheet total	56.2 %	58.0 %	103	58.4 %	61.0 %	104
Financial and operating liabilities/equity	73.8 %	67.0 %	91	65.4 %	60.0 %	92
Net financial debt/EBITDA	3.4	2.4	70	2.8	2.0	71

3.4 REALISATION OF PLANS, STRATEGIC OBJECTIVES AND ORIENTATIONS

In 2013, we continued realising the business strategy determined in the 2011–2015 strategic plan. The key purpose of the activities was to improve the operation of the port system, emphasising an increase in maritime throughput, especially container transportation where we have been facing the major developmental challenges. In the area of the development of services we have again started the project of microdistribution where we are trying to find suitable concept to increase the competitiveness of the Port's offer. Some of our activities were focused on enhancing our cooperation with the markets of south Poland, west Romania and in particular Bavaria in order to expand the gravitational hinterland of the Port.

In 2013, we continued realising the 2011–2015 strategic plan of the Luka Koper Group, which was adopted in 2011. The Luka Koper Group generated operating profit in the amount of €12.2 million in 2013; excluding the impairments in the value of immovable property, the operating profit would be €21.2 million, surpassing the plan by 12% (€2.3 million). The 2013 net operating result of the Luka Koper Group is €7.7 million, which is below the plan due to the above-mentioned reasons.

The key development activities were focused on one of the most important projects of the Port of Koper, which is connected with the container terminal, i.e. the dredging of basin I and the extension of pier I. In 2013, we commenced works related to the dredging of basin I, namely, to dredge the seabed along the operational shore of berths 7.A and 7.B to the depth of –13 m. An international invitation to tenders has been published in order to select a contractor to execute the dredging to the depth of –14 m. Since suitable site for the disposal of the excavation material had to be provided prior to the start of works we continued with activities necessary to obtain building permit to build a disposal site at the eastern part of the plot No. 799/29, the cadastral municipality of Ankaran, and the 7.A disposal site; at the end of the year we started the construction works. When the dredging activities are finished at the beginning of 2014, the Port of Koper will obtain the key comparative advantage over the neighbouring ports.

Key operating indicators of Luka Koper, d. d., and the Luka Koper Group in 2013 compared to the 2013 plan

	Luka Koper, d. d.			Luka Koper Group		
	2013	**Plan 2013**	**Index 2013/ Plan 2013**	**2013**	**Plan 2013**	**Index 2013/ Plan 2013**
Operating revenue	136,808,792	134,968,707	101	144,235,477	144,813,508	100
Operating profit (EBIT)	10,560,216	16,728,493	63	12,201,713	18,899,841	65
Earnings before interest, tax, depreciation and amortisation (EBITDA)	37,239,565	43,241,752	86	40,385,025	47,008,747	86
Net profit/loss	4,612,246	11,631,711	40	7,749,500	13,337,425	58
Added value	80,085,543	76,990,460	104	89,637,816	86,374,435	104
Financial liabilities	163,889,772	182,544,633	90	153,750,652	172,319,053	89
Investment in property, plant and equipment, investment property and intangible assets (from the cash flow statement)	14,522,369	31,825,919	46	14,825,864	33,800,819	44
Maritime throughput (in tonnes)	17,999,663	17,673,249	102	17,999,663	17,673,249	102
Number of employees	784	795	99	982	998	98
	31st Dec 2013	**Plan 31st Dec 2013**	**Index 2013/ Plan 2013**	**31st Dec 2013**	**Plan 31st Dec 2013**	**Index 2013/ Plan 2013**
Return on sales (ROS)	7.7 %	12.3 %	63	8.5 %	12.9 %	66
Return on equity (ROE)	1.9 %	4.9 %	39	3.0 %	5.3 %	58
EBITDA margin	27.2 %	31.8 %	86	28.0 %	31.9 %	88
Financial liabilities/equity	67.7 %	75.0 %	90	59.3 %	67.0 %	89
Equity share in balance sheet total	56.2 %	53.0 %	106	58.4 %	55.0 %	106
Financial and operating liabilities/equity	73.8 %	84.0 %	88	65.4 %	76.0 %	86
Net financial debt/EBITDA	3.4	3.4	101	2.8	2.8	100

4 STATEMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear shareholders, business partners and colleagues,

As the President of the Management Board of Luka Koper, d. d., I am happy to establish that our commitment and efforts over recent months in the realisation of long overdue development projects have contributed to the restoration of confidence of all Luka Koper stakeholders, from the company's employees and business partners to shareholders, which is best reflected in the increased share price growth. From September 2013 to the end of the first quarter of 2014, the Luka Koper share price grew by 70%, which has resulted in a EUR 92 million increase in market capitalisation. Restored confidence in Luka Koper has promoted trading in shares, and, since March 2014 the Luka Koper shares are again classified in SBI TOP, the LJSE blue-chip index, after a break of five years.

The Luka Koper share has recorded one of the largest growths on the Ljubljana stock exchange this year, which reflects the company's good performance in the last quarter of 2013, as a result of active influence by the Management and Supervisory Boards. In the last quarter of 2013, the company generated EUR 36.2 million in revenues, which is the highest in its history, and ended the business year 2013 with record-high total throughput of 18 million tonnes and 600,000 TEUs at the Container Terminal. The positive trend in the throughput has continued at the start of 2014; although the railway was closed for several days due to sleet, we have implemented the right measures in due time, which has helped us to even exceed the plan in the first quarter of 2014.

The Luka Koper Group ended 2013 with EUR 144.2 million in operating revenue, up 2% on 2012. Had there been no write-down of past investments, we would have generated EUR 18 million in net profit in 2013. On the other hand, the Group further decreased its financial liabilities. Last year we managed to decrease the debt by EUR 30 million, from EUR 183.8 million as at the start of 2013 to EUR 153.8 million as at 31st December 2013. The Luka Koper Group is today financially stable and ready for a new developmental cycle. For Luka Koper, 2014 will be a year of missed investments in the port infrastructure and equipment, particularly in the field of container freight. By undertaking intensive activities we have managed, in a short period of time, to obtain all consents and permits needed to build sites for the disposal of silt, and deepen basin I at the Container Terminal to the depth of 13 metres, which has enabled us to obtain a permit from the Slovenian Maritime Administration to increase draft from 11.4 metre to 12.5 metre, allowing each container ship to deliver and ship out additional 3,600 container units – this has satisfied the most important requirements and long awaited expectations of our business partners, namely, each centimetre of additional draft enables a 160-ton increase in maritime throughput.

By finishing the dredging works to the depth of 14 metres in the first half of 2014 we will improve our competitiveness with neighbouring ports. Container ships, which directly connect us with the Far East, will thus be able to make their first stop at the Port of Koper when reaching the North Adriatic Sea (until now the ships were redirected to the Port of Trieste due to excessive draft).

Simultaneously with the dredging activities we are building new storage areas at the front of the Container Terminal in the dimension of 6,840 m2, which will provide an additional storage capacity for 250 TEUs. We are preparing documentation to extend pier I by additional 100 metres, which will be followed by the construction of storage and manipulation areas at the southern part of the pier, a new railway infrastructure, and the acquisition of additional equipment. The project will be implemented in several phases and completed by 2018. The estimated total value of the project is EUR 78 million.

In 2014 we increased our investment in all terminals, from the Passenger Terminal to the Energy Terminal, as well as in transport and public port infrastructure. Therefore, the investment part of the 2014 business plan is highly ambitious compared to previous years; investments are planned in the amount of EUR 37 million. But our goals are just as ambitious: to remain the largest container terminal in the North Adriatic Sea, the most important port for Austria in terms of all cargo types, and the most important port for Hungary in terms of containers, as well as to be the first port in the field of cars in the Mediterranean, to increase the market share in all hinterland markets and to enter important Asian markets.

The Management Board has restored confidence in the company by implementing well-considered measures and sending clear signals about being in control of business processes. We have increased the level of corporate communication, sped up marketing activities and improved contacts with all our business partners, in Slovenia and abroad. We have upgraded information connections in work processes with business partners, stabilized in-house relationships and improved internal communication. Moreover, we have set up a close collaboration and partnership with the local community, enabling the Port of Koper to really live together with the local environment, respect and support it, and receive the same respectful attitude from it.

We are pleased to know that the public is becoming aware of the importance of the Port of Koper, which is the only cargo port in Slovenia and represents an exceptional developmental potential and is Slovenia's key comparative advantage. The Port of Koper supplies several economies in the Central and Eastern Europe and connects them with overseas markets, both in terms of imports and exports. Therefore, we need a modern and functional transport infrastructure. The Port of Koper is not just piers and storage areas surrounded by a customs fence; the Port of Koper is a venue that connecting us to European and global markets via sea and land transport and logistics infrastructure.

Luka Koper is a founder member of the North Adriatic Ports Association (NAPA). In this context we are promoting the North Adriatic Sea as the shortest, cheapest and most environmentally friendly logistics destination to strengthen the supply chain among the countries of the Mediterranean, the Middle and Far East and the Central and Eastern Europe. The ports in this region have immense potential. According to a study for NAPA ports, the North Adriatic Sea has a potential for 6 million TEUs by the year 2030, of which the Port of Koper could tranship one third. The condition to do this is to increase the Port's capacities and to extend the railway connection with the hinterland markets, which means Slovenia must build an additional railway track and start investing more in the total transport and logistics infrastructure. At the moment, the ports of the North Adriatic Sea do not constitute even a third of this potential altogether, putting us in front of a difficult task.

I am looking forward to the challenges ahead of us, as, I believe we will achieve enviable results by driving the tempo and motivation that have marked the work of the Management Board. With an excellent and highly motivated team of colleagues, endeavours of all company employees, and with support and understanding from the local community and state bodies we will set new strategic platforms, especially in the field of investments in port infrastructure, which will enhance our competitiveness.

I firmly believe that we are on the right track with our vision and solutions. We only have to persevere with what we are doing. Perseverance, ideas and resources is something Luka Koper has in abundance.

Gašpar Gašpar Mišič
President of the Management Board

5 REPORT OF THE SUPERVISORY BOARD FOR 2013

Composition of the Supervisory Board

In 2013, the Supervisory Board operated in three different compositions. Until 14th July 2013 when the term of office of the representatives of shareholders ended, the Supervisory Board consisted of eight members which still ensured a quorum. In that period, the Supervisory Board was comprised of the following members: Dr Janez Požar, Dr Marko Simoneti, Jordan Kocjančič and Tomaž Može as representatives of shareholders, Sabina Mozetič as a representative of the Municipality of Koper, and Mladen Jovičič, Stojan Čepar and Nebojša Topič, MSc, as representatives of workers. Bojan Brank's position of a Member of the Supervisory Board and Chairman of the HR Committee of the Supervisory Board was frozen in accordance with Article 273 (§2) of the Companies Act (ZGD-1) due to his temporary appointment as President of the Management Board. At the 22nd Meeting of Shareholders held on 8th July 2013, the shareholders elected new representatives of shareholders for a period of four years commencing on 15 July 2013, namely, Dino Klobas, Vinko Može, dr. Andrej Godec, Nikolaj Abrahamsberg and Jordan Kocjančič.

Dino Klobas, at the time the President of the Supervisory Board of Luke Koper, d. d., irrevocably resigned from his function as President and Member of the Supervisory Board of Luke Koper, d. d. on 4th September 2013. At the 23rd meeting of shareholders held on 7th October 2013, the shareholders dismissed the following Members of the Supervisory Board: Nikolaj Abrahamsberg, Vinko Može, dr. Andrej Godec and Jordan Kocjančič, at the same time electing five new representatives of shareholders: Dr Alenka Žnidaršič Kranjc, Rado Antolovič, Dr Elen Twrdy, Andrej Šercer, MSc, and Žiga Škerjanec.

Work of the Supervisory Board

In 2013, the Supervisory Board duly monitored and supervised the operations of Luka Koper, d. d., and the Luka Koper Group, and assessed the work of the Management Board. It supported the realisation of valid strategic and business objectives through its resolutions and decisions. The Supervisory Board received all the information required from the Management Board concerning the current operations of the Company.

The Supervisory Board in the following composition: Dr Janez Požar, Dr Marko Simoneti, Jordan Kocjančič, Tomaž Može, Sabina Mozetič, Mladen Jovičič, Stojan Čepar and Nebojša Topič, MSc, met at five regular sessions and five correspondence sessions. The Supervisory Board in the following composition: Dino Klobas, Vinko Može, Dr Andrej Godec, Nikolaj Abrahamsberg, Jordan Kocjančič, Sabina Mozetič, Mladen Jovičič, Stojan Čepar and Nebojša Topič, MSc, met at four regular sessions and two correspondence sessions. The Supervisory Board in the following composition: Dr Alenka Žnidaršič Kranjc, Rado Antolovič, Dr Elen Twrdy, Andrej Šercer, MSc, Žiga Škerjanec, Sabina Mozetič, Mladen Jovičič, Stojan Čepar and Nebojša Topič, MSc, met at three regular sessions and one correspondence session.

A majority of the Supervisory Board's sessions was attended with a full turnout in each composition of the Supervisory Board; none of the Members was absent on a regular basis. The sessions were attended by the President and Members of the Management Board, and by expert company colleagues who, in lieu of the content of the daily agendas, provided any additional explanations and information necessary to reach decisions.

All Members actively participated in and monitored the realisation of adopted resolutions. They came to the sessions well prepared and obtained all the additional information on discussed topics. The composition and organisation of all the tree compositions of the Supervisory Board facilitated the effective implementation of the supervisory function.

During the year, the Supervisory Board in the new composition devoted most attention to:

- Settling the unsolved issues from the previous Supervisory Board, in particular the signings of employment agreements with the Management Board and criteria for remuneration of the Management Board,
- Determining the key performance indicators (KPI),
- Actions to increase productivity,
- Adopt a plan, with an emphasis on the investments plan,
- Monitoring the operations of the Company,
- Recruiting new Members of the Management Board.

At its sessions, the Supervisory Board discussed the following:

- It discussed interim reports on the operation of the managing company and the Luka Koper Group,
- It was informed of the final report of the study, which proposes long-term development and expansion of the container terminal on pier I, and agreed to it,
- At the session held in April, it reviewed and endorsed the audited Annual Report of Luka Koper, d. d., and the Luka Koper Group for 2012, and was informed of the independent auditor's report on the audit of unconsolidated financial statements of Luka Koper, d. d., and of the independent auditor's report on the audit of consolidated financial statements of the Luka Koper Group. The Supervisory Board also agreed to the Management Board's proposal on the allocation of the distributable profit for 2012,
- It was informed of the convening of the 22nd General Meeting of Shareholders,
- At the session held in June, it established that the project "Extension of Pier I – Southern Part" conformed to the National Spatial Plan and the updated five-year development programme of the Port and the previous decisions of the Supervisory Board. It was also informed of the economic report "Extension of Pier I – Southern Part" and agreed to the initiation of project realisation procedures,
- At the August constitutional session, the Supervisory Board appointed Dino Klobas as President and Nikolaj Abrahamsberg as Deputy President of the Supervisory Board,
- At the second August session, the Supervisory Board appointed Gašpar Gašpar Mišič as President of the Management Board for a term of five years, commencing 7th September 2013,
- At the session held at the end of September, the Supervisory Board agreed to the conclusion of contract with the selected performer for the construction of a storage area behind berth 7.C of the Container Terminal, which is a part of the wider project "Extension of Pier I",
- at the constitutional session held on 16th October, the Supervisory Board appointed Dr Alenka Žnidaršič Kranjc as President of the Supervisory Board, and Dr Elen Twrdy as her Deputy,
- At the session held on 13th December, the Supervisory Board appointed Jože Jaklin as Member of the Management Board responsible for finance and accounting for a term of five years, commencing 1st February 2014.

Work of the Supervisory Board Committees

In 2013, the HR Committee, the Audit Committee and the Committee of Infrastructure and Operations operated regularly within the framework of the Supervisory Board, all of them positively contributing to the work of the Supervisory Board.

The HR Committee, which was appointed on 16th October 2013 in the following composition: Rado Antolovič (Chairman), Andrej Šercer, MSc (Member), Sabina Mozetič (Member) and Stojan Čepar (Member), met three times with the aim to prepare a proposal to the Supervisory Board for the appointment of a Member of the Management Board responsible for finance and accounting and a Member of the Management Board responsible for operations and sales.

The Audit Committee met at eight sessions in 2013, one of which was correspondence session. At the first five sessions, the Audit Committee was comprised of Jordan Kocjančič (Chairman), Mladen Jovičič (Member) and Blanka Vezjak, MSc (external member); the Audit Committee in the new composition: Žiga Škerjanec (Chairman), dr. Alenka Žnidaršič Kranjc (Member), Mladen Jovičič (Member) and Blanka Vezjak, MSc (external member) met for the first time on 24th October 2013.

At the first three sessions in 2013, the Audit Committee prepared bases for the Supervisory Board to endorse the Annual Report of the Luka Koper Group and Luka Koper, d. d., for 2012, and discussed the auditor's letter to the management. Prior to issuing its opinion, the Audit Committee held a meeting with auditors of the audit firm Ernst & Young d. o. o. At the sessions held on 20th May, 22nd August and 22nd November, the Audit Committee discussed interim reports on the operations of the Group and the Company.

The Audit Committee regularly discussed Internal Audit's interim reports, analysed the changed Rules on the Operation of the Internal Audit, and agreed to the Management Board's proposal on the appointment of the Head of Internal Audit. Furthermore, in discussed individual issues based on findings from internal audit reports, and was informed of the risk management system.

The Committee of Infrastructure and Operations, which was appointed on 16th October 2013 and consists of the following members: Dr Elen Twrdy, Rado Antolovič, Nebojša Topič, MSc, and Stojan Čepar, met on two occasions, each time discussing the investments plan of the Luka Koper Group for 2014.

Pursuant to the provision 7.2 and Appendix B3 of the Corporate Governance Code, the Supervisory Board appointed a Committee for the appointment of candidates for Supervisory Board Members of Luka Koper, d. d., on 21st May 2013. The Committee is comprised of the following members: Dr Janez Požar (Chairman), Tomaž Može (Member), Jordan Kocjančič (Member), Irena Prijovič, MSc (Member – representative of shareholders, Pension Fund Management) and Roman Dobnikar (Member – representative of shareholders, Slovenian Compensation Company). The Committee met on one occasion, agreeing on the procedure of preparing the proposal for Members of the Supervisory Board of Luka Koper, d. d. On 31st May 2013, the Supervisory Board received a proposal for candidates for positions of Members of the Supervisory Board of Luka Koper, d. d., from Kapitalska družba, d. d., (Pension Fund Management) and Slovenska odškodninska družba, d. d., (Slovenian Compensation Company), but did not make any resolutions based on this.

Absence of individual Members of the Supervisory Board and Members of Committees of the Supervisory Board by sessions

Number of session	Date of session	Absent members
Sessions of the Supervisory Board		
20th correspondence session	5th April 2013	Mladen Jovičič
38th regular session	4th April 2013	Mladen Jovičič, Dr Marko Simoneti
41st regular session	14th June 2013	Jordan Kocjančič
3rd regular session	27th September 2013	Jordan Kocjančič, Dr Andrej Godec
Sessions of the HR Committee		
1st regular session	16th November 2013	Rado Antolovič (attended by Dr Alenka Žnidaršič Kranjc on his behalf)
2nd regular session	26th November 2013	Rado Antolovič (attended by Dr Alenka Žnidaršič Kranjc on his behalf)
Sessions of the Audit Committee		
22nd regular session	20th May 2013	Blanka Vezjak, MSc

Assessment of the Work of the Management and Supervisory Boards

The current composition of the Supervisory Board immediately after the constitutive meeting faced the obligations connected to the last quarter of the year 2013 and the appointment of two Members of the management Board. So it successfully confirmed more development-oriented business plan for the year 2014 and at the beginning of 2014 appointed two Members of the Management Board for Operations and Finance. The Supervisory Board also demanded higher yields and expects the necessary measures to be taken such as reorganization and accelerated marketing activities. The new long-term plan for the period 2020 to 2030 is being prepared.

The Supervisory Board in the following composition: Dr Alenka Žnidaršič Kranjc, Rado Antolovič, Dr Elen Twrdy, Andrej Šercer, MSc, Žiga Škerjanec, Sabina Mozetič, Mladen Jovičič, Stojan Čepar and Nebojša Topič, MSc, carried out self-assessment in line with the methodology of the Association of Supervisory Board Members of Slovenia, and it appointed a Supervisory Board member to prepare a proposal of measures for improvement of the performance of the Supervisory Board in the areas where improvement is needed. All members of all Supervisory Board compositions from 2013 also completed a questionnaire regarding the conflict of interests from the Corporate Governance Code. The company published their statements on its website.

Remuneration of the Supervisory Board

Based on the provisions of Article 25 of the Articles of Association of Luka Koper, d. d., the General Meeting of Shareholders adopted on 8th July 2013 a decision on determining the payment for carrying out the function and attendance fee for Supervisory Board Members and members of the Committees of the Supervisory Board for the period of the next twelve months. As of July, Supervisory Board Members received €275 per session, and 80% of this amount for correspondence sessions. Gross attendance fee for an individual member of a Committee was €220. Travel costs and daily allowances were paid out to the Supervisory Board Members in accordance with company regulations.

In addition to attendance fees, each Member of the Supervisory Board receives the basic salary for carrying out their functions in the amount of €11,000 gross. The President of the Supervisory Board receives a supplement of 50 percent of the basic salary for carrying out his function. Members of Committees of the Supervisory Board receive a supplement of €2,750 for their functions, Chairmen of Committees €1,375, and the external member of the Audit Committee, who is at the same time also not a Member of the Supervisory Board, an annual payment of €11,000 gross for carrying out their function.

Payments to individual Members of the Supervisory Board and Members of Committees of the Supervisory Board are presented in Note No. 32 of the Financial Report of Luka Koper, d. d.

Endorsement of the annual report and opinion of the auditor's report

The Supervisory Board reviewed the Annual Report of Luka Koper, d. d., and the Luka Koper Group for 2013, and the proposal of the Management Board regarding the allocation of the distributable profit at its 5th regular session, held on 11th April 2014.

The Supervisory Board reviewed the auditor’s report, in which the authorised audit firm Ernst & Young, Revizija, poslovno svetovanje, d. o. o., states that the financial statements, which are included in the annual report, provide a true and fair presentation of the financial position of the Company and the Group, as well as their operating results and cash flows. The Supervisory Board had no comment on the auditor’s report.

Having reviewed the annual report, the Supervisory Board concluded that the reporting on the operation of the company Luka Koper, d. d., and the Luka Koper Group is clear and transparent, and that it provides a true and fair presentation of their business position as at 31st December 2013, and it had no comments on it.

The Members of the Supervisory Board unanimously approved the Annual Report of Luka Koper, d. d., and the consolidated Annual Report of the Luka Koper Group with the 2013 auditor's report, at the session held on 11th April 2014. We find that the Annual Report is thus also formally adopted in accordance with the provisions of Article 282 of the Companies Act (ZGD-1) and the Articles of Association of Luka Koper, d. d.

Proposal of the allocation of 2013 distributable profit

The Supervisory Board believes that the proposal of the Management Board on the allocation of distributable profit is consistent with the dividend policy and strategic developmental policies of the Company, and that it follows shareholders’ interest in a long-term increase of the share value. In 2013, Luka Koper, d. d., generated a net profit of €4,612,246. Following the decision of the Management Board, the company formed other profit reserves already while preparing the annual report, in the amount of a half of the 2013 net profit. The company’s 2013 distributable profit is thus €3,721,761.

Simultaneously with the endorsement of the 2013 annual report, the Supervisory Board approved the use of the distributable profit, which will be proposed for approval to the General Meeting of Shareholders by the Supervisory and Management Boards. The proposal of the use of distributable profit, which totalled €3,721,761 as at 31 December 2013 is as follows:

- €1,400,000 of the distributable profit be used for the payment of dividend in the gross amount of €0.1 per ordinary share,

- the rest of the distributable profit, i.e. €2,321,761, be left undistributed.

The Supervisory Board proposes that, on the basis of the Annual Report of Luka Koper, d. d. and the Luka Koper Group, the Auditor’s Report and this report, the General Meeting discharge the Management and Supervisory Boards for their work performed in 2013.

Dr Alenka Žnidaršič Kranjc
President of the Supervisory Board of Luka Koper, d. d.

6 CORPORATE GOVERNANCE REPORT

6.1 CORPORATE GOVERNANCE STATEMENT

Pursuant to the provision of Article 70 (§5) of the Companies Act and provisions of the Corporate Governance Code and the Governance Code for Capital Investments by the Republic of Slovenia, Luka Koper, d. d., provides the following Corporate Governance Statement of Luka Koper, d. d., and the Corporate Governance Report, which are also available on the website www.luka-kp.si/slo/za-vlagatelje/poslovna-porocila.

1. Statement on the Compliance with the Provisions of the Corporate Governance Code

Luka Koper, d. d., follows the recommendations of the Corporate Governance Code, which was adopted by the Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia and the Association of Managers on 8 December 2009, and is available on the Ljubljana Stock exchange website (www.ljse.si).

The Management Board and the Supervisory Board declare that, in 2013, they have complied with the provisions of the Corporate Governance Code.

2. Statement of Compliance with the Provisions of the Governance Code for Capital Investments by the Republic of Slovenia and Recommendations of the Manager of Direct and Indirect Capital Investments by the Republic of Slovenia

Luka Koper, d. d., follows the recommendations of the Governance Code for Capital Investments by the Republic of Slovenia, which was adopted by the Supervisory Board and the Management Board of Slovenian Compensation Company on 15th May 2013, and other individual recommendations, which are available at www.so-druzba.si.

The Management and Supervisory Boards of the Company declare that, in 2013, they have complied with the provisions of the **Governance Code of Capital Investments by the Republic of Slovenia**. They have also observed other individual **Recommendations of the manager of direct and indirect capital investments by the Republic of Slovenia**, except those listed below.

3. Derogation from certain parts of individual Recommendations of the manager of direct and indirect capital investments of the Republic of Slovenia

Luka Koper, d. d., did not comply with the following individual recommendations:

- Recommendation No. 2: Payments to external members of Committees of the Supervisory Board and other experts who cooperate with the Supervisory Board, in the part that the Supervisory Board determined the payment and reimbursement of costs to external members of Committees of the Supervisory Board. Luka Koper, d. d., is unable to comply with this recommendation, since the General Meeting of Luka Koper, d. d., adopted at its session dated 8th July 2013 a special decision on the basis of Article 25 of the Articles of Association of Luka Koper, d. d., and determined payments to the members of the Supervisory Board, members of Committees of the Supervisory Board and external members of Committees of the Supervisory Board. Not the Management Board of the Company or the Supervisory Board have the competence of deciding and modifying the decisions adopted by the general Meeting of the Company, thus the Company executed payments to the members of the Supervisory

Board and external members of Committees of the Supervisory Board in accordance with the decision by the General Meeting of the Company.

- Recommendation No. 7: Transparency of transaction conclusion procedures, which concern the Company's expenditures. By treating the data on concluded transactions as a business secret and consequently not providing information on individual transactions, selected providers and values of individual transactions, the Company has failed to comply with points 3 and 4 of the recommendation. The Company announces the recipients of sponsorships and donations and the total amount of funds intended for this purpose on its website.
- Recommendation No. 8: Labour cost optimisation in 2013 and 2014, referring to the payment of the 13th salary. In accordance with the Corporate Collective Agreement, Luka Koper, d. d., paid the 13th salary in the amount of 100% of the average monthly salary of an employee.
- Recommendation No. 8: Labour cost optimisation in 2013 and 2014, referring to the payment of holiday pay. In accordance with the Corporate Collective Agreement, Luka Koper, d. d., paid the in the amount of €788.24 per employee, and the minimum salary was €783.66.
- Recommendation No. 8: Labour cost optimisation in 2013 and 2014, referring to public announcement of the binding collective agreement for the Company. At the end of 2011, Luka Koper, d. d., called the representative trade unions to give their consent to the publication of the wording of the Collective Agreement of Luka Koper, d. d., at the website of Luka Koper, d. d. The trade unions did not agree with the public announcement of the text.
- Recommendation No. 11: Attainment of quality and excellence of performance of companies/groups. Luka Koper, d. d., does not carry out self-assessments in line with the Eurpean EFQM excellence model.
- Recommendation No. 12: General Meetings. The 2012 annual report was published on 4th April 2013 in accordance with the Companies Act (ZGD-1) and the Company's financial calendar.

4. The main characteristics of internal controls and risk management in the Company

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, in the subchapters headed “System of Internal Controls”, “Internal Control and Risk Management Related to Financial Reporting”, and in the chapter on “Risk Management.

5. Data relating to the Takeover Act

Luka Koper, d. d., is obligated to apply the Takeover Act, in accordance with the provision of Article 70 (§6) of ZGD-1. The Company was not subject to the relevant provisions of the Takeover Act in 2013, as the circumstances requiring the application of these provisions did not exist at the time.

6. Data relating to the work and key powers of the General Meeting of Shareholders, and a description of shareholders' rights

The work of the General Meeting of Shareholders, its key powers, a description of shareholders’ rights and the method of exercising these rights are legally defined and stipulated in detail in the Company’s Articles of Association, which are available to the public at www.luka-kp.si. The work of the General Meeting of Shareholders in 2013, key powers, shareholders’ rights and the method of exercising these rights are described in the Report on Corporate Governance, in the subchapters headed Two-Tier Management System and General Meeting of Shareholders.

7. Data relating to the composition and activities of the Management and Supervisory Bodies and their Committees

Data relating to the composition and activities of the Management and Supervisory Boards and their Committees are described in the Report on Corporate Governance, in the subchapters headed ‘Supervisory Board’ and ‘Management Board’.
The management of Luka Koper, d. d. and the Luka Koper Group complies with the applicable laws and internal organisational rules. We followed the guidelines designed to ensure transparent corporate governance for all our shareholders, employees and the general public, provided by the Corporate Governance Code and recommended by the Association of Supervisory Board Members. We complied with the Corporate Governance Code for Companies with Capital Investments by the State and the Corporate Governance Policy, which was adopted by the Supervisory Board in 2010.

Gašpar Gašpar Mišič

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

Dr Alenka Žnidaršič Kranjc

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

6.2 TWO-TIER MANAGEMENT SYSTEM

Luka Koper, d. d., operates under a two-tier management system, under which the Company has three management bodies: the General Meeting of Shareholders, the Supervisory Board, and the Management Board. The competencies of individual bodies and the rules on their appointment, discharge and the changes of statute 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 General Meeting of Shareholders, the Supervisory Board and the Management Board. The Articles of Association of the Company are available at www.luka-kp.si/slo/o-podjetju.

6.3 GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest decision-making body of the Company and determines its status changes, profit-sharing and the appointment or discharge of Members of the Supervisory Board, as well as all other matters it decides upon in accordance with the Companies Act and the Articles of Association of Luka Koper, d. d. The ownership structure of Luka Koper, d. d., is presented in the chapter LKPG Share.

6.3.1 Convening of the General Meeting of Shareholders

The Management Board usually convenes the General Meeting of Shareholders once a year or more, if necessary. The convening of the General Meeting of Shareholders is published at least once a month on the AJPES website, the Delo daily, on the electronic system of the Ljubljana Stock Exchange SEOnet, and on the Company's website. The Company's website http://www.luka-kp.si/slo/za-vlagatelje/skupscine-delnicarjev includes material with draft resolutions, which is also made available to shareholders at the Company's registered office. In compliance with the rules of the Ljubljana Stock Exchange, all resolutions adopted at the General Meeting of Shareholders are published regularly.

6.3.2 Participation and Voting Rights

All shareholders who are entered in the Share register kept by the Central Securities Clearing Corporation as at the day of the convening of the General Meeting of Shareholders may take part in the General Meeting and exercise their voting rights provided they register with the Management Board of the Company at least three days before the date set for the General Meeting.
There is no limitation to voting rights, since all shares of Luka Koper, d. d., grant voting rights in accordance with the legislation.
No Luka Koper securities give any special rights of control to their holders.

6.3.3 Resolutions of the General Meetings of Shareholders

In 2013, the General Meeting of Shareholders was convened three times:

- at the 21st meeting held on 5th April 2013,
- at the 22nd meeting held on 8th July 2013,
- at the 23rd meeting held on 7th October 2013.

At the 21st session, the General Meeting proposed to the Supervisory Board of the Company to appoint an independent auditor to immediately audit the unaudited transactions of Luka Koper, d. d., for the period of the last five years (2007–2011) with an emphasis on the following topics:

- disposal and encumbrance with immovable properties in the Republic of Slovenia and abroad, the value of which exceeds €1 million,
- the operation of the timber terminal,
- operations with port service performers (contracts with IPS) and other Company's subcontractors,
- operations in the field of investments the value of which exceeds €1 million,
- operations in the field of issuing guarantees, sureties and collaterals exceeding the amount of €100,000.00,
- transactions connected with the granting of loans, and further related activities the value of which exceeds €500,000.00,
- transactions in the area of purchases and sales of shares and interests,
- Operations in the area of the employment of management staff.

In response to this, the notary drew attention to the fact that the content of the adopted resolution No. 4 is was congruent with Article 318 of ZGD-1, and was likely to draw an action for annulment.

At the 22nd session, the shareholders:

- Elected five new Members of the Supervisory Board – representatives of shareholders: Dino Klobas, Vinko Može, Dr Andrej Godec, Nikolaj Abrahamsberg and Jordan Kocjančič, for a period of four years, commencing 15th July 2013,
- They were presented with the adopted Annual Report of Luka Koper, d. d., and the Luka Koper Group for 2012 with the auditor's report, and the Report of the Supervisory Board on the verification of the Annual Report of Luka Koper, d. d., and the Luka Koper Group for 2012,
- They were informed of the distributable profit for 2012, which was €3,763,795, and confirmed the following proposal of the use of distributable profit:
- A part of the distributable profit (€2,380,000) be used to pay out dividends in the gross amount of €0.17 per share,
- The rest of the distributable profit in the amount of €1,383,795 be left undistributed,
- They endorsed the work of the Supervisory and Management Boards during 2012,
- Ernst & Young, d. o. o., Dunajska cesta 111, Ljubljana, was appointed auditor for the year 2013,
- They adopted a resolution on the amount of remuneration and attendance fees for Members of the Supervisory Board and Supervisory Board Committees for the period of the next twelve months.

At the 23rd General Meeting, the shareholders dismisses Members of the Supervisory Board – representatives of shareholders effective as of 7 October 2013, and appointed five new Members of the Supervisory Board – representatives of shareholders: Dr Alenka Žnidaršič Kranjc, Rado Antolovič, Dr Elen Twrdy, Andrej Šercer, MSc, and Žiga Škerjanec.

6.4 THE SUPERVISORY BOARD

The Supervisory Board oversees the running of the Company's operations. Other tasks and powers of the Board, in accordance with the law and the Company's Articles of Association, are: appointing and dismissing the Management Board, determining the amount of Management Board's remuneration, endorsing annual reports, preparing proposals for the allocation of the distributable profit, and convening the General Meeting of Shareholders.

6.4.1 Composition of the Supervisory Board

The Supervisory Board of Luka Koper, d. d., consists of nine members. Six are elected by the General Meeting of Shareholders, and three by the Workers' Council of the Company. The Members of the Supervisory Board are elected for a term of four years.
In 2013, the Supervisory Board worked in three different compositions.

Composition of the Supervisory Board before 14th July 2013

The term of representatives of shareholders ended on 14th July 2013; until then, the Supervisory Board was comprised of eight members, as follows: Dr Janez Požar, Dr Marko Simoneti, Jordan Kocjančič, Tomaž Može as representatives of shareholders, Sabina Mozetič as representative of the Municipality of Koper, and Mladen Jovičič, Stojan Čepar and Nebojša Topič, MSc, as employee representatives.

Representatives of shareholders:

Dr Janez Požar, President of the Supervisory Board
Representative of shareholders: the Republic of Slovenia
Commenced a four-year term on 14th July 2009 (16th General Meeting of Shareholders)

Tomaž Može, Deputy President
Representative of shareholders: other shareholders
Commenced a four-year term on 14th July 2009 (16th General Meeting of Shareholders)
Membership in other management or supervisory bodies: University of Primorska – President of the Privy Council, University of Primorska, Science and Research Centre – President of the Management Board, Izola General Hospital – Member of the Council of the Institute.

Bojan Brank, Member – frozen membership since 7th September 2012
Representative of shareholders: the Republic of Slovenia
Commenced a four-year term on 14th July 2009 (16th General Meeting of Shareholders)
Membership in other management or supervisory bodies: Mercator, d. d. – Member of the Supervisory Board.
As of 7 September 2012, Bojan Brank's position as a Member of the Supervisory Board as well as the Chairman of the Human Resources Committee of the Supervisory Board was frozen due to having been appointed the President of the Management Board of Luka Koper, d. d., in accordance with the provisions of Article 273 (§2) of the Companies Act (ZGD-1).

Dr Marko Simoneti, Member
Representative of shareholders: the Republic of Slovenia
Commenced a four-year term on 14th July 2009 (16th General Meeting of Shareholders)

Jordan Kocjančič, Member
Representative of shareholders: the Republic of Slovenia Funds
Commenced a four-year term on 14th July 2009 (16th General Meeting of Shareholders)
Membership in other management or supervisory bodies: Avtotehna, d. d. – President of the Management Board, Probanka, d. d. – Member of the Supervisory Board

Sabina Mozetič, Member
Representative of shareholders: the Municipality of Koper
Commenced a four-year term on 12th July 2011 (19th General Meeting of Shareholders)
Membership in other management or supervisory bodies: Koper Health Care Centre – Member of the Council of the Institute, Rižanski vodovod Koper, d. o. o. – Member of the Council

Representatives of employees:

Mladen Jovičič, Member
Commenced a four-year term on 8th April 2009 (16th General Meeting – informing of shareholders)

Stojan Čepar, Member
Commenced a four-year term on 8th April 2009 (16th General Meeting – informing of shareholders)

Nebojša Topič, MSc, Member
Commenced a four-year term on 28th July 2012 (20th General Meeting – informing of shareholders)

External member of the Supervisory Board's Audit Committee:

Blanka Vezjak, MSc, external member of the Supervisory Board's Audit Committee
Appointed on 11th September 2009 (1st meeting of the Supervisory Board), and re-appointed on 12th August 2013.
Membership in other management or supervision bodies: Pozavarovalnica Sava, d.d. (until July 2013), Raiffeisen Banka, d. d. (until October 2013), SID banka, d. d., SID – Prva kreditna zavarovalnica, d. d., Letrika, d. d., Skupna pokojninska družba, d. d., Ljubljana, Banka Celje, d. d., (from October 2013) – External Member of the Supervisory Board's Audit Committee.

Changes in the composition of the Supervisory Board from 15th July 2013 to 7th October 2013

At the 22nd General Meeting, the shareholders elected new representatives of shareholders: Vinko Može, Dr Andrej Godec, Dino Klobas, Nikolaj Abrahamsberg and Jordan Kocjančič.

Representatives of shareholders:

Dino Klobas, President of the Supervisory Board
Representative of shareholders: the Republic of Slovenia
From 15th July 2013 to 4th September 2013 (resigned)

Vinko Može, Member
Representative of shareholders: the Republic of Slovenia
From 15th July 2013 to 7th October 2013 (resolution by the General Meeting)

Dr Andrej Godec, Member
Representative of shareholders: the Republic of Slovenia
From 15th July 2013 to 7th October 2013 (resolution by the General Meeting)

Nikolaj Abrahamsberg, Member
Representative of shareholders: the Republic of Slovenia
From 15th July 2013 to 7th October 2013 (resolution by the General Meeting)
Membership in other management or supervisory bodies: Elektro Celje, d. d. – President of the Supervisory Board

Jordan Kocjančič, Member
Representative of shareholders: the Republic of Slovenia
From 15th July 2013 to 7th October 2013 (resolution by the General Meeting)
Membership in other management or supervisory bodies: Avtotehna, d. d., - President of the Management Board, Probanka, d. d. – Member of the Supervisory Board

Changes in the composition of the Supervisory Board from 7th October 2013:

At the 23rd session of the General Meeting of Shareholders held on the 7th of October 2013, the shareholders dismissed the following members of the Supervisory Board: Nikolaj Abrahamsberg, Vinko Može, Dr Andrej Godec and Jordan Kocjančič, and elected five new representatives of shareholders: Rado Antolovič, Dr Elen Twrdy, Andrej Šercer, MSc, Žiga Škerjanec and Dr Alenka Žnidaršič Kranjc.

Representatives of shareholders:

Dr Alenka Žnidaršič Kranjc, President of the Supervisory Board
Representative of shareholders: the Republic of Slovenia
Commenced a four-year term on 7th October 2013 (23rd General Meeting of Shareholders)
Membership in other management or supervisory bodies: Prva osebna zavarovalnica, d. d., - CEO, Skupina Prva, zavarovalniški holding, d. d., - President of the Manangement Board, Deos d. d. – President of the Supervisory Board

Dr Elen Twrdy, Deputy President
Representative of shareholders: the Republic of Slovenia
Commenced a four-year term on 7th October 2013 (23rd General Meeting of Shareholders)
Membership in other management or supervisory bodies: Faculty of Maritime Studies and Transport – Dean.

Rado Antolovič, Member
Representative of shareholders: the Republic of Slovenia
Commenced a four-year term on 7th October 2013 (23rd General Meeting of Shareholders)
Membership in other management or supervisory bodies: JSC Novorossiysk Commercial Sea Port (until 18th June 2013) – President of the Management Board, LLC Baltic Stevedoring Company (until 18th June 2013) – Member of the Supervisory Board, P&O Maritime (from 19th June 2013) – President of the Management Board.

Andrej Šercer, MSc, Member
Representative of shareholders: the Republic of Slovenia
Commenced a four-year term on 7th October 2013 (23rd General Meeting of Shareholders)

Žiga Škerjanec, Member
Representative of shareholders: the Republic of Slovenia
Commenced a four-year term on 7th October 2013 (23rd General Meeting of Shareholders)

Membership in other management or supervisory bodies: Helios, d. d. – Member of the Supervisory Board

6.4.2 Work of the Supervisory Board

The work of the Supervisory Board is governed by statutory regulations, the Articles of Association and the Rules of Procedure of the Supervisory Board, the Corporate Governance Code, The Governance Code for Capital Investments by the Republic of Slovenia, the Recommendations of the Manager of Direct and Indirect Capital Investments by the Republic of Slovenia, and recommendations of the Association of Supervisory Board Members. The Supervisory Board was informed of the content of the Code of Ethics of the Luka Koper Group, which was adopted by the management Board of Luka Koper, d. d., in February 2012.

In 2013, the Supervisory Board was comprised of three different compositions. Details, resolutions and views of the Supervisory Board are presented in the Report of the Supervisory Board for 2013.

6.4.3 Conflict of Interest Statement of the Members of the Supervisory Board

Pursuant to Appendix C3 to the Corporate Governance Code of Public Limited Companies, all Members of the Supervisory Board and the external Member of the Supervisory Board's Audit Committee each signed at the start of 2014 the statement of no conflict of interests, which would indicate that an individual member:

- Has currently or in the past three years engaged in significant business relations with either Luka Koper, d. d., or its related companies;
- Is a major shareholder of Luka Koper, d. d.;
- Is as an individual either economic, personal or any other close ties with the major shareholder or its Management Board,
- Is a significant supplier of goods and services (inclusive of consultancy or auditing services),
- Has received, over the past three years, major receipts from Luka Koper, d. d., or its related companies, other than payments received as a member of a body of Luka Koper, d. d., or its related companies,
- Holds the position, in the last three years, of either a partner or employee of the current or past external auditor of Luka Koper, d. d., or its related company,
- Is a close relative of another Member of the Supervisory Board or the Management Board of Luka Koper, d. d.

Statements are also available at www.luka-kp.si/slo/za-vlagatelje.

6.4.4 Supervisory Board's Committees

The Supervisory Board includes three Committees: the HR Committee, the Audit Committee and the Committee for Infrastructure and Operations, all of them performing specific tasks to help the Supervisory Board. A Committee for the appointment of candidate for Supervisory Board Members of Luka Koper, d. d. was established in 2013.

Until 14th July 2013, the entire Supervisory Board performed tasks of the HR Committee. On 12th August 2013, the new Supervisory Board appointed a HR Committee in the following composition: Sabina Mozetič (Chairman), Vinko Može (Member) and Stojan Čepar (Member). The Committee had not meetings. Following the appointment of new Members of the Supervisory Board – representatives of shareholders – at the beginning of October, a new HR Committee was appointed on 16th October as follows: Rado Antolovič (Chairman), Andrej Šercer, MSc (Member), Sabina Mozetič (Member) and Stojan Čepar (Member). The new HR Committee met three times with the aim to prepare a proposal to the Supervisory Board to appoint a Member of the Management Board responsible for finance and accounting and a Member of the Management Board responsible for operations and sales.

The Audit Committee met eight times in 2013. At the four meetings, the Audit Committee was comprised of Jordan Kocjančič (Chairman), Mladen Jovičič (Member) and Blanka Vezjak, MSc (external member). On 12th August 2013, the new Supervisory Board re-appointed the Audit Committee in the following composition: Jordan Kocjančič (Chairman), Mladen Jovičič (Member) and Blanka Vezjak, MSc (ember). The Committee met only once. On 16th October 2013, the new Supervisory Board appointed a new Audit Committee composed of the following members: Žiga Škerjanec (Chairman),Dr Alenka Žnidaršič Kranjc (Member), Mladen Jovičič (Member) and Blanka Vezjak, MSc (external member), who met three times.

The Committees of Infrastructure active during the term of the first and second Supervisory Boards did not meet. The Committee of Infrastructure in the first half-year was composed of the following members: Dr Marko Simoneti (Chairman), Tomaž Može (Member), Nebojša Topič, MSc (Member) and Sabina Mozetič (Member). Under the Supervisory Board that was appointed afterwards, the Committee was comprised of the following members: Dr Andrej Godec (Chairman), Vinko Može (Member) and Nebojša Topič, MSc (Member). Since 16th October 2013, the Committee of Infrastructure and Operations has the following members: Dr Elen Twrdy, Rado Antolovič, Nebojša Topič, MSc, and Stojan Čepar, who met on two occasions, each time discussing the investments plan of the Luka Koper Group for 2014.

Pursuant to the provision 7.2 and Appendix B3 of the Corporate Governance Code, the Supervisory Board appointed a Committee for the appointment of candidates for Supervisory Board Members of Luka Koper, d. d., on 21st May 2013. The Committee consists of the following members: Dr Janez Požar (Chairman), Tomaž Može (Member), Jordan Kocjančič (Member), Irena Prijovič, MSc (Member – representative of shareholders, Pension Fund Management) and Roman Dobnikar (Member – representative of shareholders, Slovenian Compensation Company). The Committee met on one occasion, agreeing on the procedure of preparing the proposal for Members of the Supervisory Board of Luka Koper, d. d.

6.4.5 Payments to the Supervisory Board

Besides attendance fees, payments to the Members of the Supervisory Board and the Committees of the Supervisory Board also comprise payment for carrying out their functions. The remuneration for the correspondence sessions and the amount of payments are determined by the General Meeting each year. Members of the Supervisory Board and of the Supervisory Board's Committees are also entitled for the reimbursement of travel costs and other costs for arrival and attendance at sessions. The amounts of received payments and reimbursements are reported in Note 32 of the Financial Report of Luka Koper, d. d., and their ownership of shares in the Chapter The LKPG Share.

6.5 THE MANAGEMENT BOARD OF THE COMPANY

In accordance with the Articles of Association, the Management Board directs the Company's operations and represents the Company. The method of work and of adopting decisions of the Management Board, and work area of individual Members of the Management Board are governed by the Rules of Procedure of the Management Board. In accordance with the Corporate Governance Code for Public Limited Companies, the Management Board places great emphasis on responsibility and corporate transparency. The Management Board works in accordance with the principles of the Code of Ethics of the Luka Koper Group and the Corporate Governance Code.

Until 7th September 2013, the Management Board of Luka Koper, d. d., consisted of Bojan Brank (President of the Management Board), Marko Rems (Member of the Management Board) and Matjaž Stare (Employee Director).
At the meeting held on 26th August 2013, the Supervisory Board appointed Gašpar Gašpar Mišič as President of the Management Board for a term of five years, commencing 7th September 2013.

Composition of the Management Board of Luka Koper, d. d., as at 31st December 2013:

- **Gašpar Gašpar Mišič**, born 1966
  President of the Management Board

Mr Gašpar Mišič holds a BSc in Nautical Studies. He gained his first work experience as a merchant navy officer at the Portorož-based Splošna Plovba company. In 1994 he founded a company (Gasspar Invest d.o.o.) engaged in real-estate management and trade. Between 2010 and 2011 he was Deputy Mayor of Piran Municipality. From 2011 to 2013 Mr Gašpar Mišič was a deputy in the National Assembly of the Republic of Slovenia and in this capacity he was – in addition to other functions – Deputy President of the Committee for Infrastructure and Spatial Planning and a member of the Constitutional Commission. From April 2013 to August 2013 he was the State Secretary in the Cabinet of the Prime Minister of the Republic of Slovenia where he was responsible for the co-ordination of large infrastructure projects and assistance in the rehabilitation of companies in difficulties. On 26th August 2013, he was appointed President of the Management Board of Luka Koper, d. d., for a term of five years, commencing on 7th September 2013.

- **Marko Rems**, born 1967
  Member of the Management Board

Mr Rems graduated from the Faculty of Economics in Ljubljana. During his career, he has held a number of leading positions, mainly in the fields of finance and informatics. In 1992 he gained a position at the Agency of the Republic of Slovenia for Restructuring and Privatisation, first as head of projects and then as head of Information Technology Services. He continued his career in a number of leading positions; among others, he was a procurator and Member of the Management Board of Žito, d. d. Since the beginning of 2008, he has been a Member of the Management Board of Adriatic Slovenica, d. d.
His five-year term of office started on 1st March 2010. On 5th September 2013, Mr Rems gave a notice on his resignation as a Member of the Management Board.

- **Matjaž Stare**, born 1957
  Employee Director

Mr Stare graduated from the Department of Defence Studies of the Faculty of Social Sciences. He worked in various fields within the Ministry of Defence and, following Slovenia's independence,

continued his independent career in the design and management of media projects, marketing and sales, publishing, publications, journalism and working with people.
His five-year term of office started on 18th October 2010.

In 2013, the Members of the Management Board of Luka Koper, d. d., held the following positions in management and supervisory bodies of non-related companies:

- Gašpar Gašpar Mišič, President of the Management Board of Luka Koper, d. d., since 7th September 2013; was a Member of the Supervisory Board of IEDC Bled School of Management.
- Bojan Brank, President of the Management Board of Luka Koper, d. d., until 6th September 2013; was Director of the company Abena, d. o. o., and Member of the Supervisory Board of Mercator, d. d.

Composition of the Management Board of Luka Koper, d. d., since 1st February 2014

- **Gašpar Gašpar Mišič**, President of the Management Board, appointed on 26th August 2013 for a term of five years commencing 7th September 2013,
- **Andraž Novak**, Member of the Management Board for Operations and Sales, appointed on 10th January 2014; his five-year term commences on 13th January 2014,
- **Jože Jaklin**, Member of the Management Board for Finance and Accounting, appointed on 13th December 2013; his five-year term commences on 1st February 2014,
- **Matjaž Stare**, Employee Director; his five-year term commences on 18th October 2010.

Newly appointed Members of the Management Board:

- **Andraž Novak**, born in 1966
  Member

After several years of service in the merchant navy, where he achieved the position of first officer, Mr Novak obtained the title of marine engineer at the Faculty of Maritime Studies and Transport in Portorož. Since 1995 Mr Novak has occupied various managerial positions at Luka Koper, d. d., including director of the Break Bulk Terminal and the General Cargo Terminal. In 2008 he completed specialist post-graduate studies at the Faculty of Maritime Studies and Transport. He was appointed a Member of the Management Board of Luka Koper, d. d., responsible for operations and sales in January 2014.

- **Jože Jaklin**, born in 1964
  Member

Mr Jaklin commenced his career upon graduation from Ljubljana's Faculty of Economics in 1989 as a financial advisor in the field of company evaluation and restructuring. Between 1993 and 1997 he was Deputy President of the Agency of the Republic of Slovenia for Restructuring and Privatisation where he was active in the fostering and implementation of ownership transformation in social enterprises, as well as the resolution of a number of privatisation issues. In 1997, he completed international post-graduate MBA study at Clemson University, South Carolina. Between 1997 and 2001 MrJaklin was a Member of the Management Board of the Slovenian Development Corporation where, among other things, he took the role of companies supervisor in a number of corporate restructuring processes. Since 2002, he has been a Member of the Management Boards of Geoplin, Litostroj E.I., Cimos and Salonit with responsibility for finance. In December 2013, Mr Jaklin was appointed by the company's

Supervisory Board to the Management Board of Luka Koper, d. d., as the member responsible for finance and accounting, commencing his five-year term on 1st February 2014.

The presentation of the Members of the Management Board is also available on the Company website http://www.luka-kp.si/slo/o-podjetju/vodstvo-podjetja/uprava-druzbe.

6.5.1 Work of the Management Board

The Management Board autonomously directs the operations of the Company in its best interests, and assumes sole responsibility for its actions. It performs its work in accordance with the regulations, the Articles of Association and the binding decisions of the Company bodies.

The Company is represented by the Members of the Management Board, who were in 2013 in charge of the following areas:

Tasks of the President of the Management Board:

- Institutional coordination and multimodalism,
- Internal audit,
- Public relations,
- Legal matters,
- HR and organisational matters,
- Investments, techniques and procurement,
- General protection and marine protection,
- Profit centres,
- Operations and sales,
- Marketing,
- Coordination of operations, and
- Internal railway transport.

Tasks of the Member of the Management Board for Finance:

- Finance and accounting,
- Control,
- Development of computer-assisted business processes,
- Quality,
- Cost supervision,
- Electronics, and
- R&D.

Tasks of the Member of the Management Board – Employee Director:

- To represent employee interests regarding HR and social issues of employees in accordance with the Worker Participation and Management Act,
- To ensure health of employees, and the ecology, and
- To fulfil operations and tasks arising from written agreements between employees and employers (participatory agreement and other agreements).

The number of Members of the Management Board increased and their respective tasks were changed at the beginning of 2014.

6.5.2 Remuneration of the Management Board

The receipts of the Management Board are comprised of a fixed and variable component. They are stipulated in the fixed-term management employment contracts concluded with Members of the Management and in the management contract for the Chairman of the Management Board Bojan Brank. The contracts are concluded among individual Members of the Management Board and the Supervisory Board, which also determines reimbursements and perks. The amounts of payments, reimbursements and benefits are reported in Note no. 32 of the Financial Report of Luka Koper, d. d., whereas information regarding the number of shares owned by the Management Board Members is presented in the chapter headed The LKPG Share.

6.5.3 Conflict of interest statement of the Members of the Management Board

Pursuant to Appendix C3 to the Corporate Governance Code of Public Limited Companies, all Members of the Supervisory Board and the external Member of the Supervisory Board's Audit Committee each signed at the start of 2014 the statement of no conflict of interests, which would indicate that an individual member:

- Has currently or in the past three years engaged in significant business relations with either Luka Koper, d. d., or its related companies;
- Is a major shareholder of Luka Koper, d. d.;
- Has as an individual either economic, personal or any other close ties with the major shareholder or its Management Board,
- Is significant supplier of goods and services (inclusive of consultancy or auditing services),
- Has received, over the past three years, major receipts from Luka Koper, d. d., or its related companies, other than payments received as a member of a body of Luka Koper, d. d., or its related companies,
- Holds the position, in the last three years, of either a partner or employee of the current or past external auditor of Luka Koper, d. d., or its related company,
- Is a close relative of another Member of the Supervisory Board or the Management Board of Luka Koper, d. d.

Statements are also available at www.luka-kp.si/slo/za-vlagatelje.

6.6 MANAGEMENT AND GOVERNANCE OF THE COMPANIES OF THE LUKA KOPER GROUP

As regards the management and the dividend policy, investments are classified into four groups:

- **Portfolio investments** are investments in the shares of companies which are listed on the stock exchange, investment funds, deposits and other financial instruments. They are managed for the purpose of ensuring and managing the liquidity of the Luka Koper, d. d., and the Luka Koper Group.

- **Non-strategic investments** are investments in the shares and stakes of companies engaged in activities not directly linked to the strategic orientation of the parent company, and are not portfolio investments. They are managed in accordance with the investment custody. Investments will be subject to various types of disinvestment.
- **Strategic investments** are investments in the shares and stakes of companies engaged in an activity directly linked with strategic orientations of the parent company. They are managed in accordance with the principle of the operation of affiliated groups.
- **Other strategic investments** are investments in the shares and stakes of companies engaged in an activity directly linked with strategic orientations of the parent company. They are managed in accordance with the principle of the operation of affiliated groups.

In terms of non-strategic financial investments, we endeavour to maximise the payment of profit, and in strategic investments and other strategic investments we pursue the goal of harmonised payment of profits with regard to investment and research cycles.

Management and governance of subsidiaries of the Luka Koper Group as at 31st December 2013

Company	Director	Equity stake of the parent company (in %)
Luka Koper INPO, d. o. o.	Mirko Pavšič	100.00
Adria Terminali, d. o. o.	Aleš Miklavec	100.00
Luka Koper Pristan, d. o. o.	Darko Grgič	100.00
Adria Investicije, d. o. o.	Mojca Černe Pucer	100.00
Logis Nova, d. o. o.	Mirko Pavšič	96.26
TOC, d. o. o.	Ankica Budan Hadžalič	68.13

6.7 INTERNAL AUDIT

Internal audit of Luka Koper is performed by the Internal Audit Department on the basis of the fundamental internal audit document. The Internal Audit Department was established for the purpose of internal auditing for Luka Koper, d. d., and the Luka Koper Group, and it is an independent organisational part, which remains directly responsible to the President of the Management Board of the Company. Its organisational independence is successfully realised through the functional responsibility and reporting to the Supervisory Board.

The work of the Internal Audit is determined in the Rules on the Internal Audit's Work, which has been prepared in accordance with the applicable definition of internal auditing, in the Code and the International Standards for the Professional Practice of Internal Auditing. The Internal Audit has been established to add value and improve Company's and Group's performance, and it helps realise their goals with systematic and methodological assessment as well as with the improvement of management, risk management and control procedures.

In 2013, the Internal Audit carried out internal audit activities and other activities in accordance with the approved annual plan of work. Seven new audits were planned as well as the conclusion of one from the previous year; all except one were realised. Furthermore, two unplanned audits were carried out on the Management Board's initiative. In total, eight audits were realised, which were intended to check the existence and operation of internal controls; recommendations were provided to improve them. In addition to the planned and unplanned audits, we also carried out post-audit activities every quarter of the year in order to check the implemented measures for improves management of risks identified during internal audit. The advisory activity provided help, primarily in the development of the internal control system and risk management.

The Internal Audit reported about each performed task to the Management Board and collectively about the performed tasks, the suitability of internal controls and the implementation of internal audit recommendations to the Management Board and the Audit Committee of the Supervisory Board every quarter of year. It reports to the Supervisory Board on an annual basis.

6.8 INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

By implementing adopted policies and procedures applicable to the internal control system in the field of accounting, our objective is to ensure accurate, reliable and complete records of business events, and the preparation of financial statements, which are a true and fair presentation of the financial position, operating result, cash flow and changes in equity, in accordance with international accounting standards and with applicable laws and other regulations.

The fundamental internal accounting controls focus on:

- Data accuracy controls; and
- Data processing completeness controls.

The supervisory internal accounting controls focus on:

- The segregation of duties, i.e. clearly delineated rights and responsibilities, which is essential to ensure that transactions are carried out in accordance with the business policy, and to guarantee the successful performance of the Company, and
- Supervision over the accuracy and precision of the work performed by employees, i.e. a reconciliation between analytical records and the general ledger, and cross-checks.

The implementation of internal accounting control procedures ensures us that information used in the decision-making process for internal and external users is reliable, accurate, promptly delivered and cost-efficient. Internal accounting controls are closely tied to and dependent on IT controls which limit access to and secure data as well as the accuracy of data capture and processing.

6.9 EXTERNAL AUDIT

At its 22nd regular session held on 8 July 2013, the General Meeting of Shareholders appointed the audit firm Ernst & Young Revizija, poslovno svetovanje, d. o. o., Dunajska cesta 111, Ljubljana as the auditors of the financial statements of the managing company and the Luka Koper Group. When changing auditors, we follow the recommendations stipulated in the Code of Governance of Public Limited Companies concerning the change of auditors at least once every five years. The audit firm, approved by the General Meeting of Shareholders, has audited the statements for the fifth successive year.

The costs incurred for auditing Luka Koper, d. d. and its subsidiaries are presented in Note 4 of the Consolidated Financial Report.

7 EVENTS IN 2013

JANUARY

- The Capital Assets Agency of the Republic of Slovenia submitted a request for a General Assembly of Luka Koper, d. d. shareholders.
- We adopted the energy policy of Luka Koper, d. d., as a guideline to improve energy efficiency and thereby contribute to a more reliable energy supply, reduce environmental impact and further improve the company's performance.

FEBRUARY

- The company published the Non-Audited Business Report of the Luka Koper Group and Luka Koper, d. d. for January–December 2012.
- We visited partners in South Korea and presented them with the port's latest accomplishments as well as the further possibilities for cargo distribution via the Port of Koper.
- Following the withdrawal of the Port of Ravenna from the North Adriatic Ports Association, representatives of the ports of Koper, Trieste, Venice and Rijeka met to review and reconfirm the Association's vision and mission.
- Greece's MCCL Group established a new RO-RO service between Koper and the Black Sea Port of Poti.
- Within the EU-funded Empiric project, we organised a conference on the possibilities of improving the efficiency of the logistics chain for highly perishable goods via the Port of Koper.
- Luka Koper, d. d.'s Workers Council published its position against the sale of Slovenia's only seaport.

MARCH

- We published a call for a General Assembly of Luka Koper, d. d., shareholders, and, prior to the meeting, a proposal by the shareholder Koper Municipality on the appointment of a Member of the Supervisory Board.
- Slovenia's Minister of Economic Development, Mr Stanko Stepišnik, the Mayor of Koper Municipality, Mr Boris Popovič, and the President of the Management Board of Luka Koper, d. d., jointly signed a letter in support of the economic development efforts being made by the local community and the Port of Koper.
- Port of Koper's Passenger Terminal receives a Best Destination Experience award at the world's largest cruise fair.
- We gave awards to the best suppliers of Luka Koper, d. d., in 2012.
- Credit rating agency Coface grants Luka Koper Pristan d. o. o. an Excellent SME certificate, which attests the company's business excellence.
- In the context of the Zlata Nit research project, Luka Koper, d. d., is placed among the seven best employers in 2012.
- 207 applicants applied in response to this year's call by Luka Koper for bursaries and sponsorship under its Living with the Port fund. In accordance with the company's orientation towards sustainable development and support to the broader local community, Luka Koper funded 104 projects in the total value of €63,000.

APRIL

- At its session held on 4th April 2013, the Supervisory Board of Luka Koper, d. d., endorsed the Annual Report of Luka Koper, d. d., for 2012.

- At the same time, the Supervisory Board endorsed the Management Board's proposal on the allocation of distributable net profit of Luka Koper, d. d., for 2012 as follows:
    - a portion of distributable profit in the amount of € 2,380,000 be disbursed as dividends in the gross value of € 0.17 per ordinary share,
    - the remaining portion of distributable profit in the amount of € 1,383,795 be retained.
- At the General Assembly, shareholders did not vote in favour of the replacement of the Supervisory Board of Luka Koper, d. d. They endorsed the instigation of an audit of the company's transactions and the provision of a report in relation to any eventual harmful business transactions from the past. The notarial record indicates that this resolution was illegal. Both small shareholders' associations announced that they would bring an action for the annulment of the resolution. At the General Assembly, shareholders were also presented with the resolution adopted by the Workers Council of Luka Koper, d. d., on 18th March 2013, namely, the re-appointment of Mr Mladen Jovičič and Mr Stojan Čepar as Employee Representatives on the company's Supervisory Board for a four-year term.
- At the traditional investment conference organised by Ljubljana Stock Exchange, Luka Koper presented its operations and plans to Slovene institutional investors.
- As anticipated at the General Assembly, the Small Shareholders' Association of Slovenia brought an action for the annulment of the resolution of the 21st General Assembly of Luka Koper, d. d., dated 5th April 2013.
- On 26th April 2013, Luka Koper, d. d., sold 615,730 shares of Intereuropa d. d. (IEKG) to its subsidiary Luka Koper INPO d. o. o. Now, Luka Koper, d. d., holds 1,344,783 IEKG shares which accounts for 7.99% of Intereuropa d. d. voting rights.
- We completed the preliminary archaeological excavations at a plot at the foot of Sermin Hill, a location identified by the company in collaboration with the Ministry of Transport and Spatial Development as an alternative site for the disposal of silt from dredging operations. Following this investigation, the Company was required by Slovenia's Institute for the Protection of Cultural Heritage to ensure the presence of archaeologists during the implementation of ground works related to silt disposal. Project documentation for the acquisition of a permit to use this plot as a landfill site is currently being elaborated.
- At the end of April, Luka Koper, d. d., Luka Koper INPO d. o. o., and Adria Terminali d. o. o., were subject to regular audits of their quality management systems in accordance with ISO 9001:2008 standards and the environment protection system according to ISO 14001 standards. The parent company was also a subject to a regular audit of its BS OHSAS 18001:2007 (occupational health and safety regime), as well as a surveillance audit of its ISO 22000:2005 food safety management system in accordance with the provisions of EC 1221:2009. The Luka Koper Group companies successfully passed these audits and extended the validity of their respective certificates.
- We started building a facility that will be used for repair and servicing of port mechanisation.

MAY

- Company representatives met with the existing and potential business partners at the Luka Koper Day in Bratislava.
- As a consequence of the dismissal of Aldo Babič, MSc, from the position as Deputy President of the Management Board of Luka Koper, d. d., on the grounds of culpability, and consequently Aldo Babič's lawsuit against the company, Luka Koper, d. d., received on 22nd May 2013 Enforcement Order from Koper District Court in relation to the recovery of receivables by Aldo Babič. The Enforcement Order was made on the basis of the final ruling of the Koper Labour Court by way of which Luka Koper, d. d., is bound to acknowledge the

creditor all rights deriving from employment, including the calculation and remuneration of monthly salary between 15th July 2009 and 9th July 2012, as well as the payment of pertaining contributions and tax in relation to this amount. The net amount of the claim is €480,877.34 less the portion in the amount of €104,965.87 which was paid to him on 28th March 2013; this equals the amount which Luka Koper, d. d., believes the applicant was entitled to according to the judgment. Accordingly, Luka Koper, d. d., has submitted an objection against the Enforcement Order as well as a proposal to postpone execution. The competent Labour Court has twice ruled in favour of Luka Koper, d. d., but its third ruling was in favour of Aldo Babič. The second instance Labour Court has endorsed the third ruling, making it legally binding. Luka Koper, d. d., has filed an application for extraordinary remedy – an audit – against such decision.

JUNE

- The Government of the Republic of Slovenia endorsed the 2011–2015 development programme of the Port of Koper.
- The Government of the Republic of Slovenia adopted a resolution on a 102,077.49 m^2 expansion of the Port of Koper zone. The land will be used for the disposal of silt from dredging.
- Japanese shipowner Mitsui O.S.K. Lines (MOL) has returned to the Port of Koper, offering container shipping services to and from the Far East.
- At the session held on 14th June 2013, the Supervisory Board of Luka Koper, d. d., gave its consent to the initiation of procedures for the extension of the southern part of pier I in order to increase capacities at the Container Terminal from the current 720 thousand TEUs by additional 230 thousand TEUs a year. The project, which will be implemented in several phases and individual investments will be used gradually, will be completed by 2018. The estimated value of the entire project is €78 million. The project is compliant with the National Spatial Plan for the comprehensive spatial arrangement of the Port of Koper as well as the supplemented five-year development plan of the Port adopted by the Government of the Republic of Slovenia.
- Koper District Court annulled the resolution adopted by shareholders at the 21st General Meeting. The resolution instructed the Supervisory Board to audit the non-audited business transactions of Luka Koper, d. d., for the 2007–2011 period.
- We published public call for tenders in relation to the disposal of the Prenočišče Prisoje real estate.

JULY

- At the 22nd General Meeting of Shareholders held on 8th July 2013, the shareholders:
  - were presented with the endorsed Annual Report of the Luka Koper Group and Luka Koper, d. d., for 2012,
  - adopted the resolution on the proposed allocation of 2012 distributable profit in the amount of €3,763,795:
  - a portion of distributable profit in the amount of €2,380,000 be disbursed as dividends in the gross value of €0.17 per share,
  - the remaining distributable profit in the amount of €1,383,795 be left undistributed,
  - endorsed the work of the Management and Supervisory Boards for 2012,
  - appointed the audit firm Ernst & Young, d. o. o., Dunajska cesta 111, Ljubljana, as the external auditor of Luka Koper, d. d., and the Luka Koper Group for 2013,

  - appointed five new Members of the Supervisory Board: Vinko Može, Andrej Godec, Dino Klobas, Nikolaj Abrahamsberg and Jordan Kocjančič,
  - adopted the resolution on the amount of remuneration and attendance fees for Members of the Management Board and Members of Management Board's Commissions for the following twelve months,
  - rejected the resolution authorising the General Meeting of Shareholders to issue an authorisation to Luka Koper, d. d., to acquire and dispose of treasury stock.
- Luka Koper, d. d., took out a seven-year loan in the amount of €20 million to refinance a portion of its financial liabilities that fall due this year.
- Borut Muženič from Luka Koper, d. d., receives Primorska Chamber of Commerce and Industry's 2012 Best Innovation Award.

AUGUST

- At its constitutional session held on 12th August 2013, Members of the Supervisory Board of Luka Koper, d. d., elected Dino Klobas as the President of the Supervisory Board and Nikolaj Abrahamsberg as his Deputy.
- At its regular session held on 26th August 2013, the Supervisory Board of Luka Koper, d. d., appointed Gašpar Gašpar Mišič as President of the Management Board commencing 7th September 2013.
- On 28th August 2013, Slovenska odškodninska družba submitted a request for the call of the General Meeting of Shareholders to the Management Board of Luka Koper, d. d.
- Rail operator Baltic Rail established a new container service between Koper and Wroclaw, Poland.

SEPTEMBER

- On 5th September 2013, the Management Board of the Company published a call for the 23rd General Meeting of Shareholders of Luka Koper, d. d.
- On 5th September 2013, Member of the Management Board of Luka Koper, d. d., Marko Rems, provided his resignation from the Management Board to the President of the Supervisory Board of Luka Koper, d. d.
- On 6th September 2013, Mr Dino Klobas resigned from his position as President of the Supervisory Board of Luka Koper, d. d.
- Austria's rail logistics provider Rail Cargo Austria established a new regular service linking Koper with Bavaria.
- At the Port Day, visitors toured the Port by boat, bus and bicycle. This year's novelty was a tour of the Container Terminal.
- Koper's Passenger Terminal broke a daily record for the number of passengers visiting the Port (5,927).
- At its regular session, the Supervisory Board endorsed the investment project for the construction of a storage area behind the 7.C berth at the Container Terminal. This is a part of a larger project for the extension of the southern part of pier I to increase capacities at the Container Terminal.
- Borut Muženič from Luka Koper, d. d., received 2012 Best Innovation Award from the Chamber of Commerce and Industry of Slovenia.

OCTOBER

- At the 23rd General Meeting of Shareholders of Luka Koper, d. d., held on 7th October 2013, the shareholders dismissed the Members of the Supervisory Board Nikolaj Abrahamsberg, Vinko Može, Andrej Godec and Jordan Kocjančič, and appointed five new Members of the Supervisory Board: Rado Antolovič, Elen Twrdy, Andrej Šercer, Žiga Škerjanec and Alenka Žnidaršič Kranjc. They also adopted amendments to the Company's Statute, which are however not yet effective, as the Small Shareholders' Association of Slovenia lodged a lawsuit with Koper District Court against the resolution of the 23rd General Meeting of Luka Koper, d. d., regarding the changes of the Company's Statute.
- At its constitutional session held on 16th October 2013, the Supervisory Board elected Alenka Žnidaršič Kranjc as its President and Elen Twrdy as Deputy President.
- We obtained building permits for the construction and filling of the 7.A disposal site and the disposal site on the plot No. 799/29, the cadastral municipality of Ankaran. The disposal sites are intended for the disposal of dredged material from basin I along the operational shore for containers.
- We presented ourselves at the Cruise Shipping Asia 2013 in Singapore.
- At the 10th anniversary of the Phoenician Express direct container shipping line in Slovenia, French shipowner CMA-CGM expressed special acknowledgment to Luka Koper, d. d., as the best port of the North Adriatic Sea region.

NOVEMBER

- On the basis of the resolution of the Supervisory Board dated 16th October 2013, Luka Koper, d. d., published on 4th November 2013 a public invitation to submit applications for the position of Member of Management Board responsible for finance and accounting and Member of the Management Board responsible for operations and sales.
- On 14th November 2013, Luka Koper, d. d., received from Koper District Court a lawsuit filed by Društvo MDS, d. o. o., regarding the determination of annulment and challenging of resolutions adopted by the General Meeting of Shareholders of Luka Koper, d. d., from 7th October 2013; in the lawsuit, the claimant enforces the legal remedy announced at the General Meeting against resolution no. 3 regarding the adoption of changes of the Company's Statute.
- Luka Koper, d. d., received the 2013 NETKO Award (web Oscar) for its website www.zivetispristaniscem.si.
- We signed the Letter of Intent with the Koper Secondary Technical School undertaking to establish closer cooperation in the area of targeted education and training.
- The Agency of the Republic of Slovenia for the Environment extended Luka Koper, d. d.,'s registration in the EMAS system for three years.
- European delegates passed a resolution officially placing the Port of Koper in the Baltic-Adriatic and Mediterranean corridor of the TEN-T network.

DECEMBER

- The Supervisory Board of Luka Koper, d. d., appointed Jože Jaklin as a Member of the Management Board responsible for finance and accounting for a five-year term commencing 1 February 2014.
- We met with our business partners from Austria and Hungary at the Port of Koper Days.
- We attended the traditional meeting with investors organised by the Ljubljana Stock Exchange.
- We were visited by the Minister of Economic Development and Technology, Stanko Stepišnik.

- In cooperation with the Chamber of Commerce and Industry of Slovenia, we organised the conference entitled the Future of Slovenian Logistics and Its Contribution to the Development of the Region.
- We met with representatives of the Port of Koper Community and business partners from the Czech Republic and Slovakia at the pre-New Year reception.
- As at 31st December 2013, we exceeded the record quantity of 600,000 TEUs at the Container Terminal.

8 EVENTS AFTER THE BALANCE SHEET DATE

JANUARY 2014

- The Supervisory Board of Luka Koper, d. d., appointed Mr Andraž Novak as Member of the Management Board responsible for operations and sales, for a five-year term commencing 13th January 2014.
- On 21st January 2014, the Management Board of Luka Koper, d. d., received a request from the Management Board of Slovenska odškodninska družba, d. d., to convene the General Meeting of Shareholders of Luka Koper, d. d.
- In January 2014, the Slovenian Maritime Administration placed two new buoys at the entrance to the canal of basin I. This has fulfilled the condition from the decision of the Slovenian Maritime Administration allowing the berthing of ships with draft of up to 11.8 meters (previously it was 11.4 metres) under special conditions. The mentioned novelty will not materially increase throughput at the Container Terminal of Luka Koper, d. d., until we have reached the depth of 14 metres by means of dredging works, which is planned to be implemented in April 2014.

FEBRUARY 2014

- On 6th February 2014, Luka Koper, d. d., presented an overview of the situation at the Port and the emergency measures adopted as a result of the natural disaster that affected a large part of the country.
- On 17th February 2014, the Management Board of the Company published a call for the 24th General Meeting of Shareholders of Luka Koper, d. d., scheduled for 19th March 2014.
- In February we started with the construction of a storage area behind the 7.C berth at the Container Terminal (at the front of pier I). This investment will provide us with additional 6,840 m^2 of area for the storage of 672 TEUs, which is a part of the project to extend pier I that is expected to be completed by 2018.
- We started the first phase of dredging works in basin I, which will be deepened to -13 metres. We are actively performing works to build and fill the disposal sites. These works coincide with the extension of pier I.

MARCH 2014

- At the General Meeting of Luka Koper, d. d., held on 19th March 2014, the shareholders adopted a change of the Company's Statute. The Municipality of Koper announced that it would bring an action against this resolution. The President of the Management Board of Luka Koper, d. d., Gašpar Gašpar Mišič, informed the shareholders about the situation in the area of actions for compensation brought against the former Management Board and Members of the Supervisory Board.
- We have completed the first phase of dredging works in basin I (-13 metres).
- The Slovenian Maritime Administration issued a decision allowing the berthing of ships with draft of 12.5 metres (previously 11.8 metres) at the Container Terminal.

9 FEATURES OF THE ECONOMIC ENVIRONMENT

In 2013, global goods flows were affected by the economic growth of developed countries, and was higher than expected, whereas developing countries performed below expectations. In the second half of 2013, the global economic activity and trade improved more than expected. During the year, the growth in highly developed economies received some fresh impetus, while it slowed down in the developing markets due to the poor domestic demand and limited room for manoeuvre for further measures of domestic policies.[6]

The short-term economic indicators in the eurozone point to an improvement in activities in the last quarter of 2013. In November 2013, the volume of production in processing activities and the revenue in retail trade showed a significant improvement, whereas the volume of performed construction works decreased in the last three consecutive months in 2013. The Economic Sentiment Indicator (ESI) for the eurozone has been increasing since April 2013; and it reached its highest value in January 2014 after June 2011.

The largest European economy, Germany, recorded an increase in the economic activity after a poor first half of 2013. But in spite of favourable year-end data, the 2013 economic growth in Germany is the lowest in the last three years. This is a result of domestic consumption and stagnating exports, which is a consequence of the recession, which is still present in some European countries, and slowed growth of the global economy.[7]

GROWTH OF CONTAINER THROUGHPUT

Global container throughput in 2013 was almost 4% higher than in 2012. Imports to Europe grew by 4.2% compared to the year before and exports grew by approximately 4%. Despite the limited capacities of vessels at the global level, the gap between the offer and demand for shipping has remained quite big and has consequently affected shipping fares, which are still low.

There are still many issues to be solved regarding the start of the alliance of three largest global shipping companies (Maersk, CMA-CGM and MSC), which is being postponed to the second half of 2014 on account of allegedly illicit grouping. Analysts' forecasts for 2014 container transportation are in general positive. Global transportation in ports as well as transportation relevant for the Port of Koper on Asia-Europe route is expected to increase. The estimated growth in transportation on the Asia-Mediterranean route is 10.2% and 4.3% on the Asia–North Europe route.[8]

DROP IN THE AUTOMOTIVE SEGMENT

According to ACEA[9] – European Automobile Manufacturers Association, the sales of new cars in the EU area dropped by 1.7% in 2013 as compared with 2012, in Germany even 4.2%, Austria 5.1%, France 5.7% and in Italy 7.1%.
All car manufacturers except Renault and Daimler recorded drop in sales: VW by 1.7%, PSA by 8.4%, BMW by 0.8%, Toyota by 0.2% and Hyundai by 2.2%.

[6] World Economic Outlook: UPDATE. Januar 2014. Washington. International Monetary Fund.
[7] Ekonomsko ogledalo. Januar 2014. Ljubljana. Urad Republike Slovenije za makroekonomske analize in razvoj.
[8] Containerisation International Magazine, Volume November 2013
[9] New Passenger Car Registration European Union, 2014. ACEA
URL: http://www.acea.be/uploads/press_releases_files/20140116_PRPC-FINAL1312_CORRECTION.pdf (quoted 26. 2. 2014)

In December 2013, EU recorded 13.3% more newly registered cars than in December 2012, which is a record-high increase after December 2009. Year-end results are a fairly optimistic forecast for the sales of cars in 2014.

10 PERFORMANCE ANALYSIS IN 2013

Maritime throughput of the Luka Koper Group stood at 18 million tonnes in 2013, which is 2% ahead of the plan and 1% ahead of the same period last year. Moreover, container throughput recorded record-high numbers in 2013, having exceeded 600,000 TEUs.

Operating revenue of the Luka Koper Group in 2013 amounted to €144.2 million, which is at the level of the plan, and €2.5 million (2%) up on 2012.

Operating profit in 2013 in the amount of €12.2 million was €6.9 million (36%) down on 2012. This is due to impairments of immovable property in the amount of €9 million and labour cost which increased by €2.4 million in 2013. Excluding the impairments of immovable property, the 2013 operating profit would be €21.1 million, i.e. €2 million (11%) ahead of that in 2012. The operating profit was €6.7 million (35%) behind the plan due to the unplanned impairments of immovable property.

Net operating profit of 2013 stood at €7.7 million, which is €2.7 million (26%) behind the 2012 net operating profit. Deferred taxes increase the net operating profit of 2013 by €1.5 million. Excluding the impairments of property and impairments of financial investments, the net operating profit in 2013 would amount to €17 million.

Luka Koper, d. d.

In 2013, Luka Koper, d. d., generated €136.8 million of operating revenue, which is 1% ahead of the plan and 3% (€3.5 million) ahead of 2012.

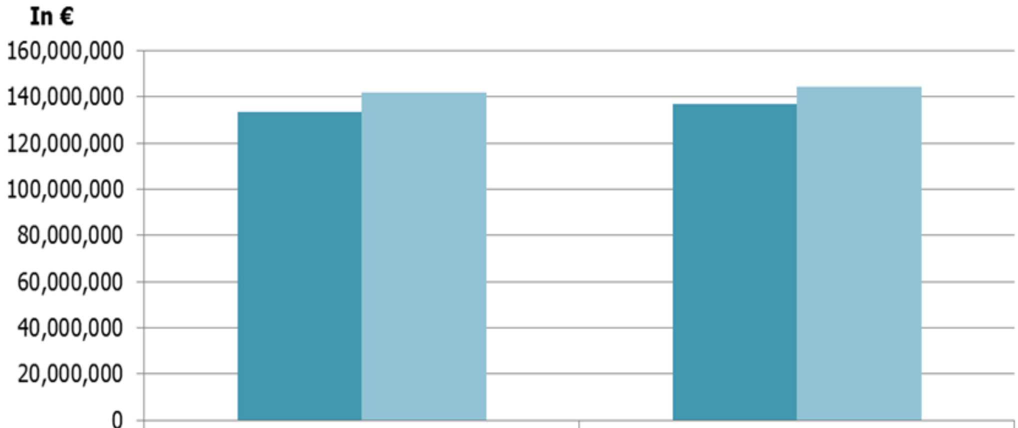
Operating profit in the amount of €10.6 million was 35% (€5.7 million) down on the 2012 operating profit. This is due to impairments of immovable property in the amount of €8.3 million and labour cost, which increased by €2.9 million. Excluding the impairments of property, the 2013 operating profit would be €18.9 million, exceeding that from 2012 by 16% (€2.6 million).

The net operating profit of Luka Koper, d. d., in 2013 was €4.6 million, down 39% (€2.9 million) on that from 2012. Deferred taxes increase the net operating profit by €1.6 million. Excluding the impairments of immovable property and impairments of financial investments the 2013 net operating profit would be €15.2 million.

10.1 OPERATING REVENUE

In 2013, the Luka Koper Group generated operating revenue in the amount of €144.2 million, which meets the plan and exceeds the 2012 operating revenue by 2% (€2.5 million). In comparison with 2012, the highest growth of operating revenue was recorded in the cargo group of containers; operating revenue from general cargoes and liquid cargoes also increased.

Operating revenue of Luka Koper, d. d., and the Luka Koper Group



	2012	2013
Luka Koper, d. d.	133,329,178	136,808,792
The Luka Koper Group	141,732,087	144,235,477

In 2013, Luka Koper, d. d., generated €136.8 million in operating revenue, which is 3% ahead of 2012. The revenue of the parent company Luka Koper, d. d., generated in 2013 accounts for 94.9% in the structure of the Luka Koper Group's operating revenue; therefore, the findings of the Group analysis also apply for the parent company.

Luka Koper INPO, d. o. o., which is engaged in the maintenance, production and maritime and utility services, generated €9.1 million in operating revenue in 2013, which is 5% down on 2012.

The terminal in Sežana which is operated by Adria Terminali, d. o. o., generated €1.3 million of operating revenue, falling 5% behind 2012.

Luka Koper Pristan, d. o. o., which is engaged in hotel services, recorded operating revenue in the amount of €0.7 million, which is 32% less than in 2012. This is due to fewer overnight stays.

TOC, d. o. o., which carries out analytical services in the area of control, recorded operating revenue in the amount of €0.3 million in 2013, down 2% on the operating revenue generated in 2012.

Operating revenue by cargo groups in the Luka Koper Group

(in €)	2013	2012	Index 2013/2012
General cargoes	32,254,456	31,300,110	103
Containers	37,990,193	32,485,352	117
Cars	14,996,239	16,178,114	93
Liquid cargoes	7,437,469	7,046,887	106
Dry bulk cargoes	31,462,090	33,551,646	94
Other	20,095,030	21,169,978	95
TOTAL	**144,235,477**	**141,732,087**	**102**

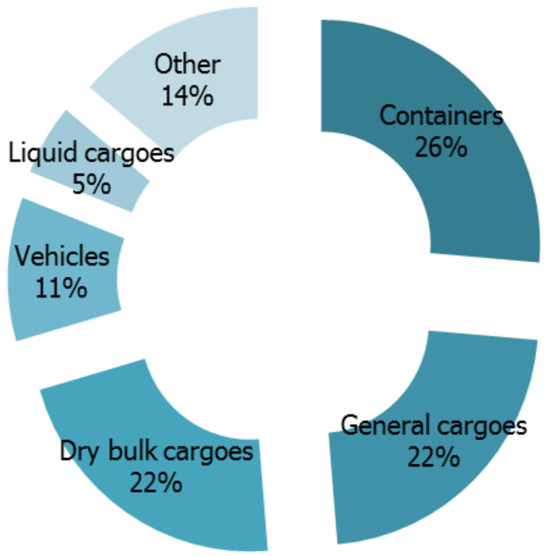
As compared with 2012, the operating revenue from general cargoes recorded a 3% increase (€0.9 million) in 2013, which is a result of increased throughput of iron and steel products and increased export of timber to North African countries.

Operating revenue from containers increased by 17% (€5.5 million) compared to 2012, which is due to an 8% increase in the throughput of full containers, higher revenue from storage activities and the introduction of new services.

Operating revenue from cars was 7% (€1.2 million) down on the revenue generated in 2012. The decline is attributable to a lower throughput of cars and a downturn in revenues from storage charges.
Regardless of a downturn in the maritime throughput of liquid cargoes, we managed to increase operating revenue by 6% (€0.4 million) compared to 2012. This increase is partly attributable to the throughput of a new cargo type. In addition, liquid cargo revenue is to a large extent not dependent on throughput due to the conclusion of fixed-price contract with clients.
Operating revenue generated from dry bulk cargoes was 6% (€2.1 million) below the 2012 level, which is a result of decreased throughput, in particular decreased transhipment of bulk cargo for the Italian market. Revenue from storage activities also dropped.

Other operating revenue in 2013 stood at €20.1 million, down 5% (€1.1 million) on the 2012 level. Within other operating revenue in the amount of the surplus of revenue over cost of regular maintenance of port infrastructure, we decreased revenue from port dues and formed long-term accrued expenses and deferred revenues in the amount of €1.8 million (2012: €1.2 million).
Transhipped quantities by individual cargo groups are presented in detail in Chapter Marketing: Cargo Groups and Markets.

Structure of operating revenue of the Luka Koper Group by cargo groups in 2013



10.2 OPERATING EXPENSES

The Luka Koper Group's operating expenses in 2013 amounted to €135.9 million, which is a year-on increase of 8% (€9.7 million). The share of operating expenses in operating revenue is 94.2%, which is 5.2 percentage points above that in 2012.
The increase in operating expenses can be attributed to write downs from impairments of real estate totalling €9 million, which were recognised in the last quarter of 2013. Labour cost increased by €2.4 million.
The share of write-downs in operating revenue increased by 4.8 percentage points, the share of labour cost by 1.2 percentage points and the share of other operating expenses by 1 percentage point. The share of cost of material and cost of services decreased.

Luka Koper, d. d.

Operating expenses of Luka Koper, d. d., stood at €127.7 million in 2013, which is 8% (€9.6 million) above the 2012 level. Write-downs recorded the highest increase, due to impairments of immovable property, which amounted to €8.3 million. Labour cost increased by €2.9 million.

Cost of material

Cost of material of the Luka Koper Group stood at €11.2 million in 2013, down 6% on 2012. The decrease can be largely attributed to lower electricity and fuel costs, which dropped by 8% (€0.6 million).

Cost of services

In 2013, the Luka Koper Group's cost of services stood at €40.3 million, falling 1% (€0.6 million) behind 2012. As a result of the reclassification of service costs related to railway wagon handling from the cost of other services to the cost of port services also in 2012, the cost of port services decreased by 4% (€0.9 million) in 2013, and cost of other services increased by 2% (€0.2 million) due to higher concession fees.

Labour cost

Labour cost of the Luka Koper Group stood at €39.9 million in 2013, which is 6% (€2.4 million) above the 2012 level. The increase is a result of the escalation of basic salaries in accordance with the corporate collective agreement in February 2013 by 0.8% and in August 2013 by 1.9%, and higher payments for on-the-job performance as well as the 13th salary. Higher labour cost is also a result of the payment from previous years' claims in the amount of €0.4 million.

As at 31st December 2013, the number of employees in Luka Koper Group companies was 982, which is 2% (17 employees) less than as at 31st December 2012. The structure of employees in individual workplaces also changed. The number and structure of employees is presented in Chapter HR Management.

Write-offs

In 2013, write-offs of the Luka Koper Group stood at €37.5 million, up 25% (€7.4 million) on last year. A majority of the costs was represented by amortisation and depreciation, reaching €28.2 million, which is 1% up on 2012. Revaluation operating expenses in 2013 increased by €7.2 million from impairments of immovable property, which amounted to €9 million in 2013 (2012: €1.7 million).

Other operating expenses

Other operating expenses of the Luka Koper Group amounted to €7 million in 2013, up 21% on 2012, due to provisions formed to cover the anticipated loss from litigation and claims for damages.

10.3 OPERATING PROFIT

In 2013, the Luka Koper Group generated €12.2 million in operating profit, which is a decrease of 36% (€6.9 million) compared to 2012.

EBITDA amounted to €40.4 million, down 14% (€6.8 million) on last year. Lower EBITDA is a result of impairments of immovable property in the amount of €9 million, and to a lesser extent also higher labour cost. Excluding the impairments of immovable property, the operating profit plus EBITDA would total €49.9 million in 2013, up 5% (€2.2 million) on that achieved in 2012. EBITDA was 14% (€6.6 million) behind the expectations.

Luka Koper, d. d.

In 2013, Luka Koper, d. d., generated operating profit of €10.6 million, down 35% (€5.7 million) compared to 2012.

EBITDA amounted to €37.2 million in 2013, down 13% (€5.5 million) to last year. Excluding the impairments of property, the operating profit plus EBITDA would total €45.6 million in 2013, up 7% (€2.8 million) on that achieved in 2012.

10.4 FINANCIAL REVENUE AND EXPENSES

In 2013, the Luka Koper Group generated €1.6 million in financial revenues, which is down 27% (€0.6 million) compared to 2012 due. This is attributed to lower financial revenue from loans granted.

Group's financial expenses stood at €7.1 million in 2013, which is 13% (€1 million) less than in 2012. Financial expenses from financial liabilities dropped by €1.6 million as a result of lower reference interest rate (EURIBOR) and lower volume of debts. Financial expenses from impairments and write-offs of financial investments increased by €0.5 million due to impairments of financial investments totalling €2.7 million. In 2012, impairments of financial investments stood at €2.2 million.

10.5 PRE-TAX PROFIT AND NET PROFIT

Pre-tax profit of the Luka Koper Group in 2013 amounted to €6.6 million, down 49% (€6.5 million) compared to 2012.

Net profit of the Luka Koper Group stood at €7.7 million in 2013, which is a year-on decrease of 26% (€2.7 million).

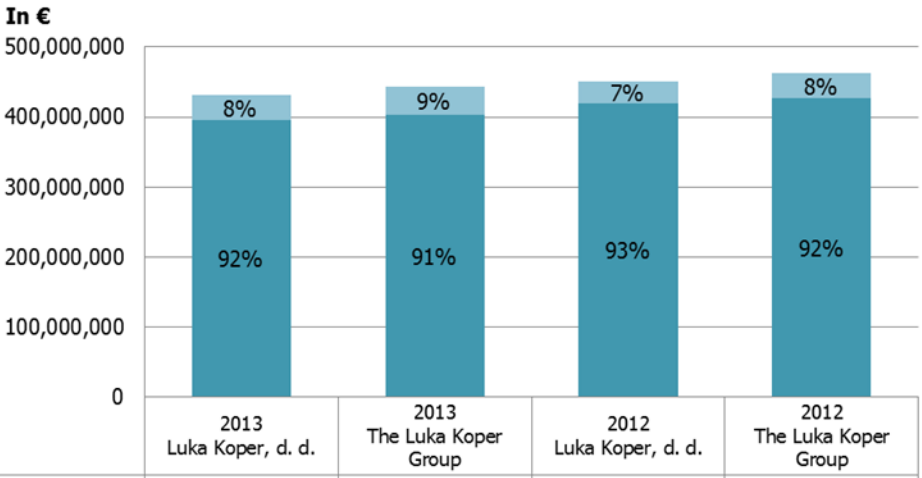
Luka Koper, d. d.

In 2013, the Luka Koper, d. d., generated €4.6 million in net profit, down 39% (€2.9 million) compared to 2012.

10.6 ASSETS AND LIABILITIES

As at 31st December 2013, the balance sheet total of the Luka Koper Group totalled €443.6 million, i.e. is 4% (€18.5 million) below the result from 31st December 2012.

Structure of assets of Luka Koper, d. d., and the Luka Koper Group



	2013 Luka Koper, d. d.	2013 The Luka Koper Group	2012 Luka Koper, d. d.	2012 The Luka Koper Group
Current assets and deferred expenses and accrued revenue	35,498,607	40,505,649	32,301,887	35,147,755
Non - current assets	395,411,533	403,052,914	418,917,611	426,938,800

A majority of all assets, i.e. 91%, comprises non-current assets, which were down €23.9 million compared to 31st December 2012. The largest decrease was recorded in property, plant and equipment due to the depreciation of assets, and impairments of property, plant and equipment in the amount of €9 million, as well as the reclassification of property leased to Luka Koper Pristan, d. o. o., among assets held for sale. Non-current financial assets increased by €3.3 million in total, which was affected by the increase in the share price of Krka, d. d.

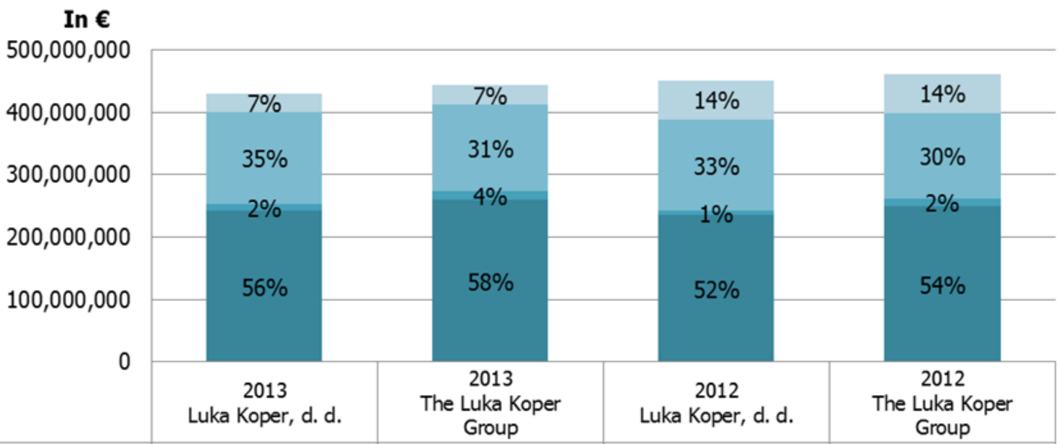
Compared to 31st December 2012, short-term assets increased by €5.2 million, amounting to €38.8 million. Assets (groups for disposal) held for sale increased by €3.6 million due to the reclassification of net assets of the subsidiary Luka Koper Pristan, d. o. o., – all assets of the company less liabilities of the company excluding equity – and real estate in lease. Operating receivables increased by €2.6 million. In the structure of short-term loans, deposits in banks decreased by €2.5 million due to the drawing of deposit.

Equity of the Luka Koper Group stood at €259.2 million as at 31st December 2013, representing 58% of the balance sheet total.

Non-current liabilities and provisions together with accrued costs and deferred revenues in the amount of €153 million account for 34% of total liabilities.

Compared to 31st December 2012, financial liabilities dropped by €30 million, amounting to €153.8 million as at 31st December 2013. Short-term borrowings from banks decreased. The share of financial liabilities in equity as at 31st December 2013 was 59%, down 14 percentage points compared to 31st December 2012, which points to further enhancing of financial strength. Details about financial liabilities of the Luka Koper Group are presented in the consolidated financial report under Financial Management and in notes No. 27 and 30.

Structure of liabilities of Luka Koper, d. d., and the Luka Koper Group



	2013 Luka Koper, d. d.	2013 The Luka Koper Group	2012 Luka Koper, d. d.	2012 The Luka Koper Group
Current liabilities	30,263,419	31,367,255	62,194,742	63,633,563
Non - current liabilities	148,271,737	138,167,515	147,106,829	137,071,591
Provisions	10,354,268	14,819,654	6,627,678	12,053,082
Equity	242,020,716	259,204,139	235,290,249	249,328,319

Luka Koper, d. d.

As at 31st December 2013, the balance sheet total of Luka Koper, d. d., stood at €430.9 million, down 5% (€20.3 million) compared to 31st December 2012.

Non-current assets, which account for 92% of total assets, dropped by €23.5 million compared to 31st December 2012 due to depreciation in the group of property, plant and equipment, impairments of property, plant and equipment in the amount of €8.3 million, and the reclassification of property leased to Luka Koper Pristan, d. o. o., among assets held for sale. Compared to 31st December 2013, short-term assets increased by €3 million due to the reclassification of property leased to Luka Koper Pristan, d. o. o., from long-term assets to assets held for sale, and due to increased operating receivables in the amount of €3.5 million.

Equity of Luka Koper, d. d., as at 31st December 2013 stood at €242 million, accounting for 56% of the balance sheet total.

Compared to 31st December 2012, financial liabilities dropped by €30 million due to lower short-term loans from banks.

10.7 CASH FLOW STATEMENT

Cash flow structure of Luka Koper, d. d., and the Luka Koper Group

	Luka Koper, d. d.		The Luka Koper Group	
In €	**2013**	**2012**	**2013**	**2012**
Cash flow from operating activities	46,817,933	43,498,483	49,391,319	45,828,425
Cash flow from investment activities	-7,588,454	-14,723,422	-9,000,557	-16,104,908
Cash flow from financing activities	-38,963,233	-29,047,118	-38,845,377	-29,153,442
Cash flow for the period	**266,246**	**-272,057**	**1,545,385**	**570,075**

In 2013, the Luka Koper Group generated a positive cash flow from operating activities in the amount of €49.4 million, which is €3.5 million more than in 2012. Operating profit before the change of net non-current assets and before tax was €0.6 million higher in 2013 compared to 2012. Changes in net current assets affected the decrease in cash flow from operating activities by €0.2 million (2012: €3.1 million).

In 2013, the Luka Koper Group generated negative cash flow from investment activities in the amount of €9 million.
Compared to 2012, the Luka Koper Group decreased the total investment expenses by €3.3 million to €15.8 million. The Group invested €14.8 million in property, plant and equipment, investment property and intangible assets, which is €3.8 million less compared to 2012. Expenses for the purchase of financial investments and increase of loans granted by the Group stood at €0.9 million in 2013, up €0.5 million on last year. Group's investment receipts were €3.8 million higher in 2013 compared to 2012, amounting to €6.8 million.

In 2013, the Luka Koper Group generated a negative cash flow from investment activities in the amount of €38.8 million. The Group spent €67.8 million for the repayment of loans, which is €14.5 million less than in 2012. The Group intended €4.4 million for the payment of interest on borrowings, which is €1.6 million less than in 2012. €2.4 million was spent on the payment of dividend, whereas no such payments were made in 2012.

In 2013, financial result of the Luka Koper Group was €1.5 million, up €1 million compared to 2012. The Group manages its long-term solvency and liquidity through careful planning and monitoring of generated cash flow on a weekly, monthly and yearly basis (details on cash and cash equivalents are presented in the Consolidated Financial Report, chapter Risk Management, Note No. 34).

Luka Koper, d. d.

In 2013, the cash flow from operating activities generated by Luka Koper, d. d., was €3.3 million higher than in 2012.
Cash flows from investment activities were negative. €14.5 million was invested in property, plant and equipment, investment property and intangible assets in 2013, down €3.2 million compared to 2012.
Negative cash flow from financing activities was affected by repayments of loans in the amount of €71.1 million, which is €12.8 million less than in 2012.
Cash flow in 2013 stood at €0.3 million; in 2012 cash flow was negative in the amount of €0.3 million.

11 MARKETING: CARGO TYPES AND MARKETS

11.1 MARKETING STRATEGY

Customer relationship is the key to ensure a positive corporate performance. We can achieve success by optimising the supply chain, which decreases customers' expenses, and at the same time by ensuring reliable and high-quality services aimed at achieving mutual benefits.

At the Luka Koper Group we see the best marketing opportunities in the area of containers and cars, yet we strive towards keeping the versatility of the Port and moderately increasing throughput of all other cargo groups.

In addition to increasing the turnover, our main marketing goals include the development of services (optimal service considering the yield), market management, customer satisfaction and management, effective operation of the port community, cooperation and connection with transporters, cooperation and connection with global logistics companies, setting up strategic partnerships in our activity, monitoring the development of the competition, and recognisability of the trademark and good reputation.

The Group will strive to increase the throughput on its traditional hinterland markets, such as Austria, Hungary, Italy, and South Germany, and on its newer markets (Slovakia, the Czech Republic, Poland and the Balkans). It will be vital for the Luka Koper Group to adapt to the existing capacities and acquire new ones in order to fully use the market opportunities. Every delay in the implementation of developmental projects can result in untimely adaptation to buyers' needs, which may end in a loss of competitive advantage.

In 2013, we stayed focused on increasing the recognisability of our Port in Central European, East European and overseas markets. We promoted the Port of Koper as the best entry point for goods on the way between the Middle and Far East and the European market.

In addition to organising traditional promotional events on hinterland markets where we have our own network of representative offices (Austria, Hungary, Slovakia), we attended many logistics conferences, economic delegations and meetings with our existing and potential buyers at important overseas markets in South Korea, Japan, India and Malaysia. We also attended the main Transport Logistics Fair in Munich and Logitrans in Istanbul in the role of exhibitors.

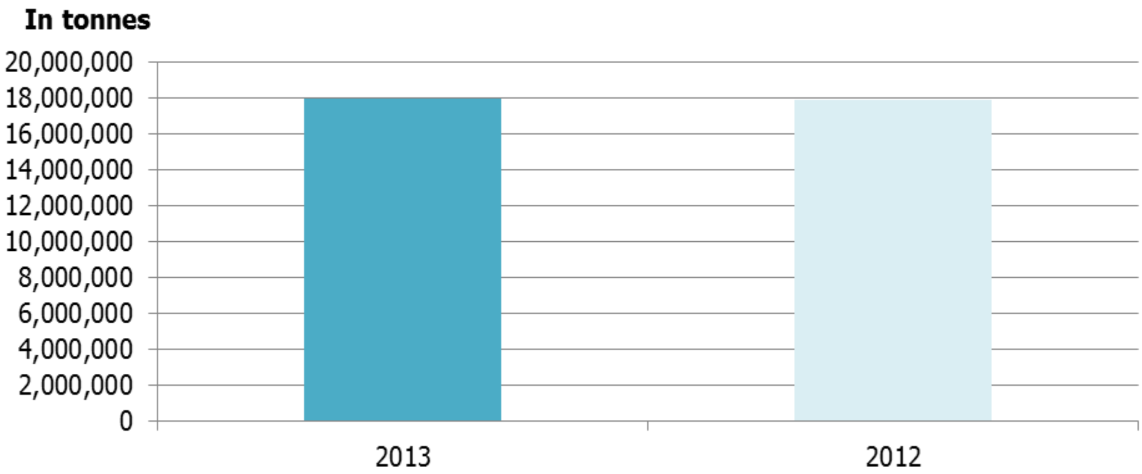
11.2 MARITIME THROUGHPUT

In spite of slow economic recovery in Slovenia and Europe, the Luka Koper Group managed to achieve growth in maritime throughput compared to 2012.

As at 31st December 2013, we achieved yearly record-high throughput of 600 thousand TEUs at the Container Terminal, and record-high total throughput of 18 million tonnes. Compared to 2012 higher throughput was recorded in cargo groups of general cargoes and containers, whereas other cargo groups recorded slightly lower numbers. The Group received 65,434 passengers at the Passenger Terminal in 2013, which is 2% more than in 2012.

Compared to 2012, the Luka Koper Group achieved 1% growth in imports, with the highest increase in containers on the Asia-Europe route. In exports, the Group recorded a 1% drop in maritime throughput compared to 2012.

Maritime throughput



11.3 MARITIME THROUGHPUT AT OTHER PORTS

North Adriatic ports are increasingly investing in container terminals. In spite of the fiercer competition, no port is at loss in terms of this as shipping companies do not arrive at the Adriatic area for one port only; they are looking for best alternatives throughout the destination to optimise their operations.

Maritime throughput in tonnes by ports[10]

	2013	2012	Index 2013/2012
Venice	24,411,377	25,349,248	96
Trieste	56,000,000	49,206,870	114
Ravenna	22,486,318	21,460,479	105
Rijeka	9,000,000	8,050,000	112
Koper	**17,999,663**	**17,880,697**	**101**
Rotterdam	440,464,000	441,527,000	100
Hamburg	139,000,000	130,900,000	106

[10] Source: Websites of the listed ports

Maritime container throughput in TEUs by ports[11]

	2013	2012	Index 2013/2012
Venice	446,591	429,893	104
Trieste	458,497	411,247	111
Ravenna	226,879	208,152	109
Rijeka	131,310	129,680	101
Koper	**600,441**	**570,744**	**105**
Rotterdam	11,621,249	11,865,916	98
Hamburg	9,300,000	8,900,000	104

Ravenna ended 2013 with a 5% increase in maritime throughput and record-high container throughput of 226,879 TEUs, which is 9% more than in 2012. The situation in Venice was similar, where a 4% increase in maritime container throughput was recorded. The number of passengers also increased, i.e. by 4%, and so did also the general cargo throughput by 2% and bulk cargo by 1%. The liquid cargo throughput, on the other hand, dropped by 10%.

The Port of Trieste achieved the highest growth among all North Adriatic ports in 2013. Maritime throughput increased by 14%, reaching 56 million tonnes, and container throughput increased by 11% to 458,497 TEUs.

With Croatia's accession to EU, the Port of Rijeka became a competitive port for EU markets. The port ended 2013 with a 12% growth of the total maritime throughput, which stood at 131,310 TEUs, representing a 1% increase compared to 2012.

The Port of Rotterdam, however, ended 2013 below the 2012 result, recording throughput of 440.5 million tonnes, which is 0.2% less than last year. Lower quantities were mainly recorded in the throughput of liquid cargoes, whereas the port managed to increase the throughput of coal compared to 2012. With 11.6 million of transhipped TEUs, Rotterdam remains the leading port among all European container ports.

The Port of Hamburg ended 2013 with a 6% increase in maritime throughput, which stood at 139 million tonnes. The general cargo throughput saw a 6% increase and the bulk cargo throughput a 7% increase. 9.3 million TEUs were transhipped, which is 4% up compared to 2012. The throughput of full containers increased by 5% and the throughput of empty containers by 2%.

[11] Source: Websites of the listed ports

11.4 THROUGHPUT STRUCTURE BY CARGO GROUPS

The prevailing groups in the total structure of throughput were dry bulk cargoes, which decreased by 2 percentage points compared to 2012. The share of container throughput was increased by 3 percentage points, and liquid cargoes by 1 percentage point. The share of liquid cargoes was down 2 percentage points.

Throughput by cargo groups in tonnes

	2013	2012	Index 2013/2012
General cargoes	1,659,405	1,438,833	115
Containers	5,849,694	5,292,047	111
Cars	662,169	674,692	98
Liquid cargoes	2,840,588	3,194,636	89
Dry bulk cargoes	6,987,806	7,280,490	96
TOTAL	**17,999,662**	**17,880,697**	**101**

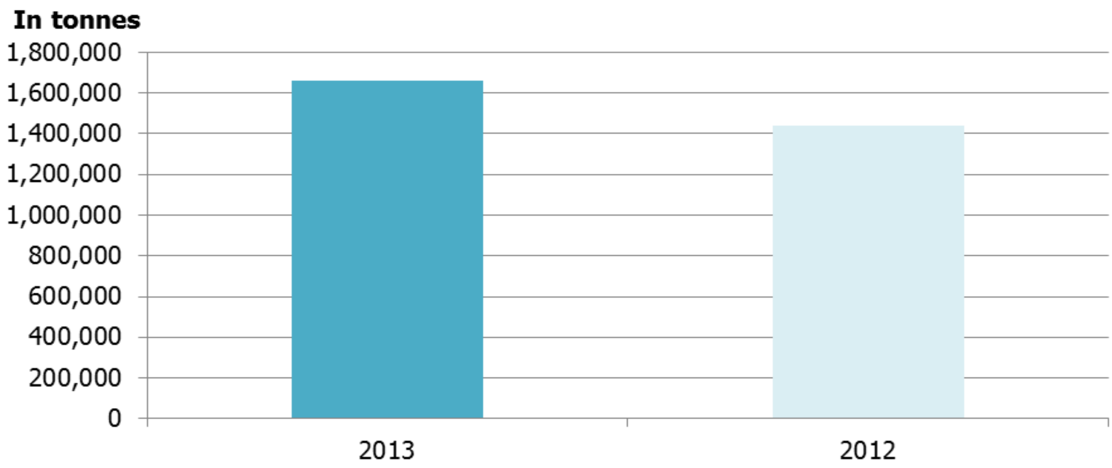
GENERAL CARGOES

In terms of general cargoes, we ended 2013 with a 15% increase in maritime throughput as compared to 2012. Inside the general cargoes group, a major increase was recorded in the throughput of iron products for the Italian market. We also increased the throughput of aluminium and firebrick, whereas the throughput of paper and cellulose slightly decreased. The throughput of livestock in export multiplied in 2013.

Coniferous chipwood exported to North African countries accounts for a majority of maritime throughput of timber. In comparison with 2012, the maritime throughput of timber increased by 7%, whereas the quantity of timber loaded in containers was lower than in 2012.

Due to changes in the global market, throughput of fruit with conventional ships has been decreasing. Container throughput also decreased, partly because of new and more competitive shipping lines from Israel and Egypt to other ports, and partly because of the redirection of exports to non-European markets.

Changes in maritime throughput of general cargoes



CONTAINERS

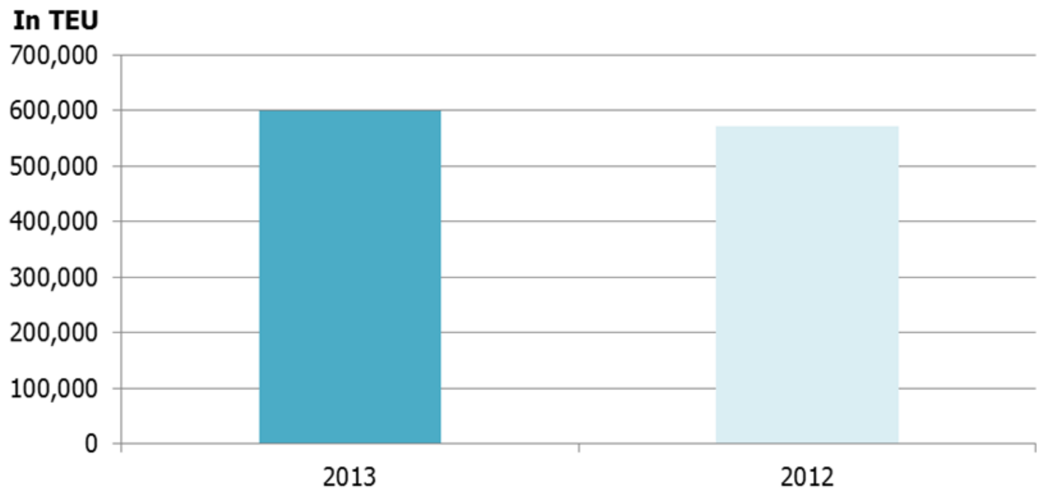
In 2013, the Luka Koper Group's throughput achieved a record-high number of 600,441 TEUs, which marks an important milestone in Port's development. The recorded maritime container throughput increased by 5% compared to 2012.

Throughput of full containers grew by 8%, meaning goods flows through the Port of Koper increased more than it is evident in the increase of the total container throughput; on the other hand, the throughput of empty containers dropped by 10%. A more economical behaviour of shipping companies affects the loading of containers in Europe and decreases the volume of containers, which return empty to the Far East.

The competitiveness of the Container Terminal was in 2013 again decreased due to delays in the dredging operations in the navigational channel into the Port, which will allow the arrival of more heavily loaded ships with greater drafts. Direct ships from the Far East make the first stop in Trieste due to draft, and only then in Koper, meaning some clients unload urgent shipments already in Trieste.

The Container Terminal is our key developmental advantage, therefore we have started with dredging operations in basin I at the start of 2014. The dredging project is vital for Luka Koper, d. d., and our future development, as this will enable us to fulfil our commitment to the shipping companies which ship containers to the Port of Koper.

Changes in maritime container throughput

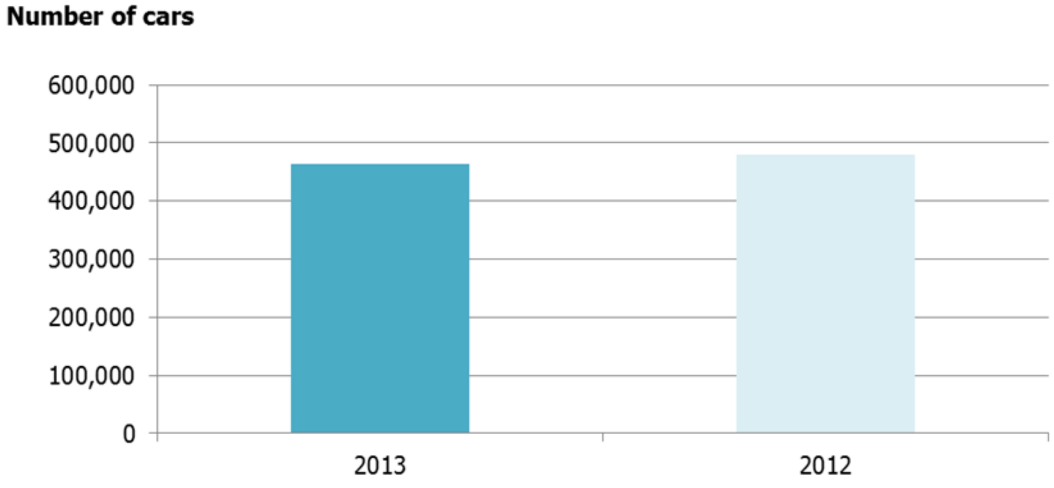


CARS

In 2013, the throughput stood at 463 thousand cars, which is 4% less than in 2012. The throughput of used vehicles recorded the highest drop, and at the end of 2013 we also recorded a drop in the throughput of Chevrolet vehicles due to the announced withdrawal from the European market.

In 2013, the sale of new cars in EU dropped by 2.7% compared to 2012. Similar to the situation in 2012, European car producers made up for the drop in sales on domestic markets with sales in the Asian, North African and Turkish markets. This trend has proved useful also for the Port of Koper, as we have managed to keep the share of maritime throughput of exported vehicles at the 2012 level. In the total structure of maritime throughput, the throughput of cars accounted for 59%. We recorded 190 thousand cars in import and 273 thousand cars in export.

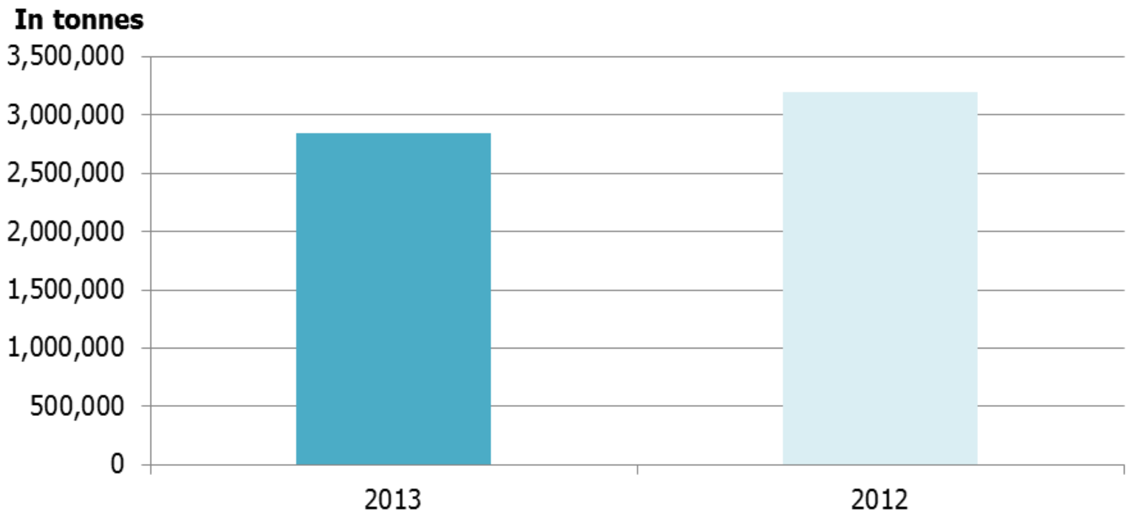
Changes in maritime throughput of cars



LIQUID CARGOES

As compared with 2012, the throughput of liquid cargoes decreased by 11% in 2013. However, the decrease is not reflected in revenue due to the conclusion of fixed-price contracts.

Changes in maritime throughput of liquid cargoes



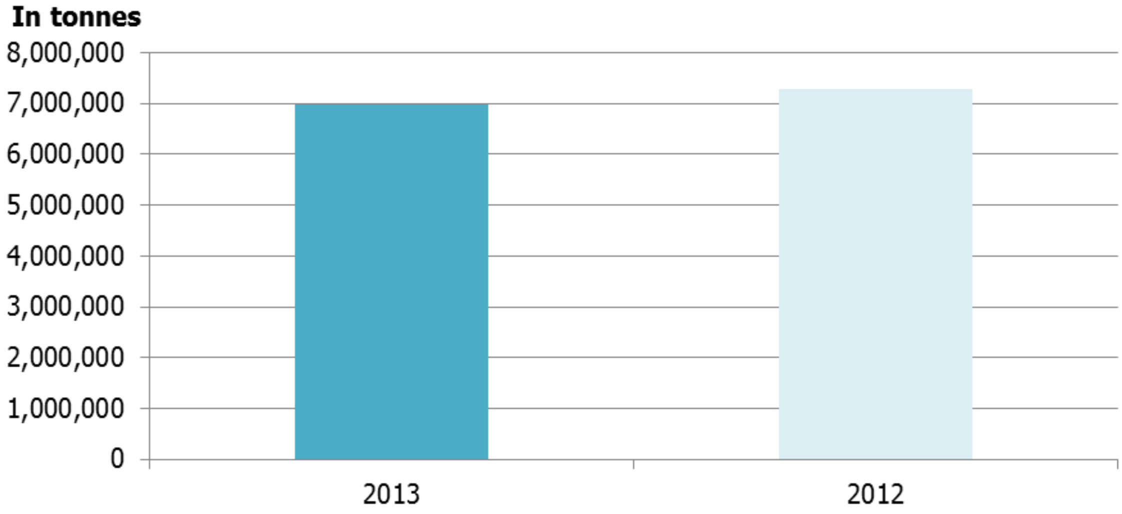
DRY BULK CARGOES

In comparison with 2012, the maritime throughput of dry bulk cargoes was down by 4% at the Group level. Exports dropped by 12% and stood at 1.3 million tonnes in 2013. Imports stood at 5.7 million tonnes, which is 2% down on the 2012 level.
The throughput of iron ore was slightly above the level from 2012, but the throughput of coal was quite lower compared to 2012 as a result of reduced consumption by Italian thermal power stations, which are supplied through the Port of Koper.

Due to the increasing containerisation of minerals, lower throughput of old iron due to lower market prices on the old iron market, and a huge delay in the loading of ships with soy after the strike in

South America, the throughput of this type of dry cargoes dropped by 3% compared to the previous year.

Changes in maritime throughput of dry bulk cargo



11.5 BUYERS

One of the key guidelines to successful operations at Luka Koper, d. d., is the awareness that we need to maintain and continuously improve our existing and potential business relationships. In order to keep and develop good and stable partnerships and customer loyalty it is vital to establish and maintain continuous dialogue, exchanging opinions on how to further improve our services, and to make regular visits and establish the system to measure and maintain our customers' satisfaction. Our representatives abroad play an important role in this.

In order to achieve the final goal, customers are offered a wide range of logistics solutions; the competition between ports is increasing every day, therefore we need to continuously adapt to our customers' wishes and needs.

We are continuously trying to identify the comparative advantages of our company and our geostrategic position and make use of them in the battle with our competition. We use our small size in comparison with North European ports for better flexibility and personal approach in entering into new business deals and in swift settling of our existing customers' issues. We also obtain opinions and suggestions from our customers systematically through an annual satisfaction poll.

This way we directly include our customers in the development of the Company, which rewards our port system and enhances our business relationships.

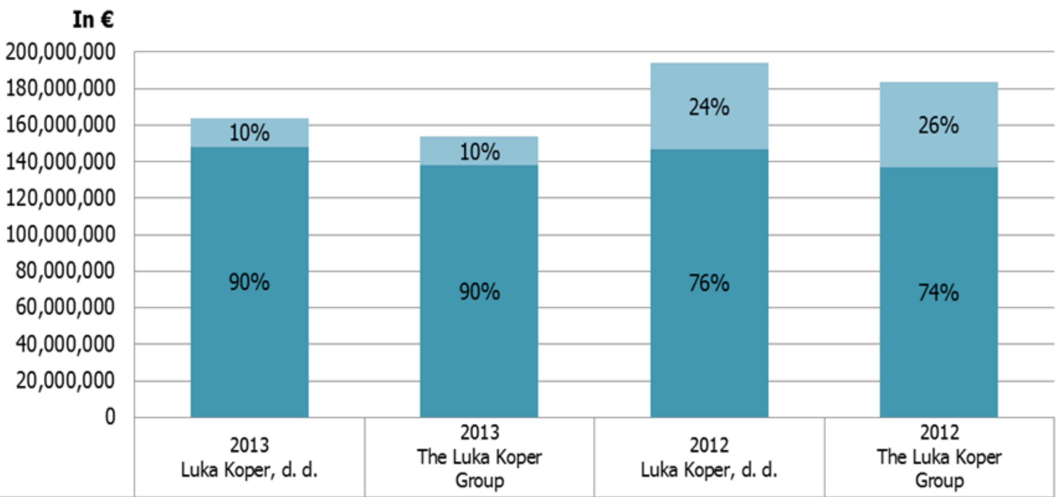
12 FINANCIAL MANAGEMENT

The predominant influence of the parent company in the Luka Koper Group is also evident in the area of liabilities; hence all financial liabilities of the Group are at the same time also financial liabilities of the parent company.

12.1 MATURITY OF LIABILITIES

The achieved restructuring of short-term financial liabilities into long-term liabilities is a result of the Luka Koper Group's endeavours of the last few years. In 2013, the share of the Group's long-term financial liabilities again increased, which was achieved through regular repayment of past due liabilities and with successful restructuring of a €20 million debt, for which the Group received a new long-term loan from Slovenian commercial bank. The result is a 90% share of long-term financial liabilities, which has an additional positive effect on the long-term stability of the Group.

Structure of financial liabilities of Luka Koper, d. d., and the Luka Koper Group by maturity as at 31st December 2013



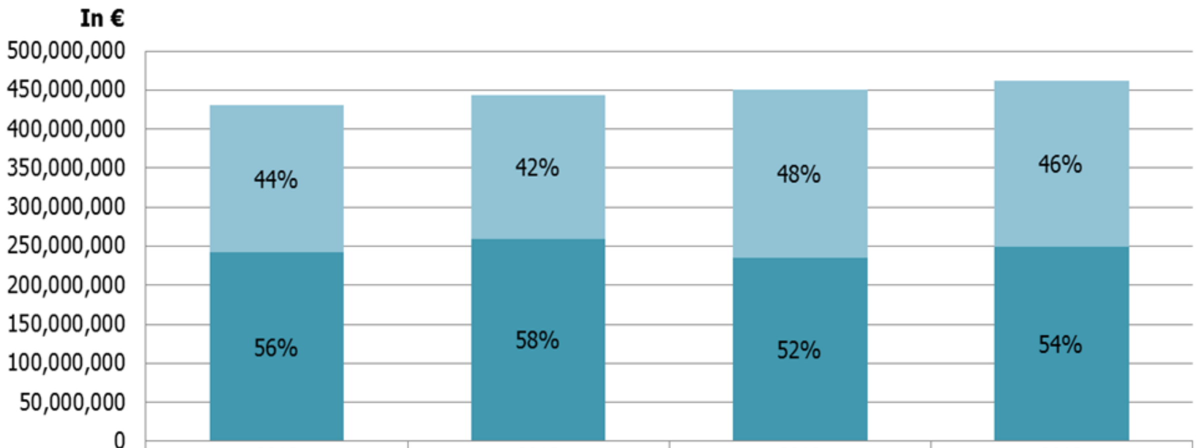
	2013 Luka Koper, d. d.	2013 The Luka Koper Group	2012 Luka Koper, d. d.	2012 The Luka Koper Group
Current financial liabilities	15,678,125	15,678,678	46,929,801	46,929,801
Non - current financial liabilities	148,211,647	138,071,974	146,942,829	136,870,161

12.2 STRUCTURE OF LIABILITIES

Financial liabilities to banks are tied to the variable interest rate. As at 31 December 2013, the share of loans with a variable interest rate reached 99.7%. Due to the prevailing share of the variable interest rate in the Luka Koper Group, and due to risks arising from the exposure to the interest risk, we keep up-to-date with the events on the interest rate market. In 2013, the Group set up additional interest hedging system to manage the interest risk for a selected long-term loan in the amount of €35 million. The interest hedge is recognised in the hedge accounting. The Group has €65 million of hedged long-term loans.

The process of restructuring financial liabilities with long-term liabilities has already shown results in the share of long-term financial liabilities among all financial liabilities, which significantly decreases the risk of operations in the area of refinancing matured financial liabilities. In 2013, the entire Group kept the structure of maturity of financial liabilities. Good operations and decreasing the volume of financial liabilities helped improve the share of equity in the overall balance sheet total. The Luka Koper Group decreased its financial liabilities by €30 million in 2013 (16% compared to 31st December 2012).

Structure of liabilities of Luka Koper, d. d., and the Luka Koper Group as at 31st December



	2013 Luka Koper, d. d.	2013 The Luka Koper Group	2012 Luka Koper, d. d.	2012 The Luka Koper Group
Other sources	188,889,424	184,354,424	215,929,249	212,758,236
Equity	242,020,716	259,204,139	235,290,249	249,328,319

13 INVESTMENTS IN NON-FINANCIAL ASSETS

All investments planned for 2013 were previously thought through from the economic view as well as from the view of eligibility, energy savings, the level of necessity and legal obligations. Decisions about major investments were made based on investment studies and analyses of their impact on the return on equity. A majority of investments were made in the realisation of investment projects, which:

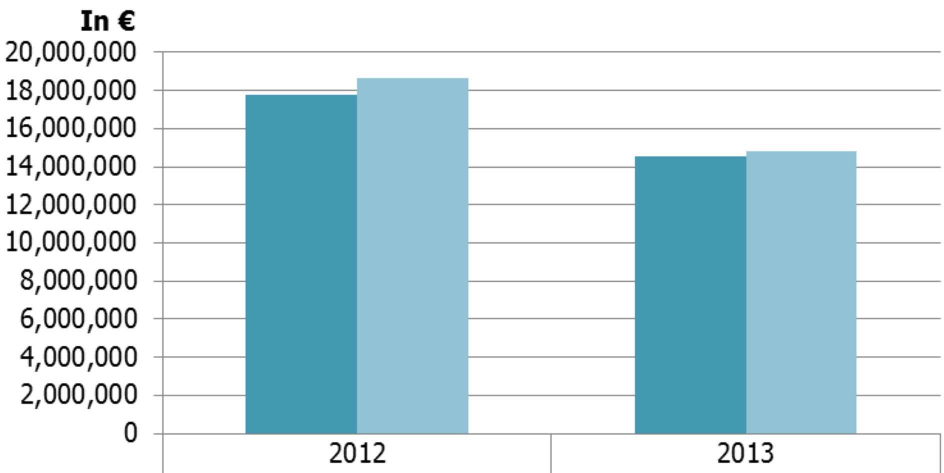
- increased the capacities and rate of return at the Container Terminal,
- replaced the old and worn equipment and consequently increased effectiveness.

In 2013, the Luka Koper allocated €14.8 million for investments in non-financial assets; €14.5 million of this was invested by the parent company Luka Koper, d. d.

The most significant investments made by the Luka Koper Group in 2013 were as follows:

- We completed the construction of a new service facility to centralise the repair and service activities as well as maintenance of port machinery in order to meet occupational health and safety and ecological regulations,
- We acquired two wheel loaders for the needs of the Coal Terminal,
- We acquired a new forklift for manipulating empty containers at the Container Terminal,
- In order to increase the storage areas at the Container Terminal and to ensure direct connection between the shore of berth 7.C and the hinterland, we started building a storage area behind berth 7.C,
- We started building the 7A disposal site with the capacity of 190,000 m^3 intended for the disposal of waterborne sediments in the northern part of basin I; on the plot No. 799/29, the cadastral municipality of Ankaran, in the area of the planned disposal site for material, we started building a disposal site with the capacity of 240,000 m^3 for waterborne sediments from the construction of the second track of the Divača–Koper railway,
- We built a roof needed for the manipulation of general cargoes.

Investments in property, plant and equipment, investment property and intangible assets (from the cash flow statement)



	2012	2013
Luka Koper, d. d.	17,768,219	14,522,369
The Luka Koper Group	18,639,095	14,825,864

13.1 INVESTMENTS IN ECOLOGY – ENSURING SUSTAINABLE DEVELOPMENT

Monitoring and managing environmental impacts have remained an important part of regular activities of the Port. In order to keep in harmony with the environment, we earmarked also in 2013 a portion of funds for ecology in accordance with our strategic policies.

In 2013, we made the following ecology-related improvement activities:

- For the needs of the liquid cargo terminal we reconstructed the fire protection of tanks for the storage of hazardous substances,
- For the needs of the Coal Terminal we consolidated and asphalted the depot area, constructed a loading ramp along the entire length of tracks, acquired equipment for the application of cellulose anti-dusting agent and two multi-purpose sweeping vehicles,
- In the context of the ecological rehabilitation of port facilities, a mobile alumina hopper was reconstructed and fitted with an electrostatic filter to prevent dust emissions. In addition, the cathode protection of the silo’s steel pylons was renovated,
- We made a loop on the conveyor belt in order to connect circularly the entire coal manipulation line. This will ensure less dusting during the handling of coal at various locations of the depot site; previously, cargo was manipulated with loaders, which caused high levels of dusting.

14 DEVELOPMENTAL ACTIVITY

In terms of research and development activities, in 2013, we focused particularly on the preparation of studies for the needs of individual terminals, the introduction of information improvements, the coordination of the development materials of the Company and the Port, and on the institutional cooperation at the local, national and international levels.

The research and development activities are a matter of medium-term and long-term process of discussing certain issues and of forming development concepts. Considering the complexity of the Port's operations, we were again devoted to the following three segments in 2013: (1) infrastructural and technological solutions, (2) development of activity and offer, and (3) new approaches and process improvements. Important projects implemented in this area in 2013 include:

- continued comprehensive development of the Container Terminal with an emphasis on short-term measures related to process savings,
- the project of microdistribution/centre of small bulk shipments,
- finding solutions to improve the accessibility of the Port and setting up new entrances to relieve the existing one,
- upgrading of the information support for the centralised stock maintenance and tracking system,
- current ideas to set up the Smart-Port concept, which is based on energy efficiency and will be partly realised with the help of the Slovenian Technologies Institute,
- establishment of an EDI centre for data exchange for the Container Terminal at the shipping part,
- the study of the assessment of market potentials and cooperation with Bavaria was prepared, as well as possibilities of setting up better railway connections,
- the study of the container turnover potential by 2030 for North Adriatic ports was updated and it showed the target annual turnover of 2.1 million TEUs for the Port of Koper.

14.1 EUROPEAN PROJECTS

We entered 2013 with 16 active projects, five of which were finished during the year and five new ones started.

We continued the European territorial cooperation projects which refer primarily to the planning and development of the national and all-European transportation infrastructure, logistics concepts, environmental protection, safety, marine protection, dangerous cargoes, and information updating. Within this set we concluded the LOSAMEDCHEM, FREIGH4ALL, PORTA projects and projects of the Mediterranean programme. At the end of the year we concluded the SEEMARINER project of the South East European programme. In 2014 we will continue the following projects: EMPIRIC, LOGICAL, SETA, INWAPO, GIFT, INTE-TRANSIT, GREENBERTH and iFREIGHTMED.

In terms of the Slovenia-Italy cross-border programme we continued the ADRIA–A project, which is primarily focused on promoting mobility and passenger transport in the cross-border area, and we intensively devoted also to the SAFEPORT project, which refers to the management of environmental and industrial risks in all ports of the North Adriatic region.

In the TEN–T programme, we concluded the ITS project where we successfully upgraded the information support and set up a communication platform between North Adriatic ports, and checked the market potential of the container transport. In the same programme, we continued the GREENCRANES project, which examines the energy efficiency of container terminals. In 2013, we took up three new projects, i.e. NAPADRAG, which is aimed at increasing the accessibility of the Port and anticipates co-financing basin I dredging operations, the NAPAPROG project, which refers to the preparation of the project documentation to extend pier I and the obtaining of building permit for the southern part, and the B2MOS project, which is devoted to improvements in the information system and communications with business and institutional partners.

In 2013 we took part in national tenders and received the co-financing for the biomass boiler room. We continued the trainings within the Logistics Competence Centre project, providing various profiles of employees with new knowledge.

15 THE LKPG SHARE

The Luka Koper, d. d., share is listed in the most eminent segment of the Ljubljana Stock Exchange called First Quotation. As at 31st December 2013, the value of the LKPG share was 18% above the value of the previous year. The total turnover in 2013 was more than double the turnover in 2012. On the last trading day of 2013, the price of one share was €9.40.

The ownership structure of Luka Koper, d. d., experienced no major changes in 2013. As at 31st December 2013, the Company had 12,352 shareholders, accounting for 509 less than in 2012. The major shareholder of the Company remains the Republic of Slovenia jointly with its two funds Slovenska odškodninska družba, d. d., and Kapitalska družba, d. d.

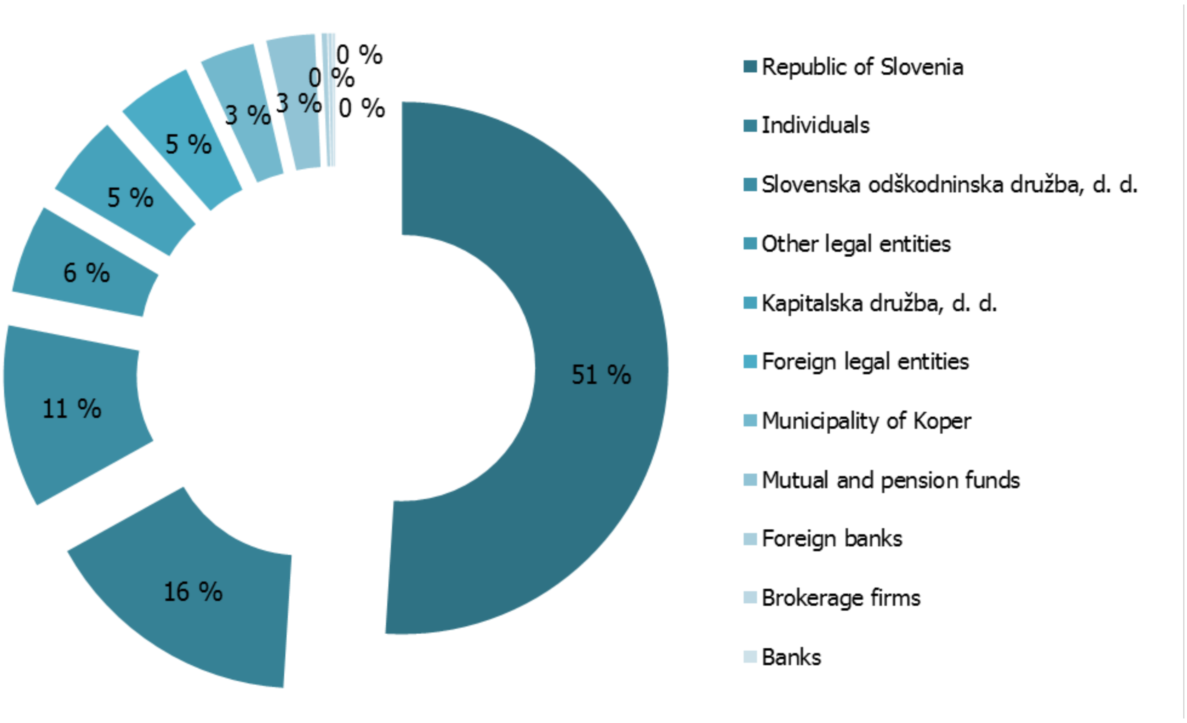
Ten largest shareholders as at 31st December

Shareholder	No. of shares 31st Dec 2013	2013 stake (in %)	No. of shares 31st Dec 2012	2012 stake (in %)
Republic of Slovenia	7,140,000	51.00	7,140,000	51.00
Slovenska odškodninska družba, d. d.	1,557,857	11.13	1,557,857	11.13
Kapitalska družba, d. d.	696,579	4.98	696,579	4.98
Municipality of Koper	466,942	3.34	466,942	3.34
Unicredit Bank Austria AG – fiduciary account	246,950	1.76	19,177	0.14
KD Galileo, flexible investment structure	158,230	1.13	158,230	1.13
Perspektiva FT, d.o.o.	125,895	0.90	125,895	0.90
Eaton Vance Parametric Structured	118,550	0.85	35,250	0.25
Aktsiaselts Trigon Funds	108,647	0.78	0	0.00
Zavarovalnica Triglav, d. d.	104,756	0.75	104,756	0.75
Total	**10,724,406**	**76.60**	**10,304,686**	**73.60**

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

Shareholder	No. of shares 31. 12. 2013	2013 stake (in %)	No. of shares 31. 12. 2012	2012 stake (in %)
Republic of Slovenia	7,140,000	51.00	7,140,000	51.00
Individuals	2,232,544	15.95	2,180,554	15.58
Slovenska odškodninska družba, d. d.	1,557,857	11.13	1,557,857	11.13
Other legal entities	754,555	5.39	943,445	6.74
Kapitalska družba, d. d.	696,579	4.98	696,579	4.98
Foreign legal entities	642,369	4.59	207,459	1.48
Municipality of Koper	466,942	3.34	466,942	3.34
Mutual and pension funds	410,549	2.93	531,748	3.80
Foreign banks	46,757	0.33	34,047	0.24
Brokerage firms	29,761	0.21	29,777	0.21
Banks	22,087	0.16	211,592	1.51
Total	**14,000,000**	**100.00**	**14,000,000**	**100.00**

Ownership structure of Luka Koper, d. d., as at 31st December 2013



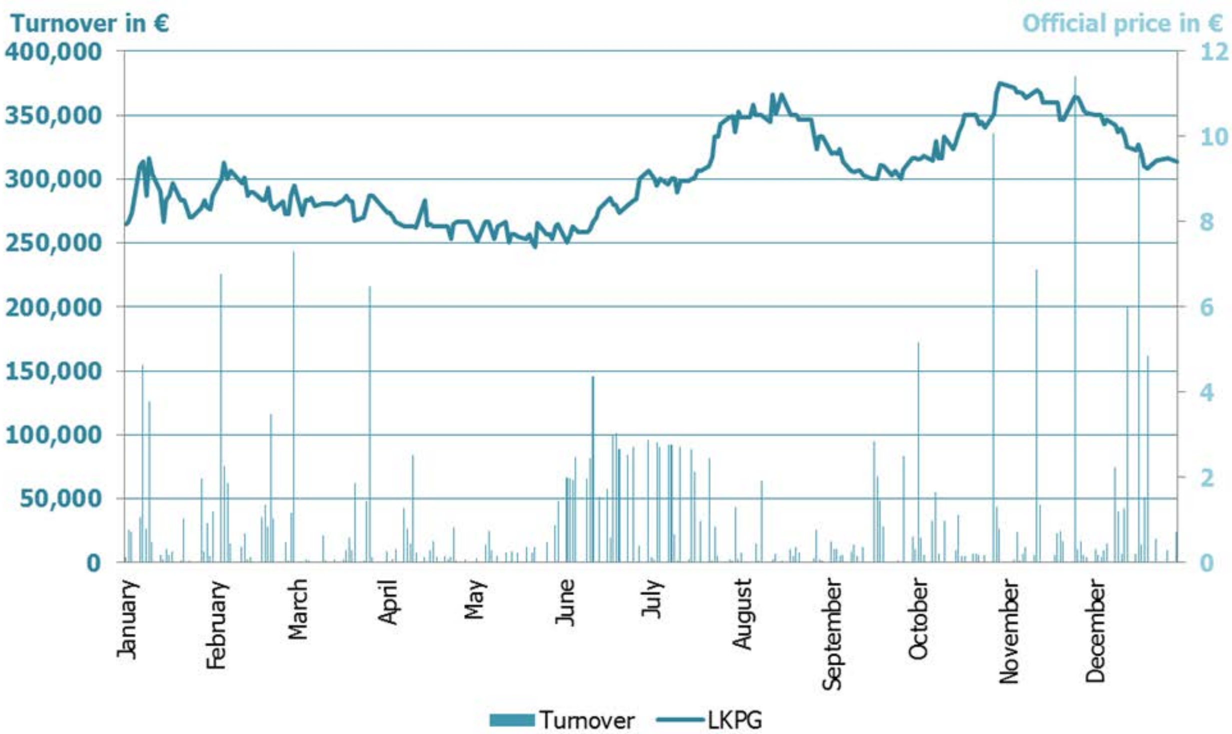
15.1 LKPG SHARE TRADING

The average daily share price for the Luka Koper, d. d., share in 2013 was €9.12. During the year, its value fluctuated between €7.40 and €11.25. The highest market price of the share was €11.44, and the lowest €7.25. The market cap of Luka Koper, d. d., shares was €131,600,000 as at 31st December 2013.

In 2013, the value of the LKPG share slightly increased in comparison to the Slovenian blue chip index, SBI TOP, with a 2.53% increase in the index, the LKPG share recorded an 18.24% increase. The total number of stock-exchange transactions and deals with lots for the share was 2,148. The total turnover in this period amounted to €7,916,947, which is 232% of the 2012 turnover. 864,642 shares changed owners.

Changes in SBI TOP daily LKPG price in 2013

Changes in the daily LKPG share price and daily turnover in 2013



Key data about the LKPG share

	2013	2012
No. of shares	14,000,000	14,000,000
No. of ordinary no-par-value shares	14,000,000	14,000,000
Share price on the last trading day of the year (in €)	9.40	7.95
Share's book value as at 31st December (in €)	17.29	16.81
Price-Book value ratio (P/B)	0.54	0.47
Average market price (in €)*	9.16	8.01
Average share book value (in €)**	17.38	16.60
Average market price/Average share book value ratio	0.53	0.48
Net earnings per share (EPS) (in €)***	0.33	0.54
Share price/Earnings ratio (P/E)***	28.53	14.72
Market cap as at the last day of the year (in € million)	131.60	111.30
Total share turnover (in € million)	7.92	3.41
Dividend per share (in €)	0.17	/

* Average market share is calculated as the ratio between total turnover in the period, 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 ordinary shares.
*** Indicators are calculated based on analysed data.

15.2 DIVIDEND POLICY

The dividend policy of Luka Koper, d. d., represents a harmonised combination of the owners' wish for dividend yields, and the wish to use the net profit for financing investment plans. The Company endeavours to allocate up to a third of the net generated profit of the period for dividends, including also the planned investments in the port infrastructure and equipment. In 2013, Luka Koper, d. d., generated a net profit of €4,612,246. Following the decision of the Management Board regarding the formation of other profit reserves totalling a half of the net profit in accordance with Article 230 (€3) of the Companies Act (ZGD-1), the Company formed other profit reserves in the amount of €2,306,123 at the end of the year.

The Management and Supervisory Boards propose to the General Meeting of Shareholders that the distributable profit, which totalled €3,721,761 as at 31st December 2013, be used as follows:

- €1,400,000 of the distributable profit for the payment of dividend in the gross amount of €0.1 per ordinary share,
- the rest of the distributable profit, i.e. €2,321,761 be left undistributed.

15.3 CROSS-LINKAGES WITH OTHER COMPANIES

As at 31st December 2013, Luka Koper, d. d., did not hold at least a 5% interest in any company which owns shares of Luka Koper, d. d. Shareholders holding at least 5% of the LKPG shares are the Republic of Slovenia (51.00%) and Slovenska odškodninska družba, d. d. (11.13%).

15.4 SHARES OWNED BY MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

	Shareholder	Shares owned as at 31st December 2013
Supervisory Board	Dr Marko Simoneti, Member (until 15th July 2013)	590
	Nebojša Topič, MSc, Member	9

As at 31st December 2013, the other Members of the Supervisory Board and Members of the Management Board of Luka Koper, d. d., did not own any shares in the Company.

15.5 TREASURY STOCK, AUTHORISED CAPITAL, CONDITIONAL CAPITAL INCREASE

As at 31st December 2013, Luka Koper, d. d., held no treasury shares. The applicable Articles of Association of the Company do not provide for categories of authorised capital up to which the Management Board could increase the share capital. The Company also had no basis for conditional increase in the share capital.

15.6 RULES ON RESTRICTIONS ON TRADING IN SHARES OF THE COMPANY AND RELATED PARTIES

According to the recommendations of the Ljubljana Stock Exchange, Luka Koper, d. d., drew up the Rules on Trading in Issuer's Shares, which is an additional guarantee for equal informing of the interested public on all significant business events in Luka Koper. The purpose of the Rules is to enable the persons liable to it trading in shares of Luka Koper and to prevent any possible trading based on insider information. At the same time, the Rules enable mandatory reporting in accordance with the law on the sale and purchase of the Company's shares to the Securities Market Agency.

15.7 COMMUNICATIONS WITH INVESTORS

We regularly communicate with our investors and keep them informed on Company news through various communication tools and channels:

- SEOnet

According to the legislation, shareholders and the public are informed of operational results and all important business events in a timely manner via SEOnet, whilst information is provided to shareholders and investors also through other communication channels.

- Website

A special chapter headed “For Investors” is devoted to shareholders and investors on our website where they can find up-to-date information regarding the LKPG share, ownership structure, current interim, annual and past operating reports, information published on SEOnet, material for General Meeting of Shareholders, answers to most frequently asked questions and opinions of individual analysts.

- Notice

We also publish e-newspaper “Notice”, of which four issues were published in the past year. The e-newspaper provides quarterly and annual preliminary results of throughput and operating revenues by cargo groups, and it also provides information about what is new in area of operations of the Port of Koper.

- Events

Furthermore, investors are informed of the Port's operations and innovations at the events organised by the Ljubljana Stock Exchange. In April and December 2013, we participated at the traditional Slovenian Capital Market Day in Ljubljana where we had individual meetings with investors.

Investor information is available at the following website www.luka-kp.si/slo/za-vlagatelje.

Contact person:
Rok Štemberger
Investor Relations
Tel.: +386 (0)5 66 56 140
E-mail: rok.stemberger@luka-kp.si

15.8 CALENDAR OF MAJOR PUBLICATIONS IN 2014

Scheduled date of announcement / event	Type of announcement / event
23rd January 2014	• Preliminary results for 2013: revenues of the parent company and maritime throughput for 2013
16th January 2014 to 14th February 2014 – Quiet Period	
14th February 2014	• Non-audited annual report of the Luka Koper Group and Luka Koper, d. d., January–December 2013
16th March 2014 to 14th April 2014 – Quiet Period	
14th April 2014	• Statement of Compliance with the provisions of the Corporate Governance Code • Publication of the 2013 Annual Report
17th April 2014	• Preliminary results: revenues of the parent company and maritime throughput for January – March 2014
24th April 2014 to 23rd May 2014 – Quiet Period	
23rd May 2014	• Non-audited interim report of the Luka Koper Group and Luka Koper, d. d., January – March 2014
17th July 2014	• Preliminary results: revenues of the parent company and maritime throughput for January – June 2014
July 2014	• General Meeting of Shareholders
Second working day after General Meeting	• Ex-dividend day
24th July 2014 to 22nd August 2014 – Quiet Period	
22nd August 2014	• Non-audited interim report of the Luka Koper Group and Luka Koper, d. d., January – June 2014
September 2014	• Open Door Day for investors
16th October 2014	• Preliminary results: revenues of the parent company and maritime throughput for January – September 2014
October	• Ex-dividend day
23. 10. do 21. 11. 2014 – Quiet Period	
21st November 2014	• Non-audited interim report of the Luka Koper Group and Luka Koper, d. d., January – September 2014
19th December 2014	• Summary of the 2015 business plan, estimation of 2014 business performance

Periodic publications and other price sensitive information will be regularly publicised on the Ljubljana Stock Exchange website via SEOnet electronic information system (http://seonet.ljse.si/) and on the website of Luka Koper, d. d. (http://www.luka-kp.si/slo/za-vlagatelje). Any changes to estimated date of individual publications will be regularly publicised on our website. As a rule (usually in April), the annual document containing a list of all information published on SEOnet over the past twelve months, is also published on both these websites in the Slovene and English languages.

16 RISK MANAGEMENT

Luka Koper, d. d., and the Luka Koper Group manage risks through their risk management system, which is a comprehensive and repeating process aimed at increasing the probability of achieving strategic and tactical objectives.

The determination of goals is a precondition to be able to recognise, assess and manage risks. We have started with the annual planning process and regular annual risk analysis cycle, which encompasses the existing risks as well as identifying new ones. We also implemented the control of suitable response to the risks identified 2012 and the control of the content and suitability of taking actions.

The Risk Management Committee has an important role in this process. It was established in 2013 as a consulting body of the Management Board. One of the Committee's key tasks is to discuss the analysis of risks, methods of managing risks and to confirm the register of key risks.

We are planning to set up a system of uninterrupted operations in 2014, which will ensure a more effective risk management in individual processes and a decrease in the effect of risks on our operations.

On the following pages, key risks are presented which we believe are vital to achieve the determined objectives and estimated as important or very important. Despite being estimated as moderate or less important, financial risks are and the methods to control such risks are also explained.

16.1 STRATEGIC RISKS

Strategic risks are the risks that can jeopardise the achievement of set objectives. Strategic risks result from the incompatibility of strategic objectives, the adopted business strategy for the achievement of these objectives, the availability of assets for the achievement of the objectives, ownership structure, and the general economic situation.

Risk	How it is being controlled	Estimate
Risk of the Port's unsuitable involvement in the logistics chain, and of insufficient provision of infrastructural connections due to: ▪ The delay in the modernisation of the Slovenian railway network ▪ Standstills in the construction and modernisation of the Koper – Divača track. ▪ Unsuitable policies in the area of systematic arrangement of railway transportation implementation in the light of transportation liberalisation	The risk is being controlled with comprehensive communication and informing the public, partners and institutions on about developmental projects and needs. We take a neutral approach to all railway transporters.	**Very important**
Risk of strategy realisation and goals achievement:	Cooperation with state bodies and institutions in determining national	

■ Inconsistencies between the national developmental strategies at various levels (individual ministries and state bodies). ■ Individual tendencies of the local community to limit the port activity and its development.	developmental projects and inclusion in the Port's development programme. We are decreasing the risk by adapting communications plans in accordance with the results of public opinion surveys and the performance of activities. We devote special attention to expressing our responsibility to the social environment by promoting cultural, sports, environmental, humanitarian and other activities with sponsorships and donations within the framework of the Living with the Port Fund.	**Very important**
Risk of Port's insufficient infrastructural development to meet the needs of buyers in terms of quality and volume of services as a result of: ■ Inability to service large ships at the container terminal due to unsuitable depths.	We have been actively performing all activities necessary to deepen the waterways into and out of the Port, and to deepen basin I.	**Important**

16.2 OPERATIONAL RISKS

Operational risks affect the implementation of processes at all levels. They include a very wide and varied range of risks, which most commonly originate from incomplete or inconsistent actions of participants in processes. The realisation of these risks usually reflects in unsuccessful, ineffective or inconsistent implementation of processes and services, which can be affected by external or internal factors.

Risk	How it is being controlled	Estimate
Risk of providing services of our key partners due to: ■ The suspension of operations by partners involved in the logistics chain, and by port service performers.	The risk is being controlled by strengthening partnerships in the entire logistics chain and by updating the strategy of assurance and management of HR.	**Very important**
Risk of unsuitable reliability and availability of the key equipment, which is presented as: ■ The unavailability of the key equipment to ensure the performance of transhipment services due to machinery breakdown, damage/injuries or bad	We manage such risk with quality preventive maintenance and informatisation of the maintenance process in the SAP information system. We take actions to protect the assets and prevent any incidents. We decrease risk exposure by transferring the key asset risks to	**Important**

weather conditions and events.	insurance companies.	
Market risks are connected with: ▪ Lower transhipment of certain traditional cargo types (perishable goods and fruit) ▪ The increase in negotiation skills of certain key accounts	We manage risks by better involving our representation offices in the events on the most important hinterland markets, by developing and offering new services and by carrying our promotional activities on overseas markets with the aim to increase the recognisability of the transport route through the Port of Koper for the goods intended for markets of the Central and South-Eastern Europe.	**Important**
Risks related to the quality performance of services: ▪ Ensuring proper open and closed storage areas that are affected by extreme weather events ▪ Ensuring a quality performance of transhipment services and other goods-related services.	We manage these risks by carrying out preventive measures to ensure suitable storage conditions, by considering the characteristics of cargo. We are implementing measures to protect assets and prevent the appearance of incidents. Exposures are being decreased by transferring certain types of risks to insurance companies.	**Important**
Risks connected with safe performance of transhipment services: ▪ Risks connected with occupational accidents that leave severe consequences on the health of people.	We manage these risks by ensuring comprehensive arrangement of working sites and roads, continuous periodic trainings of employees and outsourcers for safe work and keeping port-specific jobs in order to keep and transfer knowledge and skills among employees. At the same time we regularly implement control over the use of personal protection equipment and the compliance with the safety at work regulations. Exposure to risks is being decreased by transferring certain types of risks to insurance companies.	**Important**
HR and organisational risks, which can be seen as: ▪ Organised stoppage of work.	We will prepare and implement a strategy of assurance and management of HR. We are taking care to ensure continuous partnership with employee representatives and to consistently fulfil provisions of the Corporate Collective Agreement. Exposure to these risks is being	**Important**

	decreased through proper and timely internal communication. We pay special attention to identifying HR potentials, making sure they develop and stay motivated.	
Investment project risks, including: ▪ Risks related with the planning of investments, performance of works and time schedule primarily arise from long and time-consuming procedures to obtain environmental and other permits, building titles and suitable consents. Complaints in public procurement procedures represent another type of these risks.	We decrease these risks through timely planning and preparation of projects. We include relevant departments in every procedure to contribute to faster implementation of procedures from the legal and other perspectives. We manage risks by applying our system of selecting performers of works and by regularly evaluating them. We are actively informing and convincing everyone bound by the concession agreement about the achievement of the set goals, and we cooperate with state bodies and institutions.	**Important**
Environmental risks: ▪ In particular risks of uncontrolled emissions of heat or substances to the environment, which have negative consequences on the health and lives of people or negative material consequences	We are introducing modern technologies such as cellulose protection of bulk cargoes, installing filtering devices to transhipment devices, performing preventive checks and maintaining equipment, as well as ensuring continuous trainings for our employees regarding work with dangerous cargoes.	**Important**
Information protection risks, arising from: ▪ Vulnerability of individual segments of information and communication technology ▪ Leaking of business secrets.	We manage these risks by consistently complying with internal regulations in the field of IT security and protection of business secrets. We take measures of physical and technical protections, and use systems for the prevention of hacking and website filtering, systems for the prevention of access to the Luka Koper's business network by unauthorised devices, systems for tracking changes of user rights, code tables and documents.	**Important**

16.3 FINANCIAL RISKS

Financial risks affect the realisation of the planned financial categories, particularly planned future cash flows. Such risks are usually managed in the process of managing financial assets and liabilities.

Risk	How it is being controlled	Estimate
Fair value of investments risk	The risk is being controlled by decreasing the volume of invested assets at the fair value and redirecting them in investments into the core activity.	**Very important**
Interest rate risk	The risk is being controlled through continuous monitoring of financial markets and using derivatives for interest rate hedging.	**Important**

All other financial risks, including liquidity risk, currency risk and credit risk are estimated as being low, while capital structure risk is estimated as being moderate. The table below shows how these risks are being controlled.

Risk	How it is being controlled	Estimate
Liquidity risk	The risk is controlled through regular planning of cash flows for various maturities, regular collection of accounts receivable and reclassification of short-term financial liabilities into long-term.	**Low**
Currency risk	Due to the transition to euro from previous years the percent of accounts receivable in USD is negligible.	**Low**
Credit risk	The risk is being managed with regular collection, lien on stored goods, security of certain receivables with guarantees, security of loans with blank bills of exchange and other (im)movable property.	**Low**
Capital structure risk	The risk is being controlled with gradual decrease in the volume of debts for the last few consecutive years.	**Moderate**

17 IT SUPPORT

TinO, a modern system in support of the basic operative processes, which encompasses ordering, implementation and accounting of services and authorisations between the client and service performer, serves as the basis of Port's IT system. The system ensures quality, safe, fast and transparent mutual communication. For over two decades, the TinO system has enabled our partners or clients to make electronic orders of services from the Port of Koper already.

The parent company's IT system effectively connects and supports also the subsidiaries, and enables further expansions and connections of the environment with Luka Koper, d. d.

17.1 OUTSOURCED COMPREHENSIVE SERVICES OF IT SUPPORT

Luka Koper, d. d., uses fully outsourced IT support from the outsourcer Actual I.T., d. d. The risks delivered by partnership with an outsourcer are managed with a precisely defined umbrella agreement, contracts on ensuring the quality of services and with verification of the competitiveness of offers.

17.2 IT SYSTEM OPERATION

At Luka Koper, d. d., our IT support services are performed by an outsourcer. In addition to this, we are focused on:

- Planning the development and implementation of developmental projects, which deliver added value and higher competitive advantage to the Company,
- Determining safety policy of information systems,
- Monitoring the operation of all systems.

The result of planning IT solutions in accordance with the development strategy in this area is shown in stable operation of the IT system as a whole and in a suitable level of user satisfaction with IT tools.

17.3 INTRODUCTION OF NEW IT SOLUTIONS

The most important project in 2013 was the pilot setting up of the EDI centre, which helps shipping companies to directly communicate with Luka Koper, d. d., using Edifact messages. The first phase includes the maritime part, and we have already started with the activities related with the second phase of EDI centre, which covers the land part.

We have implemented the Luka Koper Group's business reporting system. With its modern tools, the system enables a high-quality and timely business analysing for the needs of the management and operational staff. Moreover, we have started the project of B2B electronic invoice exchange to speed up and improve the invoicing process.

SUSTAINABLE DEVELOPMENT

As much as 80% of the global trade in goods is performed on the sea, which makes the Port of Koper a window into the world. The port activity is exceptionally important for the development of the local and wider Slovenian area.
The environment is strongly influenced by our operations, hence our commitment to social responsibility, which is a part of our daily operations as well as the Company's developmental strategy. We are making every effort to improve the living conditions in the local and wider community. We regularly support and co-finance educational institutions and sports, humanitarian and cultural activities. In developmental issues we comply with the principles of sustainable development and responsible management of the environment, which is why we are committed to introducing modern and effective technology, decreasing emissions into the environment, enhancing partnership with the local community, being ready to take actions in extreme situations and continuously improving the environmental management system.

Our good management of sustainable development is evident in the systems established in this area: ISO 14001, ISO 9001, BS OHSAS 18001 and ISO 22000. We established the environmental management system in accordance with the requirements of the ISO 14001 standard already in 2000; in 2009, we also started setting up and verifying the environmental management system in accordance with the EMAS scheme, obtained the certificate in 2010, and renewed in in 2013.

We provide employment opportunities to a large number of the local population, and we ensure a better quality of life in the wider community. We also duly protect our natural treasure – the sea.

We regularly inform the public about events of the Port on the website www.zivetispristaniscem.com, where we publish up-to-date information about our activities and operating results in the area of social responsibility and environmental management. The portal also provides on-line information about dust and noise measurements as well as data about the quality of sea and the weather, which are updated on an hourly basis.

18 NATURAL ENVIRONMENT

Luka Koper, d. d., observes environmental aspects of its operations and development. We have decided to become a "green port" many years ago. We are the only port in the North Adriatic Sea with an established quality system for environmental protection; we have introduced the occupational safety and health system, food safety management system, and we continue to implement the effective energy management system. Our goal is to stay an environmentally friendly port with clean sea, and to become globally recognised for it. With the help from and control by competent expert institutions we regularly measure emissions into the environment and report the results to competent state institutions. We take care of effective management of waste and energy products, and are planting the Port's environment to improve the visual image of the Port.

The most important achievements in the area of natural environment in 2013:

- we renewed the EMAS certificate,
- Luka Koper, d. d., obtained the environmental license for wastewater release from all devices,
- we started using the technology of applying paper mill sludge to the coal and iron ore disposal area to reduce dusting, and purchased the necessary equipment,

- we purchased two new special vehicles for the cleaning of transport routes,
- we installed an additional filter at the Alumina Terminal,
- we installed measurement devices for up-to-date electronic monitoring of floor mechanisation's energy consumption, carried out a precise energy check of the container terminal and prepared a range of actions,
- we performed a study of the impact of dusting of 18 types of cargo on the health of our employees.

The most important goals in the area of natural environment in 2014:

- the audit in accordance with EMAS requirements will be successfully passed,
- emissions of dust at all Port's locations will be decreases to 250 mg/m^2 a day,
- the value of PM_{10} (the size up to 10 μm) emissions in the entire Port's area will be kept below 30 μg/m^3 (in the direction of Ankaran, Koper and Bertoki),
- the percent of separately collected waste will be kept above 84,
- night-time noise level in the direction of Koper will be decreased to 48 dBA,
- the characteristic consumptions of electricity, fuels and water will drop by one percent,
- 90% of outdoor lighting will be re-arranged in order to decrease the environmental pollution caused by lighting,
- by the end of 2014 we will finish the project of connecting sumps and small cleaning devices to the public utility network or by replacing sumps with modern small public utility cleaning devices to decrease the release of sanitary waters into the sea,
- no inspection or internal measures during interventions into the environment,
- no sea pollution outside the Port's aquatorium.

18.1 THE EMAS CERTIFICATE

Luka Koper, d. d., was awarded the most prominent environmental certificate EMAS (SI 00004) already in 2010. In 2013 we renewed the registration and were again awarded the certificate by the Ministry of Agriculture and the Environment. With the introduced environmental management system we have achieved effective reduction of environmental impacts, compliance of the operation with the legislative requirements and transparent presentation of results in the area of environment. We prepared the 2012 Environmental Report, which observes the requirements of the ISO 14001 standard and EMAS 1221/2009. The Environmental Report is published on the website www.zivetispristaniscem.si.

Izjava okoljskega preveritelja o dejavnostih preverjanja in potrjevanja
št. O-004

Slovenski institut za kakovost in meroslovje,
z registracijsko številko okoljskega preveritelja SV-V-0001,
akreditirani za preverjano dejavnost organizacije (NACE: 52.240),

izjavlja, da smo preverili, ali organizacija

LUKA KOPER, d.d., Vojkovo nabrežje 38, 6000 Koper

izpolnjujeta vse zahteve Uredbe (ES) št. 1221/2009 Evropskega parlamenta in Sveta z dne 25. novembra 2009 o prostovoljnem sodelovanju organizacij v Sistemu Skupnosti za okoljsko ravnanje in presojo (EMAS).

S podpisom tega dokumenta izjavljamo, da:
- sta bila preverjanje in potrjevanje izpeljana popolnoma v skladu z zahtevami Uredbe (ES) št. 1221/2009;
- rezultati preverjanja potrjujejo, da ni dokaza o neskladnosti z veljavnimi zakonskimi zahtevami v zvezi z okoljem;
- podatki in informacije iz okoljske izjave »Okoljsko poročilo za leto 2012, maj 2013«, podajajo zanesljivo, verodostojno in pravilno sliko o vseh dejavnostih organizacije v obsegu, navedenem v okoljski izjavi

Ta dokument ni enakovreden registraciji EMAS. Registracijo EMAS lahko podeli le pristojni organ na podlagi Uredbe (ES) št. 1221/2009. Ta dokument se pri sporočanju javnosti ne uporablja samostojno.

SLOVENSKA AKREDITACIJA
SI-V-0001

Datum validacije: 2009-05-20
Izdaja: 04/2013-05-21
Velja do: 2016-05-31

Igor Likar
Direktor SIQ

SIQ, Tržaška cesta 2, SI-1000 Ljubljana, Slovenija,
tel.: +386 1 4778 100 • fax: +386 1 4778 444 • e-mail: info@siq.si • http://www.siq.si

REPUBLIKA SLOVENIJA
MINISTRSTVO ZA KMETIJSTVO IN OKOLJE
AGENCIJA REPUBLIKE SLOVENIJE ZA OKOLJE

Vojkova 1b, 1000 Ljubljana

T: 01 478 40 00
F: 01 478 40 52
E: gp.arso@gov.si
www.arso.gov.si

Na podlagi četrtega odstavka 8. člena Uredbe o organih v sestavi ministrstev (Uradni list RS, št. 58/03, 45/04, 86/04-ZVOP-1, 138/04, 52/05, 82/05, 17/06, 76/06, 132/06, 41/07, 64/08-ZVIS-F, 63/09, 69/10, 40/11, 98/11, 17/12, 23/12, 82/12, 109/12, 24/13, 36/13 in 51/13) in 179. člena Zakona o splošnem upravnem postopku (Uradni list RS, št. 24/06-UPB2, 105/06-ZUS-1, 126/07, 65/08, 47/09 Odl.US: U-I-54/06-32 (48/09 popr.), 8/10) izdaja Agencija Republike Slovenije za okolje

POTRDILO
O REGISTRACIJI V SISTEMU EMAS

1. Organizacija:

Luka Koper, d.d.
Vojkovo nabrežje 38, 6501 Koper

2. Obseg registracije:

- lokacija Vojkovo nabrežje 38, 6501 Koper

Dejavnost iz standardne klasifikacije dejavnosti:

52.24 Pretovarjanje

3. Registracijska številka organizacije v sistemu EMAS:

SI-00004

4. Datum vključitve v EMAS: **30. 12. 2010**

5. Registracija velja do: **30. 12. 2016**

Številka: 35400-352/2013
Ljubljana, 20. 11. 2013

Joško Knez
Generalni direktor

18.2 CARE FOR ENVIRONMENT

We have endeavoured to decrease emissions into the atmosphere, which are generated during the port activity. The most important actions taken in 2013 to decrease dusting were the introduced technology of applying paper mill sludge to the coal and iron ore dumping area. Paper mill sludge forms a layer that prevents dusting. We also conducted mathematic modelling of material that is blown away by bora or tramontane in order to set up additional measures to decrease dusting in the event of strong winds. The use of paper mill sludge is expected to yield best results.

At the liquid cargo terminal we made measurements of emissions of substances from the device for the collection of vapours, which are produced while wagons and cargo vehicles are being loaded. These were in accordance with the legislation.

At the Dry Cargo Terminal and the Energy Terminal we measured dust emissions at key points. The values were within statutory limits.

18.2.1 Total amount of dust at the Port

Control measurements of total amounts of dust are carried out monthly on ten measuring points at the Port. There are no legal restrictions concerning the amount of dust deposits in Slovenia; nevertheless we have set ourselves a goal not to exceed the average annual level 250 mg/m^2 on any of the measuring points. In 2013, six samples of the total of 120 samples taken exceeded the limit we have set but nonetheless the average of the measured values on all measuring points was within the limits, amounting to 140 mg/m^2 a day, which is 10% less compared to the same period in 2012.

18.2.2 Amounts of health hazardous dust particles (PM_{10})

The statutory determined amounts of fine dust particles (PM_{10}) are measured at the Port by an authorised organisation; we have been continuously monitoring them on three points at the Port. Measurements taken in 2013 were below the target value of 30 µg/m^3 and below the statutory determined amount of 40 µg/m^3. The results of the two measuring devices are automatically presented on the Port's website www.zivetispristaniscem.si every hour.

Comparison of mean values of PM10 measurements in 2013 and 2012

	2013	2012	Index 2013/2012
Ankaran – Rožnik	19 µg/m^3	24 µg/m^3	79
Bertoki	23 µg/m^3	26 µg/m^3	88
Koper – passenger terminal	20 µg/m^3	28 µg/m^3*	71

*Measurements were first taken in October 2012.

18.2.3 Emissions of dust particles on key sources

Since the permitted values of dust particle emissions on key sources are stipulated by law, we perform measurements in the direct vicinity of dust-generating sources (e.g. at loading/unloading of wagons, lorries and ships). The limit permitted value of emissions is 20 mg/m3. All measured results were in accordance with the law.

18.3 WASTE

The Port produces various types of waste. In terms of our commitment to the care for the environment, we regularly ensure separate waste collection, recycling and processing. Waste separation is carried out at all terminals, with users of the economic zone and on ships. Separately collected fractions of waste are delivered to authorised collectors, and organic waste is processed at the composting facility. In waste processing we also cooperate with companies other than our Company.
In 2013, the share of separately collected waste totalled 89%, which exceeded our target of 84% separately collected Port waste.

In 2013, we newly prepared the Waste Management Plan for the 2013–2016 period, and we additionally provided for the disposal of worn out sleepers and waste iron.

Percent of separately collected waste in 2013 and 2012

	2013	2012	Index 2013/2012
Percent of separately collected waste	89.0 %	89.9 %	99

18.4 NOISE

We constantly monitor the noise level on three limit points of the Port and present the results on the portal www.zivetispristaniscem.si.

Comparison of mean noise measurements (in dB) in 2013 and 2012

2013			2012			Limit values
East border of the Port (Bertoki)	North border of the Port (Ankaran)	South border of the Port (Koper)	East border of the Port (Bertoki)	North border of the Port (Ankaran)	South border of the Port (Koper)	
L_D = 54	L_D = 58	L_D =62	L_D =55	L_D =57	L_D =63	L_D = 73
L_N = 51	L_N = 53	L_N =59	L_N =50	L_N =54	L_N =62	L_N = 63
L_{DVN} = 58	L_{DVN} = 60	L_{DVN} =66	L_{DVN} =58	L_{DVN} =61	L_{DVN} =68	L_{DVN} = 73

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

The night noise level on the north and south points of the Port is slightly lower than in 2012. Although nothing special was recorded on the eastern point of the Port, the noise level slightly increased.

The following measures were implemented as part of the Company's noise abatement action plan:

- noisy old transtainers were relocated to the central part of the Port to minimise disturbance in the surrounding area of the Port; new transtainers feature the variable setting of engine rpm, and thus lower noise emissions,
- a part of roads were resurfaced.

18.5 ENERGY

Control over the consumption of energy holds a big unused potential, both in terms of decreasing emissions as well as creating market competitiveness and recognisability in an urban environment. We need to emphasise environmental views, which largely reflect the quality and the actual functioning of the energy management.

The energy review of the Container Terminal, which is the largest consumer of energy, was completed in the second quarter of 2013. The Company continues to implement its system of target consumption monitoring used to examine the characteristic use of energy and water. The energy review was used in the preparation of the action plan of measures aimed at achieving a one percent reduction in the annual consumption of energy and water at the Container Terminal.

We will continue performing energy reviews at the Timber Terminal and Fruit Terminal. Based on the measures implemented in accordance with the energy management system, we can expect further reduction in energy consumption and the realisation of the set goals.

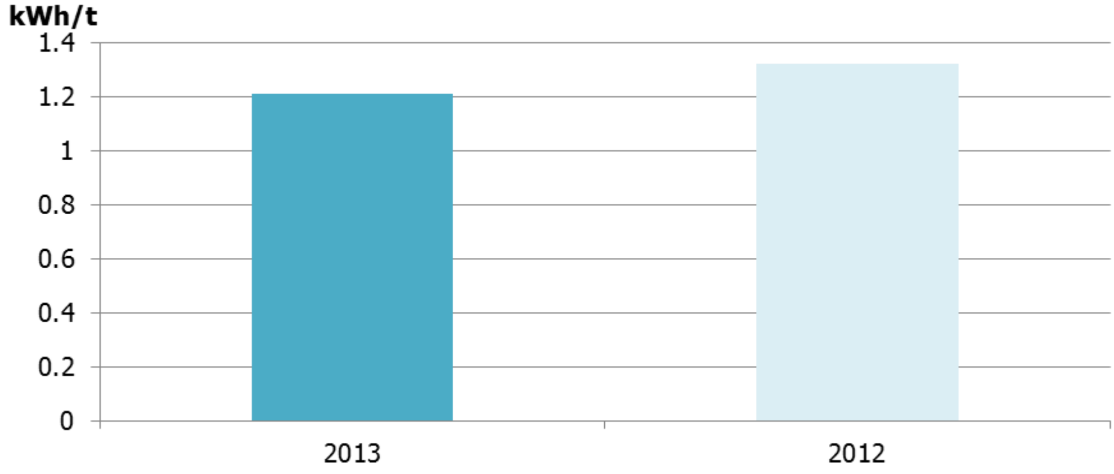
Water consumption is not directly related to cargo handling but it is to a greater degree a consequence of water leakage, which makes it more difficult to manage this indicator. Despite the partial reconstruction of the existing sections of the water supply system, together with the prompt repair of leaking pipes, new leakages occur which results in the increased consumption of drinking water.

18.5.1 Electricity consumption

The port activity is carried out using mechanism and equipment with high nominal power and, consequently, high electricity consumption. Berth cranes, engine rooms for cooling food in the fruit terminal, the illumination and supply of cooling containers consume particularly high levels of energy.

Compared to 2012, electricity consumption per throughput tonne decreased by 9%, from 1.321 kWh/t to 1.208 kWh/t.

Electricity consumption per tonne of the total throughput[12]

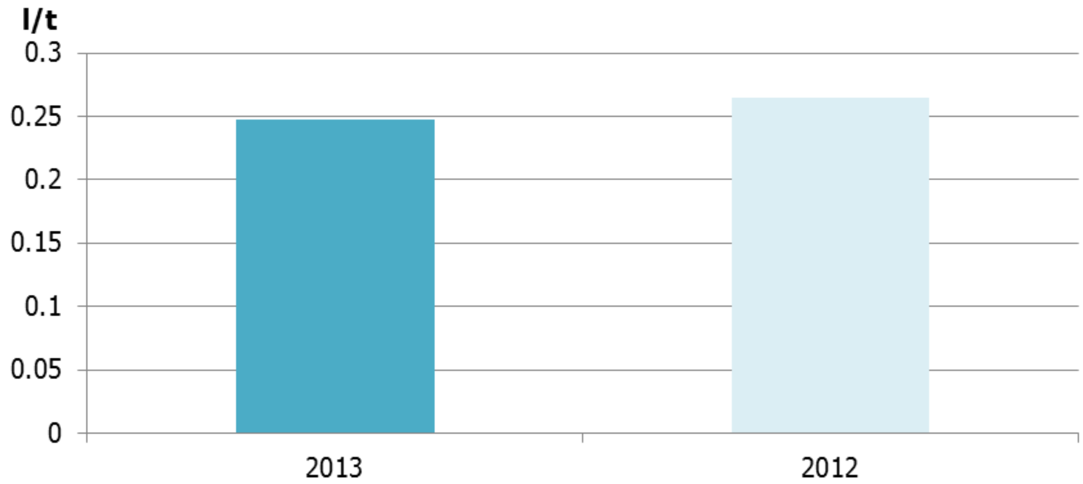


18.5.2 Motor fuel consumption

Working processes at the Port require much floor mechanisation, which is fossil fuel driven (diesel). The major consumers are transtainers, terminal tugs, manipulators, railway articulate vehicles and tractors.

As compared with 2012, the fuel consumption per tonne of throughput decreased by 6%, from 0.265 l/t to 0.248 l/t.

Motor fuel consumption per tonne of the total throughput



[12] The total throughput includes maritime throughput, loading/unloading of containers and land throughput.

18.6 WATER

A variety of safety and cleaning measures are taken in connection with water, which is considered the most important life necessity. Since water is used for sanitary purposes and the supply of ships, the concern for water cleanliness is a part of everyday activities.

18.6.1 Drinking water

Consumption of drinking water is not directly dependent on throughput. In 2013, consumption of drinking water increased by 10% over 2012 year-end, in particular due to leakage. Even though the old parts of the water supply network have been partly reconstructed and leakages are regularly eliminated, new leakages keep on appearing, which consequently increases the use of drinking water.

Furthermore, we made annual measurements of the quality of drinking water in the entire water supply network of the Port, and additionally also monthly measurements of the quality of drinking water at the passenger terminal. All results show compliance with the laws.

18.6.2 Wastewater

To a large degree the Port produces municipal wastewater, and to a smaller scale also technological wastewater. The latter is properly cleaned in out cleaning plants prior to being discharged, while most of municipal wastewater is cleaned in a central cleaning plant in Koper.
In 2013 we measured technological wastewater produced inside the Port. The results were in accordance with the legislation. In 2013 we started the project of connecting sumps and small cleaning devices to the public sewage system and to replace sumps with modern small municipal cleaning devices. The project has not been completed yet and will continue in 2014.

18.7 EFFECTS OF LIGHTING

In accordance with regulations for safe work, Luka Koper, d. d., ensures proper lighting, which is required for continuous performance of work processes. Unfortunately, the lighting, which illuminates warehousing areas, sites, transportation routes and tracks at night is the source of environmental pollution.
Therefore, we have been adjusting and changing lights on the basis of the performed Study for Comprehensive Coordination of the Port's Existing Outdoor Lighting, ensuring the light is not directed upwards. The deadline specified by law for 100% coordination is the year 2016. We have already adjusted lighting at the coast of the container terminal and lighting of the track at the end of pier II, and have thus reached the goal for 2013, which was 85%.

18.8 MARINE PROTECTION

In accordance with the provisions of the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure at Koper Port Terminal, Luka Koper, d. d., is obliged to prevent and eliminate the consequences of any kind of marine pollution that might appear in the Port's aquatorium. To carry out such activity we need special equipment and vessels, as well as properly trained staff; therefore we provide regular trainings and drills. In 2013, we organized special training for actions taken in the event of sea pollution for certain employees, in accordance with standards of the International Maritime Organization. Each participant of the training received a certificate that is valid for 36 months. In 2013, we actively cooperated in international expert conferences as well as several education events, trainings and summits.

On the basis of the new Decree on the contents and drawing up of protection and rescue plans and on the basis of other legislation we carried out the project of updating risk assessments and the Protection and Rescue Plan of Luka Koper, d. d., in the event of industrial accidents. This was followed by theoretic and practical training.

In 2012, we installed equipment for monitoring general parameters of sea quality at the Port on a buoy in front of the entrance to basin III. Throughout 2013, we conducted measurements of the pH values temperature, salinity, turbidity and oxygen in the sea, which will also be continued in 2014. The data are available at www.zivetispristaniscem.si.

In 2012, we installed sensors at three points for the detection of possible spills at the sea. These are modern optical sensors installed above sea surface, which detect spills also during the night and in conditions of decreased visibility. In 2013, we set up the alarm system in the Safety Control Centre, which serves as the basis for timely provision of information and actions taken in cases of pollution.
The ecological fleet, which has modern equipment and vessels for interventions in cases of sea pollution, detected 12 incidents: in four cases, pollution was caused by oil spills, six cases included coal dust and one case included soot, deposits and drift wood washed down by the Rižana River and streams from open sea into the Port aquatorium. In all cases we took actions in accordance with the force and assets activation scheme for the event of minor accident, and we successfully dealt with the consequences of pollutions. We managed to trace the polluters and had them refund the cost of cleaning. In addition, we recorded some events, which presented a direct risk for pollution; however we managed to prevent it by implementing timely and effective measures.

Statistical data on interventions at sea

	2013	2012
Number of incidents at sea	12	21
Number of interventions in the Port's aquatorium	12	18
Number of incidents not requiring intervention	0	3
Number of pollution incidents outside the Port's aquatorium	0	1

18.9 CONSTRUCTION WORKS

While construction works are in progress, emissions of dust or noise may increase; therefore we have entered into agreements with our subcontractors, binding them to comply with all the determined environmental regulations. In spite of this, disturbing impacts cannot be avoided during certain construction activities. In 2013, we implemented some important construction interventions such as the arrangement of surfaces at the coal depot site in order to decrease dusting, and the beginning of works to extend pier I at the Container Terminal, which will continue in 2014. We have also commenced arranging sites for the disposal waterborne sediments, which will be excavated during the dredging of basin I.

18.10 INTERVENTIONS IN ENVIRONMENT

All major planned interventions in environment are subject to the audit of environmental impacts implemented by authorised organisations.

In 2013, we did not carry out any major intervention that would require environmental impact audit pursuant to the law.

18.11 WATERBORNE SEDIMENTS

In order to ensure the safe navigation of vessels using the Port of Koper, the port basins and approach channels have to be dredged to the prescribed depth. Accordingly, we occasionally perform dredging works, and deposits the dredged sediments in designated areas within the port zone. Due to the fact that the areas at the Company's disposal are limited, studies have commenced into alternative uses of the excavated materials. Together with the Slovenian National Building and Civil Engineering Institute, we carried out a research project into the reuse of waterborne sediments as a secondary raw material. In 2014 we will make a pilot brick from waterborne sediments and study its characteristics.

In the dredging of basin I, waterborne sediments will be disposed in two disposal sites at Bonfika near Ankaran.

19 HUMAN RESOURCE MANAGEMENT

19.1 EMPLOYMENT

The trends towards reducing the number of employees in the Luka Koper Group continued in 2013. As of 31st December 2013, the total number of employees in the Group was 982, which is 2% down on 31st December 2012. In 2012, new recruitments were made due to the changed organisation of the work of crane operators at Luka Koper, d. d.

The number of employees by companies of the Luka Koper Group as at 31st December 2013.

	2013	2012	Index 2013/2012
Luka Koper, d. d.	784	785	100
Luka Koper INPO, d. o. o.	168	184	91
Luka Koper Pristan, d. o. o.	4	4	100
Adria Terminali, d. o. o.	24	24	100
TOC, d. o. o.	2	2	100
The Luka Koper Group	**982**	**999**	**98**

In accordance with the HR plan, personnel were in 2013 primarily recruited by the parent company, and these were for the most part junior management staff engaged in the core processes of transhipment and warehousing. We also recruited one external candidate to one of the key job positions, i.e. Director for operations and sales, which had previously been unoccupied for a long time. The reasons for departures of employees are old-age retirements, in particular in the social company Luka Koper INPO, d. o. o., which is subject to increasing average age of employees.

The employment approach in the parent company was changed with the introduction of the HR Committee for the employment and career development of employees.

Employee turnover in 2013 was low. At the Group level it was 3.7% and 2.1% at the level of the Company.

Comparison between recruitments, departures and employee turnover

	New recruitments		Number of departures		EMPLOYEE TURNOVER RATE (in %)*	
	2013	2012	2013	2012	2013	2012
Luka Koper, d. d.	16	27	17	29	2.1	3.6
The Luka Koper Group	20	31	37	52	3.7	5.0

* Employee turnover = number of departures/(initial number of employees + new recruitments) x 100

19.2 ORGANISATIONAL CHANGES AND EFFICIENT MANAGEMENT OF WORKING TIME

In 2013, Luka Koper, d. d., carried out partial renewal of job positions from 2008; based on initiatives and suggestions for changes, only certain inconsistencies needed to be eliminated.

At the end of 2013, the parent company took up the project of optimising business processes, most of which will be implemented in 2014.

The trend of absenteeism due to health conditions has recorded a slight drop. The Company is committed to promoting the health of employees. The number of employees who were absent from work for more than three months due to suffering from serious health conditions which were not directly linked to their work, and injuries suffered outside the working time has dropped.

19.3 OCCUPATIONAL SAFETY AND HEALTH

We maintain our health and safety at work system in accordance with the guidelines of the BS OHSAS 18001 international standard. The elements of protecting employees are included in all port activities. All cases of injuries are carefully analysed so as to determine their causes, prepare reports and necessary measured to decrease the recurrence of injuries.

In 2013, we recorded 71 work-related injuries, compared to 75 in 2012. We conduct a number of measures aimed at reducing work-related injuries. One of the most important activities is obtaining the occupational safety permit. The Comprehensive Occupational Health and Safety Project within the Luka Koper Group aims to promote a healthy attitude to work, good working conditions as well as the physical and mental welfare of employees. The Measurement of Lower Back Loading Project undertaken by the Scientific and Research Centre of the University of Primorska is about to be completed; only individual measurements of specific work places must be implemented. We also carry out regular, almost daily control over the implementation of regulations in the area of safety at work on outsourcers' sites.

Health-related absenteeism (in %)*

	2013	2012
Luka Koper, d. d.	4.1	4.3
The Luka Koper Group	4.6	4.8

* Calculation method: annual number of hours of absence due to health conditions and injuries/(average number of employees x annual number of working hours) x 100

19.4 EDUCATION AND DEVELOPMENT OF EMPLOYEES

The Luka Koper Group ensures proper competence of employees through continued, targeted training of employees considering work requirements, as well as through career development of employees and improvement in the educational structure. In 2013, the average number of education and training hours per employee in Group was 16, and 18 in the Company, which is more than the plan (16 hours). 85% of education and trainings was organised internally with an identified problematic issues at work, own training programmes and to a large degree also our own personnel in the role of in-house lecturers or coaches. 73% of employees were included in education and trainings.

In line with the needs and requirements of business processes, we financed part-time study to 12 employees. Everyone who successfully finished the part-time study, including those who enrolled on their own initiative, was publicly promoted.

Luka Koper, d. d., and Adria Terminali, d. o. o., are included in the European project Competence Centres for HR Development for the 2012–2015 period, within which they draw funds to train employees of typical logistics profiles. The parent company was also included in the public tender for co-financing initiatives for employers to implement practical training of secondary school and high school students.

The Group allocated €160,000 for education and training in 2013 and received €30,000 for having joined the Competence Centre for the Development of HR in Logistics.

An improvement in the area of education and training is represented by the introduction of IT support to monitoring the cost of education and trainings by each employee.

Structure of employees by the level of education as at 31st December 2013

	Luka Koper, d. d.				The Luka Koper Group			
Level of education	**No. of employees 2013**	**Share (%) 2013**	**No. of employees 2012**	**Share (%) 2012**	**No. of employees 2013**	**Share (%) 2013**	**No. of employees 2012**	**Share (%) 2012**
VIII/2	1	0.13	1	0.13	1	0.10	1	0.10
VIII/1	19	2.42	18	2.29	20	2.04	19	1.90
VII	100	12.76	97	12.36	107	10.90	107	10.71
VI/2	123	15.69	119	15.16	129	13.14	124	12.41
VI/1	62	7.91	58	7.39	72	7.33	67	6.71
V	229	29.21	236	30.06	256	26.07	265	26.53
IV	195	24.87	197	25.10	253	25.76	256	25.63
III	12	1.53	12	1.53	18	1.83	19	1.90
I–II	43	5.48	47	5.99	126	12.83	141	14.11
Total	**784**	**100.00**	**785**	**100.00**	**982**	**100.00**	**999**	**100.00**

19.5 ENSURING PERSONAL AND PROFESSIONAL GROWTH OF EMPLOYEES

The Luka Koper Group systematically monitors the career development of employees. In order to maximise the motivation and harmonisation of personal and developmental goals of employees with the objectives of the company, yearly interviews were made with 48% of Group employees in two largest Group companies, i.e. Luka Koper, d. d., and Luka Koper INPO, d. o. o.

Organisational climate was measured and managers assessed in the social company. The parent company took part of the Zlata nit project where it was ranked among six finalists for best Slovenian employers in 2013.

In 2013 we enabled career development to almost one third of employees of the Luka Koper Group through the system of vertical mobility to a more demanding job position, horizontal mobility at the same difficulty level, and ranking of employees to a higher level of competence and flexibility of job position, even though we only planned 20% of promotions. This is mainly a case of a bigger number of rankings of employees to a higher level of competence and flexibility of job position, which is conditional upon the consistency of personnel and acquiring new knowledge.

We reviewed and supplemented the database of HR potentials, particularly high ranking job positions, and identified successors of heads of organisational units. We also prepared development plans.
In 2013, the managing company started preparing a competence model as a tool, which will in the initial phase represent clearer criteria for recruitment, career development, identification of HR potentials and basis for education plan, and later it will serve to establish job performance, provided an agreement is reached with social partners.

Career development of employees

	Vertical and horizontal mobility		Ranking to a higher degree of competence and flexibility		Total internal mobility of employees	
	2013	2012	2013	2012	2013	2012
Luka Koper, d. d.	35	56	175	146	210	202
Share (% of employees)	4	7	22	19	27	26
The Luka Koper Group	46	73	230	208	276	281
Share (% of employees)	5	7	23	21	28	28

19.6 ENSURING JOB AND SOCIAL SECURITY TO EMPLOYEES

The employees of the Luka Koper Group are ensured a high level of job security, since 98.7% of employees held a permanent employment contract at the end of 2013. In addition to three Members of the Management Board, fixed-term employment contracts were concluded with ten other employees for the purpose of introduction to work, increased volume of work or substitution of maternity leaves.

Our employees received regular salary payments, which exceeds the Slovenian average. The average monthly gross salary of a Luka Koper Group employee was €2,503.30 in 2013, exceeding the Slovenian average by 64%. The average monthly gross salary at Luka Koper, d. d., was €2,721.90, which is 79% over the Slovenian average. Based on the Corporate Collective Agreement, the salary was adjusted twice in line with the growth of cost of living in 2013. The employees received holiday pay and the 13th pay based on the job performance. A majority of employees are included in the voluntary pension insurance fund.
In accordance with provisions of collective agreements, less financial help was provided in 2013 than in the previous years; only two in the parent company.
2.1% of employees held part-time employment contracts, of which three because of parenting and 18 because of disability (15 of which in the social enterprise).
We deal with the issue of disability by employing a share of disabled workers inside the Luka Koper Group in the social enterprise Luka Koper INPO, d. o. o. We had seven cases of the reduced capacity to work being assessed in front of a disability committee, one of which ended with disability retirement, one with the mobility to the social enterprise and one with part-time work. At the end of 2013, Luka Koper INPO, d. o. o., had 55% of employees with the status of disabled workers. At the Group level we recorded a decreased amount of disabled workers, primarily as a result of many age-related retirements at the social enterprise.

Disability activity – number and share of employees with disability status

	2013	2012
Luka Koper, d. d.		
Number of employees with disability status	16	14
Share (%)	2.0	1.9
The Luka Koper Group		
Number of employees with disability status	117	122
Share (%)	11.9	12.2

Due to the nature of work, the employee structure comprised far more men than women. Although the share of women in the structure of employees accounts for only 10%, their share among high-ranked leading staff is 23%.

Structure of employees by gender

	2013	2012
Luka Koper, d. d.		
Number of women	105	105
Share of women in the employee structure (%)	13.4	13.4
The Luka Koper Group		
Number of women	119	121
Share of women in the employee structure (%)	12.1	12.1

The average age of employees is slightly higher compared to the year before due to lower volume of recruitments.

Average age of employees

	Average age of employees	
	2013	2012
Luka Koper, d. d.	42.2	41.7
The Luka Koper Group	43.6	43.2

19.7 COOPERATION WITH EDUCATIONAL INSTITUTIONS

Luka Koper, d. d., operates as a socially responsible company in terms of the development and education in the local and wider area. We cooperate with many educational institutions (University of Primorska, Faculty for Maritime Studies and Transport, IEDC Business School Bled, secondary schools) in ensuring mentoring or seminar, project and diploma papers, providing students with compulsory on-the-job trainings and expert excursions. At the end of 2013 we signed a Letter of Intent with the Koper Secondary Technical School in order to establish closer cooperation in the area of HR education and training and to better contribute to the development of educational activities in our area. Regular targeted training of employees is very important for the port activity, in particular as regards the operation and maintenance of the mechanisation and machinery. Our employees are members of management bodies of educational and research institutions. We have presented the Company or examples of good practice to the expert public and students on several occasions. In 2013, we recruited one student who was receiving our scholarship.

19.8 MONITORING HR MANAGEMENT EFFICIENCY AND ENSURING MOTIVATION OF EMPLOYEES

Monitoring human resource management and ensuring motivation of employees is essential for the long-term success of the Company.

Our successful HR management is confirmed by the achieved indicators or goals of the business process of HR assurance and development.

We promote the motivation of our employees by carrying out annual interviews between employees and their superiors, by giving public awards to the best Group employees, by organising social events for employees (New Year party, New Year presents to children, Women's Day), meetings and by promoting employees who successfully completed part-time studies as well as those who retired in the current year. Our employees are given the opportunity to attend several informal sports meetings, cultural and sports events, and to use our holiday capacities.

20 SOCIAL ENVIRONMENT

Luka Koper, d. d., is one of the most important driving forces of the economic development in the local and wider area. We are aware that the Port is just a “guest” in this environment; therefore our social responsibility constitutes a part of the corporate governance policy. Due to the large area occupied by the Port and its impact on the environment, Luka Koper, d. d., is obliged to listen to the needs of the local community and make every effort to ensure that the local community identifies with the Port and supports its development plans. Hence, we understand the investment in social responsibility as high-yield investment.

20.1 LIVING WITH THE PORT

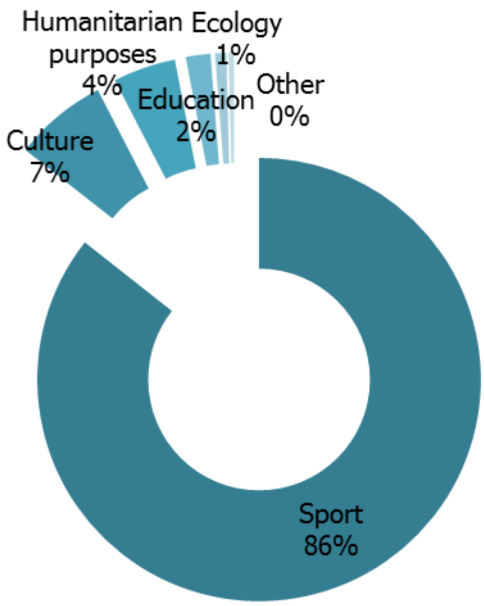
The Port of Koper presents all activities concerning social responsibility and wider sustainable policy on the website www.zivetispristaniscem. In 2013, we renewed and updated the website, enabling everyone to access the portal with smart phones, tablets and browsers. The fact that the portal is indeed modern was acknowledged with the NETKO award which we received from the Chamber of Commerce and Industry of Slovenia in the category of company presentation and corporate communication. The Port of Koper is also active on Facebook where it has more than 3,500 followers. Moreover, the business sphere now has a new application for smart phones and tablets which among other things enables an interactive approach to viewing the key data about the Port and the Company, the announcement of ships and tracking of cargo.

We again held the Port Day for individual Port visitors. The response was very positive; the Port received approximately 2,500 visitors (during the year, the Port receives around 20,000 visitors in organised groups). This year’s Port Day was marked by a ceremony where the President of the Management Board of Luka Koper, d. d., and the Mayor of the Municipality of Koper presented the welcome information board, which will inform all visitors that they are arriving to a historical, university and port town of Koper.

20.2 SPONSORSHIPS AND DONATIONS

In 2013, we spent €0.9 million on sponsorship and donation projects, supporting a number of activities in the local and wider area in the field of sports, culture, health, education and humanitarian activities. A part of the assets were allocated in a public tender from the “Port of Good Ideas” Fund, and the rest on the basis of long-term agreements that govern cooperation with organised groups and individuals. We used assets of the “Living with the Port” Fund to support 104 socially beneficial projects. We have continued sponsoring the Olympic Committee of Slovenia, Koper Football Club, Koper Volleyball Club, rower Špela Ponomarenko, sailors Gašper Vinčec and Vasilij Žbogar, swimmer Matjaž Markič, Koper Brass Orchestra and many others. A majority of our sponsorship fund goes to athletes as they not only promote Slovenia with their achievements but indirectly also promote the Port.

Allocation of donation and sponsorship funds by segments in 2013



20.3 INTERACTION WITH THE LOCAL ENVIRONMENT

We have established partnerships with the local environment and all Port's stakeholders. We signed a Letter of Intent with representatives of the Ministry of Economic Development and Technology and the Municipality of Koper, undertaking to solve administrative and other obstacles on the way towards realising the planned development of the Port of Koper. An important step in this direction was made in July when we obtained the building title on the plot 7A from the Municipality of Koper, which will be used as a site for the disposal of the dredged material from the Port's basin I.

We attended the community meeting of the population of the part of Ankaran which borders the Port at the northern part where we presented our environmental measures and preparedness for dialogue and cooperation. Together with other business entities who work in this area we hosted representatives from the Faculty of Architecture, Faculty of Social Sciences and Faculty of Economics who were involved in the preparation of the sustainable spatial plan of the emerging municipality of Ankaran.

The local population shows a fairly positive attitude to the Port; according to the data from annual public opinion questionnaires, as much as three quarters of the questioned people support the Company's development plans, whereas on the other hand, they still identify the Port as the main polluter of the Municipality of Koper. Therefore, communication with the local environment is essential to build partnership, without which the long-term strategic plan of the Company could be at risk.

21 SUPPLIERS

The Luka Koper Group has a permanent task of ensuring a high level of fulfilled orders at competitive conditions, with minimum supply costs and the lowest possible amount of fund committed. We are making every effort to find capable suppliers and develop long-term partnerships with them.

A supplier is not just a source of purchased products, technical services or investments. Partnerships with suppliers help us improve technological processes of the Port and find innovative solutions. We demand our suppliers to strictly adhere to delivery terms, as delayed or early deliveries incur additional expenses to the Company. We endeavour to decrease the number of suppliers for individual materials and to cooperate with the same suppliers at the level of the entire Luka Koper Group.

We assess suppliers on an annual basis to ensure good partnerships. The assessments are focused on the quality of their products/technical solutions, price criteria, delivery terms, frequency of claims and environmental policies.
The top-rated suppliers by categories (products and technical services) receive awards by the Management of the Company.

We have set a goal to decrease the number of suppliers in 2014, in the sense of joining the same products and services of individual profit centres and other organisational units. By introducing centralised procurement department we made a big step towards achieving this goal.

The best suppliers of the Luka Koper Group in 2013 were:

- CPG, d. d., for the area of investments
- Tagros, d. o. o., for the area of technical services
- Merkur, d. o. o., for the area of products
- MD-SKIP, d. o. o. for the area of port services

22 THE MANAGEMENT SYSTEM

We have been systematically combining the satisfaction of the needs and expectations of our customers, employees, owners and the environment, upgrading them in the unified management system for a number of years.

The guidelines for on-going improvement of business processes, key elements of the system, are international quality standards and other expert and system requirements, which are included in our operations:

- quality management system in accordance with ISO 9001,
- environmental management system in accordance with ISO 14001 and the EMAS scheme,
- occupational health and safety system in accordance with BS OHSAS,
- ensuring food safety in accordance with the Haccp system and in accordance with ISO 22000,
- *non-gmo* system for separate transhipment and storage of non-gmo soy,
- eco certificate for the transhipment and storage of vegetable origin products from ecological and conventional production,
- safety management system (Seveso),
- other relevant statutory requirements and other requirements.

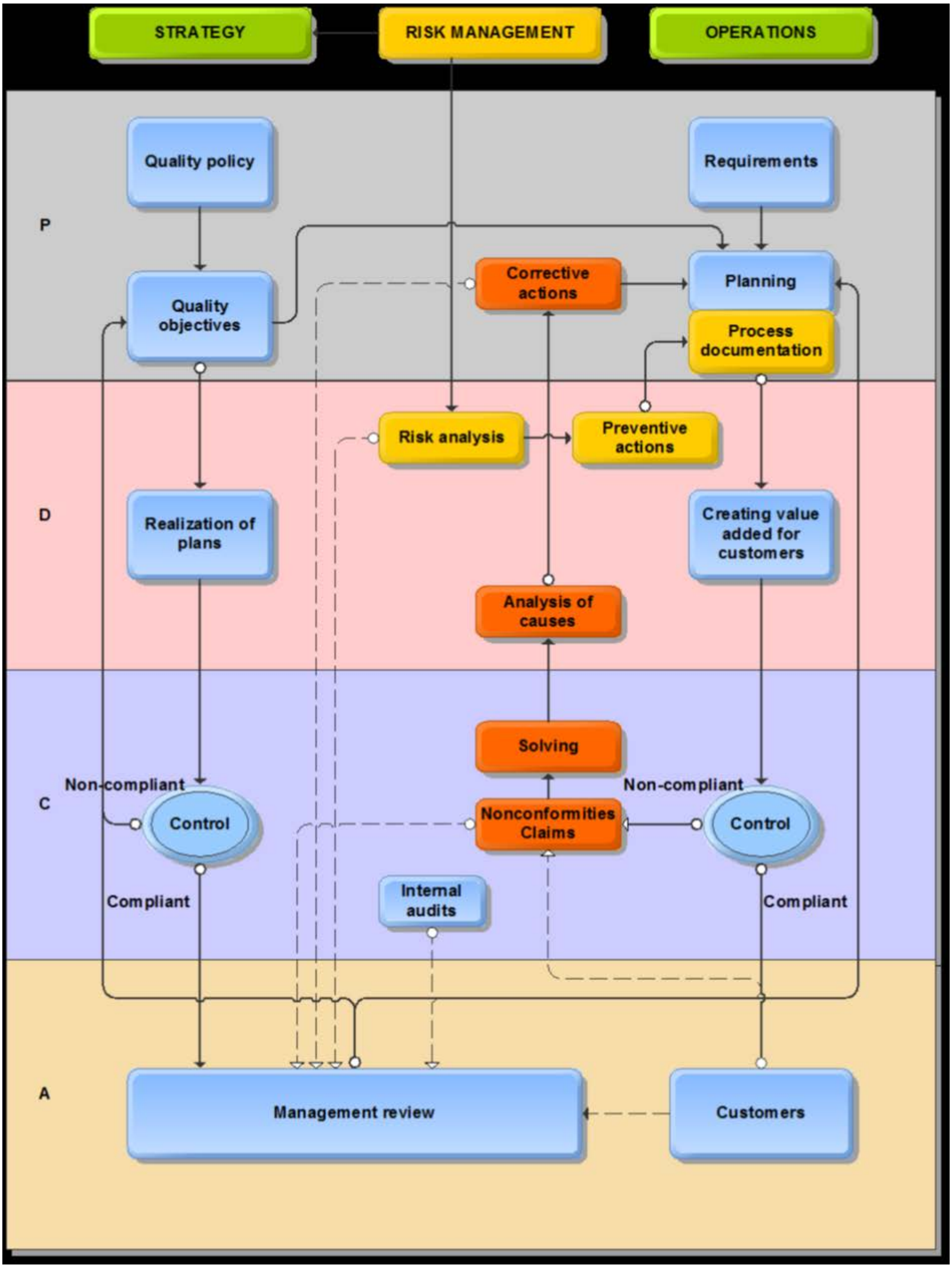
We have been introducing demanding recommendations and findings of regular internal and external control as well as initiatives of the Management Board and other competent co-workers into the practice within the framework of systematically conducted projects of development and improvements in business processes.

All material systems in the area of quality assurance are supported with a unified information portal which has user-friendly solutions that enable effective control over the introduction of various process improvements.

In 2013, we introduced the following significant improvements:

- we supplemented the process of implementing measures for improvement by determining the deadline for implementation as a system deadline, which enables more effective control and faster solutions,
- we carried out the second round of identifying and analysing risks, and established the Risk Management Committee,
- we changed the internal audit implementation process,
- we improved the support IT system with improved scheme of authorisations.

Requirements of the Quality Management System



FINANCIAL REPORT

CONTENTS

CONSOLIDATED FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP FOR THE YEAR 2013

1 CONSOLIDATED INCOME STATEMENT

(in EUR)	Notes	2013	2012
Operating revenue	1	144,235,477	141,732,087
Other revenue	2	3,887,272	3,631,671
Costs of materials	3	-11,233,214	-11,954,886
Costs of services	4	-40,294,532	-40,885,307
Employee benefits	5	-39,907,233	-37,490,357
Write-downs	6	-37,528,870	-30,112,501
Other operating expenses	7	-6,957,187	-5,736,470
Profit or loss from operations		**12,201,713**	**19,184,237**
Financial income from shares and interest	8	1,310,725	1,057,061
Financial income from loans	8	150,722	989,952
Financial income from operating receivables	8	99,716	96,340
Financial expense for financial investments	9	-2,685,613	-2,167,628
Financial expense from financial liabilities	9	-4,351,740	-5,968,102
Financial expense for operating liabilities	9	-87,300	-62,210
Profit or loss from financing activities		**-5,563,490**	**-6,054,587**
Profit or loss before tax	10	**6,638,223**	**13,129,650**
Income tax payable	11	-368,300	-1,394,257
Deferred tax	12	1,479,577	-1,236,834
Net profit for the period	**13**	**7,749,500**	**10,498,559**
Net profit attributable to the controlling interest of the parent	**13**	**7,740,458**	**10,478,881**
Net profit attributable to the non-controlling interest	**13**	**9,042**	**19,678**
Net profit per share – basic and diluted	**13**	**0.55**	**0.75**

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

2 STATEMENT OF OTHER COMPREHENSIVE INCOME

(in EUR)	2013	2012
Net profit for the period	**7,749,500**	**10,498,559**
Gains or losses on revaluation of available-for-sale financial assets	4,294,107	-1,195,799
Deferred tax effect from revaluation of available-for-sale financial assets	-703,964	366,279
Change in fair value of financial instruments used in hedge accounting	798,914	-1,123,620
Deferred tax effect from change in fair value of financial instruments used in hedge accounting	118,586	-
Other items of comprehensive income	-	374
Total other comprehensive income that will be reclassified to profit and loss at a future date	4,507,643	-1,952,766
Unrealised actuarial gains or losses from post-employment benefits	-36,247	-
Deferred tax on unrealised actuarial gains or losses	3,081	-
Total other comprehensive income that will never be reclassified to profit or loss	-33,166	-
Other comprehensive income	**4,474,477**	**-1,952,766**
Total comprehensive income for the period	**12,223,977**	**8,545,793**
Total comprehensive income attributable to the parent	**12,214,935**	**8,525,741**
Total comprehensive income attributable to non-controlling interests	**9,042**	**20,052**

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

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR)	Notes	31.12.2013	31.12.2012
ASSETS			
Property, plant and equipment	14	329,446,468	351,319,247
Investment property	15	14,381,228	20,310,622
Intangible assets and long-term deferred cost	16	5,591,405	5,882,038
Non-current investments	17	44,697,605	41,381,973
Loans	17	1,548,089	1,526,547
Non-current operating receivables	18	6,088	5,243
Deferred tax assets	19	7,382,031	6,513,130
Non-current assets		**403,052,914**	**426,938,800**
Assets of disposal groups held for sale	20	9,575,707	5,992,398
Loans	21	735,800	3,278,291
Operating receivables	22	25,295,670	22,713,218
Cash and cash equivalents	23	3,153,730	1,608,345
Current assets		**38,760,907**	**33,592,252**
Short-term deferred cost and accrued revenue	24	**1,744,742**	**1,555,503**
TOTAL ASSETS		**443,558,563**	**462,086,555**
EQUITY AND LIABILITIES			
Share capital	25	58,420,965	58,420,965
Share premium	25	89,562,703	89,562,703
Profit reserves	25	81,098,351	78,904,872
Revaluation reserve	25	9,225,036	4,750,559
Retained earnings	25	15,325,515	10,845,942
Net profit for the year	25	5,434,335	6,715,086
Equity attributable to the controlling interest		**259,066,905**	**249,200,127**
Equity attributable to the non-controlling interest		**137,234**	**128,192**
Provisions and accrued costs and deferred revenue	26	**14,819,654**	**12,053,082**
Non-current borrowings	27	136,972,581	135,262,778
Other financial liabilities	27	1,099,393	1,607,383
Non-current operating liabilities	28	95,541	201,430
Non-current liabilities		**138,167,515**	**137,071,591**
Liabilities of disposal groups held for sale	29	80,377	-
Current loans	30	15,211,280	46,586,860
Other financial liabilities	30	467,398	342,941
Income tax payable	31	368,300	808,070
Other current liabilities	31	13,117,243	14,110,063
Current liabilities		**29,244,598**	**61,847,934**
Short-term accrued cost and deferred revenue	32	**2,122,657**	**1,785,629**
TOTAL EQUITY AND LIABILITIES		**443,558,563**	**462,086,555**

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

4 CONSOLIDATED CASH FLOW STATEMENT

(in EUR)	2013	2012
Cash flows from operating activities		
Net profit for the period	7,749,500	10,498,559
Adjustments for:		
Amortisation	28,183,312	28,032,349
Write-downs and losses from sale of property, plant, equipment, and investment property	9,197,251	1,725,828
Gains from the sale of property, plant, equipment, intangible assets and investment property	-19,806	-85,705
Bad debt allowance	18,787	105,514
Financial income	-1,561,163	-2,143,353
Financial expense	7,124,653	8,197,940
Income tax payable and deferred tax assets and liabilities	-1,111,277	2,631,091
Operating revenue before the change in net current assets and tax	**49,581,257**	**48,962,223**
Changes in net current assets and provisions		
Change in operating receivables	-1,956,816	302,551
Change in deferred costs and accrued revenue	-189,239	-1,002,755
Change in operating liabilities	-1,337,049	-1,462,614
Change in provisions	2,766,572	-382,842
Change in accrued costs and deferred revenue	337,027	483,851
Income tax payable	189,567	-1,071,989
Net cash from operating activities	**49,391,319**	**45,828,425**
Cash flows from investing activities		
Interest received	250,438	1,086,292
Dividends received	1,310,725	1,057,061
Receipts from sale of property, plant, equipment and intangible assets	828,120	97,530
Receipts from sale and decrease in financial investments and loans	4,361,472	719,795
Disbursements to acquire property, plant, equipment and intangible assets	-14,825,864	-18,639,095
Disbursements to acquire investments and increase in loans	-925,448	-426,491
Net cash used in investing activities	**-9,000,557**	**-16,104,908**
Cash flows from financing activities		
Interest paid	-4,439,040	-6,030,312
Receipts from non-current borrowings	20,165,000	28,206,296
Receipts from current borrowings	15,586,803	31,037,369
Cash repayments of non-current borrowings	-3,243,917	-2,737,602
Cash repayments of current borrowings	-64,591,379	-79,629,193
Change in equity	31,843	-
Dividends paid	-2,354,687	-
Net cash used in financing activities	**-38,845,377**	**-29,153,442**
Opening balance of cash and cash equivalents	**1,608,345**	**1,038,270**
Net cash flow in the period	**1,545,385**	**570,075**
Closing balance of cash and cash equivalents	**3,153,730**	**1,608,345**

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

5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FY 2013

(in EUR)	Share capital	Share premium	Legal premium	Other profit reserves	Retained earnings	Net profit or loss for the year	Revaluation reserve	Total equity of the parent	Equity non-controlling interest	Total capital
At 31 December 2012	**58,420,965**	**89,562,703**	**18,877,761**	**60,027,111**	**10,845,942**	**6,715,086**	**4,750,559**	**249,200,127**	**128,192**	**249,328,319**
At 1 January 2013	**58,420,965**	**89,562,703**	**18,877,761**	**60,027,111**	**10,845,942**	**6,715,086**	**4,750,559**	**249,200,127**	**128,192**	**249,328,319**
Changes in equity – transactions with owners										
Dividends paid	-	-	-	-	-2,380,000	-	-	-2,380,000	-	-2,380,000
Other changes in equity	-	-		-	31,843	-	-	31,843	-	31,843
	-	-	-	-	-2,348,157	-	-	-2,348,157	-	-2,348,157
Total comprehensive income for the period										
Net profit or loss for the period	-	-	-	-	-	7,740,458	-	7,740,458	9,042	7,749,500
Net change in revaluation of financial assets	-	-	-	-	-	-	3,590,143	3,590,143	-	3,590,143
Net change in fair value of financial instruments used in hedge accounting	-	-	-	-	-	-	917,500	917,500	-	917,500
Net unrealised actuarial gains and losses	-	-	-	-	-	-	-33,166	-33,166	-	-33,166
	-	**-**	**-**	**-**	**-**	**7,740,458**	**4,474,477**	**12,214,935**	**9,042**	**12,223,977**
Movements within equity										
Transfer of the remaining net profit of the comparable period to other equity elements	-	-	-	-	6,715,086	-6,715,086	-	-	-	-
Appropriation of a portion of the net profit for the year to other equity elements based on a decision of the Management and Supervisory Boards	-	-	-	2,306,123	-	-2,306,123	-	-	-	-
Other movements in equity	-	-	-112,644	-	112,644	-	-	-	-	-
	-	**-**	**-112,644**	**2,306,123**	**6,827,730**	**-9,021,209**	**-**	**-**	**-**	**-**
At 31 December 2013	**58,420,965**	**89,562,703**	**18,765,117**	**62,333,234**	**15,325,515**	**5,434,335**	**9,225,036**	**259,066,905**	**137,234**	**259,204,139**

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

FY 2012

(in EUR)	Share capital	Share premium	Legal premium	Other profit reserves	Retained earnings	Net profit or loss for the year	Revaluation reserve	Total equity of the parent	Equity non-controlling	Total capital
At 31 December 2011	**58,420,965**	**89,562,703**	**18,882,889**	**56,263,316**	**10,411,742**	**443,364**	**6,703,699**	**240,688,678**	**108,140**	**240,796,818**
At 1 January 2012	**58,420,965**	**89,562,703**	**18,882,889**	**56,263,316**	**10,411,742**	**443,364**	**6,703,699**	**240,688,678**	**108,140**	**240,796,818**
Changes in equity – transactions with owners										
Other changes in equity	-	-	-5,128	-	-9,164	-	-	-14,292	-	-14,292
	-	-	-5,128	-	-9,164	-	-	-14,292	-	-14,292
Total comprehensive income for the period	-									
Net profit or loss for the period	-	-	-	-	-	10,478,881	-	10,478,881	19,678	10,498,559
Net change in revaluation of financial assets	-	-	-	-	-	-	-829,520	-829,520	-	-829,520
Net change in fair value of financial instruments used in hedge accounting	-	-	-	-	-	-	-1,123,620	-1,123,620	-	-1,123,620
Other comprehensive income for the period	-	-	-	-	-	-	-	-	374	374
	-	**-**	**-**	**-**	**-**	**10,478,881**	**-1,953,140**	**8,525,741**	**20,052**	**8,545,793**
Movements within equity										
Transfer of the remaining net profit of the comparable period to other equity elements	-	-	-	-	443,364	-443,364	-	-	-	-
Appropriation of a portion of the net profit for the year to other equity elements based on a decision of the Management and Supervisory Boards	-	-	-	3,763,795	-	-3,763,795	-	-	-	-
	-	**-**	**-**	**3,763,795**	**443,364**	**-4,207,159**	**-**	**-**	**-**	**-**
At 31 December 2012	**58,420,965**	**89,562,703**	**18,877,761**	**60,027,111**	**10,845,942**	**6,715,086**	**4,750,559**	**249,200,127**	**128,192**	**249,328,319**

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

6 COMPOSITION OF THE LUKA KOPER GROUP

The consolidated financial statements of the Luka Koper Group for the year ended 31 December 2013 contain the financial statements of the controlling entity Luka Koper d. d., its subsidiaries, and profits or losses of associates and jointly controlled entities.

The Luka Koper Group as at 31 December 2013 is composed of the controlling entity and four subsidiaries (of which one was reclassified to assets held for sale), as well as seven associated and jointly controlled entities.

Basic information about the parent company

Luka Koper is the only Slovenian international cargo port, and it is controlled by a public limited company located in Koper which has the same name. The port was established in 1957 and its geographical position provides the closest connection between the Central and Eastern Europe with Mediterranean. Today the harbour has a direct connection to the European railway and motorway system and has a status of EU border entry point. The whole port has a status of a free-trade zone. Luka Koper represents the intermodal trade connection between various means of transport and throughput systems.

The Company's share capital of EUR 58,420,964.78 is represented by 14,000,000 ordinary shares. The Company's headquarters are located in Koper, Vojkovo nabrežje 38. At 31 December 2013, the Company had 784 employees.

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

		31.12.2013		31.12.2012	
(in EUR)	Country	Equity share	Share capital	Equity share	Share capital
Subsidiaries:					
Luka Koper Inpo, d. o. o.	Slovenia	100.0	240,878	100.0	240,878
Luka Koper Pristan, d. o. o.	Slovenia	100.0	1,894,746	100.0	1,894,746
Adria terminali, d. o. o.	Slovenia	100.0	258,260	100.0	802,157
TOC, d. o. o.	Slovenia	68.1	787,100	68.1	787,100

Activities of subsidiaries and changes that occurred in 2013

Luka Koper INPO; d. o. o., is a company whose line of business is construction, production and other services and activities provided by disabled persons. The company was established in 1995, and in 1996 it gained a status of a company employing disabled staff. At 31 December 2013 the company employs a total of 168 employees of which 93 are disabled.

Adria Terminali, d. o. o. was registered at the court on 14 February 2007. Its main activity is warehousing. At 31 December 2013 it employed 24 staff. Luka Koper d. d. holds a 100 percent stake in the company. Pursuant to paragraph 5, Article 520 in conjunction with Article 379 of the Companies Act, in 2013 the company carried out a simplified reduction of its share capital to cover the accumulated loss brought forward.

TOC, d. o. o., was registered at the court in September 2007. It was established as a joint venture between Luka Koper, d. d. and Kemiplas, d. o. o. In 2009, another partner, INSOL, d. o. o. entered the joint venture. TOC is a market-oriented enterprise providing services in the field of technology and ecology research and the provision of quality fuel and bio fuel. Due to the withdrawal of the partner INSOL, d. o. o., from the company, the share capital of the company decreased accordingly. Subsequently, Luka Koper, d. d., became the majority owner with 50.82% stake.

Luka Koper Pristan, d. o. o. is a wholly owned subsidiary of Luka Koper, d. d. According to standard classification of activities, the company is registered for trading activities, hotel services and similar, student dorm, mountain huts and holiday accommodations, restaurants and pubs. It was established in July 1996. As at 31 December 2013, it employed 4 staff. In 2013 the investment was reclassified to assets of disposal group held for sale in accordance with decision of the Management Board.

Associates and companies under common control of the Luka Koper Group

Luka Koper, d. d., has its capital invested also in associated and jointly controlled entities where it has a significant influence. In the financial statements of the Group, they are accounted for under the equity method and as such they either increase or decrease operating profit or loss by the attributed part of net profits or losses.

(in EUR)	**Country**	**31.12.2013 Equity share**	**31.12.2012 Equity share**
Associates:			
Avtoservis, d. o. o.	Slovenia	49.0	49.0
Golf Istra, d. o. o.	Slovenia	20.0	20.0
Railport Arad s. r. l.	Romania	33.3	33.3
Jointly controlled entities:			
Adriafin, d. o. o.	Slovenia	50.0	50.0
Adria Transport, d. o. o.	Slovenia	50.0	50.0
Adria-Tow, d. o. o.	Slovenia	50.0	50.0
Adriasole, d. o. o.	Slovenia	98.0	98.0

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Luka Koper, d. d., is the controlling entity of the Luka Koper Group. The consolidated financial statements of the Luka Koper Group for the reporting period 2013 include:

- Consolidated statement of financial position
- Consolidated income statement
- Consolidated statement of comprehensive income
- Consolidated cash flow statement
- Consolidated statement of changes in equity, and
- Notes, which include a review of all significant accounting policies and other explanatory notes.

For the purpose of consolidation, separate financial statements of the parent company and its subsidiaries were added up and consolidated. The processes comprise equity consolidation, elimination of mutual receivables and liabilities, as well as elimination of mutual revenue and expenses, and unrealised gains and losses. The financial statements of the Group companies were prepared on the same reporting date, using the standard accounting policies. The financial statements were prepared on a going concern basis. The Group is considered as a going concern that prepares its financial statements using the accrual basis of accounting and the consistency of presentation principle.

Statement of compliance

The consolidated financial statements are compiled in accordance with the Companies Act and International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU.

As at the reporting date there is no difference in the policies applied by the companies in the Luka Koper Group between International Financial Reporting Standards and IFRS adopted by the EU.

The Management Board approved the consolidated financial statements on 1 April 2014.

Basis of preparation

The financial statements are expressed in euro (EUR) without cents.

Fair value

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - valuation techniques for which the lowest level input is directly or indirectly observable

Level 3 - valuation techniques for which the lowest level input is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the reporting period.

The fair value measurement hierarchy of the Group's assets and liabilities is presented in Note 34.

Accounting policies applied

The accounting policies used in the consolidated financial statements compilation are consistent with those applied in the financial year ended 31 December 2012, except for the adoption of new standards and interpretations effective from 1 January 2013 and which are noted below.

Also, in 2012, the Group entities combined other operating revenue and other revenue into a single item of other revenue.

Newly adopted standards and interpretations

IAS 1 – Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items that will never be reclassified. These amendments do not change the nature of the items that were recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit and loss in future periods. The standard affects presentation only and there is no impact on the Group’s financial position or performance.

IAS 19 – Employee benefits (revised)

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following: for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. There are new or revised disclosure requirements which include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption; termination benefits are recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37; the distinction between short-term and other long-term employee benefits is based on expected timing of settlement rather than the employee’s entitlement to the benefits. The amendment becomes effective for annual periods beginning on or after 1 January 2013. Revised standard has no significant impact on Luka Koper d. d.'s financial position or performance and accordingly, comparable data of each relevant equity element or other comparable amounts were not restated as if the new accounting policy was used from the very beginning.

IFRS 7 – Financial Instruments: Disclosures (Amended) – Offsetting Financial Assets and Financial Liabilities.

The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosure would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all categorised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are set-off in accordance with IAS 32. Revised standard effects the Group's financial position or performance.

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. "an exit price"). "Fair value" as used in IFRS 2 Share-based payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:

- Concepts of "highest and best use" and "valuation premise" are relevant only for non-financial assets
- Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements
- A description of how to measure fair value when a market becomes less active.

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

Other than requirement for additional disclosures, the standard has no significant impact on the financial statements of the Luka Koper Group.

IFRIC 20 – Stripping Costs in the Production Phase of a Surface Mine

This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. If the benefit from the stripping activity is realized in the current period, an entity is required to account for the stripping activity costs as part of the cost of inventory. When the benefit is the improved access to ore, the entity recognizes these costs as a non-current asset, only if certain criteria are met. This is referred to as the 'stripping activity asset'. The stripping activity asset is accounted for as an addition to, or as an enhancement of, an existing asset. After initial recognition, the stripping activity asset is carried at its cost or revalued amount less depreciation or amortization and less impairment losses, in the same way as the existing asset of which it is a part. The interpretation is effective for annual periods beginning on or after 1 January 2013. The new interpretation has no impact on the Group's financial position or performance.

New IFRS Standards and Interpretations either not yet effective or not yet adopted by the EU.

The Group has not early adopted any standard or interpretation issued but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective.

The following new and amended standards will be applied in future periods as required by IFRSs and the European Union: The Group is currently assessing the potential impact of the new and revised standards and interpretations that will be effective or adopted by the European Union on or after 1 January 2014.

IAS 28 – Investments in Associates and Joint Ventures (novation)

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 32 – Financial Instruments: Presentation (Amended) – Offsetting Financial Assets and Financial Liabilities.

In December 2011, IASB issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for annual periods beginning on or after 1 January 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The Group does not expect the amendment will have an impact on its consolidated financial statements.

IAS 36 – Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after 1 January 2014. The Group does not expect the amendment will have an impact on its consolidated financial statements.

IAS 39 - Financial Instruments - Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment provides an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties, and
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after 1 January 2014. The Group does not expect the amendment will have an impact on its consolidated financial statements.

IFRS 9 – Financial Instruments – Classification and Measurement

The IFRS 9 was originally issued in November 2009, and is intended to replace IAS 39 Financial Instruments: Recognition and Measurement The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognised at fair value plus transaction costs.

Financial assets

Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortised cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows
  and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognising changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting

A new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by the EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Group's financial assets and liabilities. The Group will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture of its effects on the consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent. The standard changes definition of control, which exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee

and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The amendment becomes effective for annual periods beginning on or after 1 January 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014. The Group does not expect the standard to have significant impact on its existing interests; however, it may have an impact on accounting for future takeovers.

IFRS 11 – Joint Arrangements

IFRS 11 replaces IAS 31: Interest in Joint Ventures and SIC 13 Jointly-controlled entities – Non-monetary Contributions by venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

The amendment becomes effective for annual periods beginning on or after 1 January 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The Group does not expect the standard to have significant impact on its existing interests; however, it may have an impact on accounting of future joint arrangements.

IFRS 12 – Disclosures of Involvement in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after 1 January 2013 and may affect the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The standard affects presentation only and there is no impact on the Group's financial position or performance.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The Group is currently assessing the impact that this interpretation could have on the Group's financial position and performance.

IFRIC 21 – Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognising a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after 1 January 2014. The Group is currently assessing the impact that this interpretation could have on the Group's financial position and performance.

Foreign currency transactions

Transactions in foreign currency are translated into euro at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities in foreign currency are translated at the reference exchange rate of the ECB at the reporting date. All differences resulting from foreign currency translation are recognised in profit or loss.

Profit or loss from operations

Profit from operations is defined as the result before income tax and finance items. Finance items comprise interest revenue on cash balances at the bank, deposits, interest bearing available-for-sale investments, interest expense on borrowings, gains and losses on sale of available-for-sale financial instruments and foreign exchange gains and losses on all monetary assets and liabilities denominated in foreign currency.

Significant accounting estimates and judgements

In the preparation of financial statements under International Financial Reporting Standards, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying value of assets and liabilities, revenues and expenses. These estimates are based on experience from previous periods as well as expectations in the accounting period. Actual results differ from those estimates and for that reason they are constantly revised and adjusted accordingly.

Impairment of financial instruments and non-financial assets

Information on significant estimates about uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, was applied in assessment of the value of property, plant and equipment (Note 14) and investment property (Note 15), in measurement of investments in subsidiaries, associates and other entities (Note 17) and in the process of recognition of deferred tax assets (Note 12).

Deferred tax

Based on our estimates that in future sufficient taxable profit will be available, deferred tax was provided on account of the following items:

- Provisions for jubilee awards and termination benefits on retirement
- Impairment of investments
- Impairment of receivables, and
- Tax losses.

Deferred tax assets recognised on account of provisions for jubilee awards and termination benefits are reduced by the relevant amount of provisions utilised or increased by the amounts of newly formed provisions.

Deferred tax assets were recognised in the relevant amount of impairment loss on investments and receivables as impairment losses are not recognised as tax expenditure until the investments' derecognition. Deferred tax assets will be capitalised on sale or disposal of the investment or financial instrument as well as on final write-off of receivables.

Deductible temporary differences are recognised at the tax rate of 17 percent (the same as in 2012), with exception of deferred tax recognised on account of jubilee awards and termination benefits to which a 15 percent tax rate was applied.

Deferred tax liabilities are recognised for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss) to a higher value, whereas on revaluation of available-for-sale financial assets to a lower value, deferred tax assets are recognised.

At the reporting date the amount of deferred tax assets and liabilities is reassessed. If there is not sufficient amount of available taxable profits, the amount of deferred tax assets is reduced accordingly.

Provisions

The Management approves the substance and amount of provisions on the basis of the following:

- Provisions for jubilee awards and termination benefits on retirement are set on the basis of actuarial calculation.
- Provisions for legal disputes and damages are set aside using the following criteria:
  - Whether present obligation (legal or constructive) exists a result of past events
  - It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognised if the probability is high

- A reliable estimate can be made of the amount of the obligation.

8 SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Individual categories are disclosed under International Financial Reporting Standards. All significant items and issues have been disclosed. Accounting policies used as well as their nature and degree of significance are identified in the Company's internal rules. For all significant amounts reported in the financial statements, we have also disclosed comparable information for the previous period and included in numerical and descriptive information. Comparative information has been adjusted to be consistent with the presentation in the current financial year.

The accounting policies detailed below were consistently applied in all the periods presented in the financial statements.

The accounting policies were not changed in 2013 with exception of reclassification of the item plant from plant and equipment to other plant and equipment to ensure a more appropriate accounting treatment. The change has no impact on profit or loss.

Property, plant and equipment

The items of property, plant and equipment are carried at cost. Under the cost model, an item of property, plant and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses. The manner and methods used in the valuation of assets due to impairment are described in the section "Impairment of Property, Plant and Equipment". The cost of an item of property, plant and equipment is equal to the monetary price on the date of the asset's recognition.

Parts of property, plant and equipment, which have different useful lives, are accounted for as individual assets, which are depreciated within the estimated useful life.

Land is accounted for separately and is not depreciated.

Borrowing costs

Borrowing costs that may be directly attributed to the acquisition, construction or production of a qualifying asset, increase its cost. Borrowing costs are capitalised as a portion of costs of a qualifying asset when expenditures for the asset are incurred, when borrowing costs are incurred and when activities begin which are necessary to make the asset ready for its intended use or disposal.

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is expensed when incurred.

Depreciation

Depreciation charge is recognised in an individual period in profit or loss. An asset is subject to depreciation when it is made available for its use. The items of property, plant and equipment are depreciated under the straight-line depreciation method, considering the assessed economic life of an individual asset. The depreciation method used is reassessed at the end of each financial year. As a rule, the residual value of an asset is considered only for significant items of property, plant and equipment as is their cost of disposal. Land, assets being acquired, non-current assets classified to disposal groups (derecognition) and works of art are not depreciated.

Asset	2013	2012
Buildings	1.5–6 %	1.5–6 %
Transport and transhipment equipment	5.6-20%	5.6-20%
Computer hardware	10–25 %	10–25 %
Other equipment	6.6-25%	6.6-25%

Derecognition

The carrying amount of an individual item of property, plant and equipment is derecognised upon its disposal or when no future economic benefits are expected from the asset's use or disposal. Any profit or losses resulting from disposal of individual item of property, plant and equipment is determined as the differences between the revenue from disposal and the carrying amount and are included in profit or loss.

Intangible assets

Initially, intangible assets are recognised at cost. Subsequent to initial recognition, they are recognised at their cost reduced by accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation begins when an asset is ready for its use, i.e. when the asset is on the location and in the condition necessary for it to operate as intended.

The net carrying amount of an item of intangible assets with final useful life is reduced using the straight-line amortisation method over the period of its useful life. All items of intangible assets have finite useful lives.

The period and method of amortisation of an intangible asset with finite useful life are reassessed at least at the end of each financial year. When expected useful life of an intangible asset differs from previous assessments, its amortisation rate is adjusted accordingly.

The useful life of an item of intangible assets that arises from contractual or other legal rights does not exceed the period of these contractual rights or legal rights, however, it may be shorter, depending on the period during which the asset is expected to be used. Assessed useful life of other items of intangible assets is 10 years (average amortisation rates used are presented below).

Intangible assets	2013	2012
Concessions, trademarks and licences	10–20%	10–20%
Non-current deferred costs	10%	10%

Investment property

Investment properties are held to bring rent and/or appreciate in their value. Investment property is measured under the cost model. Depreciation is accounted for under the straight-line depreciation method over the estimated useful life of an individual asset. Land is not depreciated. Facilities under lease are divided into individual parts according to their estimated useful lives. Average used depreciation rates for investment property:

Investment property	2013	2012
Buildings	1.5–6%	1.5–6%

Investments in related parties

Investments in associated and jointly controlled entities are measured under the equity method. These are the enterprises in which the Group has a significant influence but does not control their financial or business policies.

Financial instruments

Financial instruments are classified into the following categories:

1. Financial instruments at fair value through profit or loss
2. Financial investments held to maturity
3. Loans and receivables
4. Available-for-sale financial assets

Loans and receivables

The third category comprises all loans and borrowings as well as receivables. They are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

In our books of accounts, non-current and current receivables are carried separately as are trade receivables and receivables due from the state and employees. Trade receivables include interest receivables. Current and non-current trade receivables are initially recognised at amounts agreed in the contracts or recorded in the relevant accounting documents. On the last day of the financial year, trade receivables expressed in foreign currency are translated into the local currency at the reference rate of the ECB.

Trade receivables impairment

Bad debt allowances of the total amount are recognised regularly for all trade receivables and interest receivables that are due and outstanding for more than 180 days. Allowances against specific types of receivables are made individually based on relevant judgements. Impairment loss is recognised as revaluation operating expenses associated with receivables of individual organisational unit, where a receivable occurred.

Impairment of receivables due from companies, which are in bankruptcy or liquidation procedure, is recognised in the total amount (100 percent) of the receivable immediately after the commencement of such procedure has been determined. Impairment loss is recognised as revaluation operating expenses associated with receivables of individual organisational unit, where a receivable occurred.

Loans

On initial recognition loans are carried at their amortised cost using the effective interest rate method. In terms of their maturity, loans are classified on the settlement date into non-current or current financial assets. With a view of credit risk management, maturity of individual loans as well as the method of settlement and collateral is determined taking into consideration the credit rating of a borrower (e.g. bills of exchange, pledge of securities and other movable or immovable property, potential for unilateral netting of mutual liabilities, and similar collateral). In the event of the borrower failing to meet his contractual liabilities, collateral is liquidated or, if legal proceedings have been instituted, the investment is impaired.

Borrowings

On initial recognition, borrowings are carried at their amortised cost using the effective interest rate method. Major amount of borrowings represent bank loans with repayment of principal when the loan contract matures. In terms of their maturity, borrowings are classified into non-current and current financial liabilities. On the last day of the year, all financial liabilities maturing within a period of 12 months are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants.

Available-for-sale financial assets

Available-for-sale financial assets comprise all of the investments in equity securities. On initial recognition they are measured at fair value, increased by the cost of transaction relating to the acquisition of individual financial assets. Fair value is considered market value based on the quotation value of securities or published daily value of a unit of a mutual fund's assets. Fair value changes are recognised directly in the capital revaluation surplus. Declining volume of securities is accounted for in books of account using the average prices method. When available-for-sale financial assets are derecognised, the accumulated gains or losses are transferred to the profit or loss. Additions and disposals of available-for sale financial assets are recognised on the trading date.

All other investments, for which no operating market exists and the fair value of which cannot be measured reliably, are measured at the cost.

Non-current assets of disposal groups held for sale

This category includes non-current assets, items of property, plant and equipment and financial assets that are non-current in nature and whose carrying amounts will be settled predominantly by their sale in the next 12 months. The period of sale completion may be extended over 12 months if this delay is caused by events and circumstances that are beyond the control of the Group and there is sufficient evidence that the Group is consistently pursuing its plans to dispose of the asset.

After the assets' reclassification to Non-current assets (disposal groups) held for sale, they are measured at the lower of the carrying amount or fair value, less costs to sell.

Any losses due to reduction in the fair value are recognised immediately in the profit or loss.

Cash

Cash comprises cash on hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months. The balance of cash in foreign currency is translated into the local currency at the reference rate of the ECB on the last day of the financial year.

Derivative financial instruments

The Group does not issue derivative financial instruments for trading purposes. Derivative financial instruments are used to hedge the Company’s exposure to risks arising from financing and investing activities. Derivative financial instruments are recognised at fair value. The method of recognition of gains or losses arising from the change in fair value depends upon whether hedge accounting has been applied or not. Luka Koper, d. d., applies derivatives only for hedge accounting. When hedge accounting has been applied gains or losses arising from the change in fair value are recognised by recognising the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge directly in equity in the statement of comprehensive income. When the forecasted transaction results in the recognition of an asset or a liability, the associated cumulative gains or losses are removed from equity and entered into the initial measurement of the acquisition cost or other carrying amount of the asset or liability. The ineffective portion of the cash flow hedge is immediately recognised in profit or loss.

Equity

Share capital

The Group discloses the components of the controlling and non-controlling interests and their changes in the statement of changes in equity.

Dividends

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

Redemption of treasury shares

In 2013, the Company did not trade in treasury shares.

Authorised capital

At 31 December 2013 the Company had no authorised capital.

Provisions

Provisions for legal disputes and damages

The Company made provisions for disputes and damages related to alleged business offences. The amount of provisions and the need for their recognition is determined in consideration of the following criteria:

- Whether present obligation (legal or constructive) exists as a result of past events
- It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognised if the probability is high
- A reliable estimate can be made of the amount of the obligation.

Provisions for termination benefits and jubilee awards

In accordance with the statutory requirements and the collective agreement, the Group is obligated to pay jubilee awards and termination benefits on retirement. These payments are measured using the method of accounting, which requires that an actuarial liability is assessed on the basis of the expected salary increase from the valuation date until the anticipated retirement of an employee. This means that benefits are accrued in proportion with the work performed. The assessed liability is recognised as the present value of expected future expenditure. Anticipated salary increase and employee turnover are also considered as part of the measurement.

Unrealised actuarial gains or losses of the current year from termination benefits are recognised in equity, whereas unrealised actuarial gains or losses based on the actuarial calculation of current employee benefits and interest are recognised in profit or loss. Current employee benefit costs and interest expense associated with jubilee awards are recognised in profit or loss as actuarial gains or losses.

Maintenance of port infrastructure

In accordance with the concession agreement concluded with the Republic of Slovenia, and criteria approved by the government of the Republic of Slovenia, the controlling entity Luka Koper, d. d., recognises long-term accrued costs for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs. In the event of a surplus of costs over revenue from dock dues, the relevant amount of deferred revenue is transferred to the revenue.

Financial liabilities

On initial recognition borrowings are carried at their fair value less attributable transaction costs. The difference between historical cost and amortised cost is reported in profit or loss over the loan repayment period, using the effective interest rate method.

Operating liabilities

Non-current operating liabilities include collateral received for rented business premises. Trade liabilities and payables to the state and employees are shown separately. Operating liabilities denominated in foreign currency are converted into the local currency at the reference rate of the ECB on the balance sheet date.

Accrued and deferred items

Capitalised short-term deferred costs and accrued revenue include items of deferred costs or deferred expenses, whereas short-term accrued costs and deferred revenue include accrued costs or expenses.

Income tax

Income tax is provided for in accordance with the Corporate Income Tax Act and, as we have the status of an Economic Zone user, also in accordance with the Economic Zones Act. This allows the Company to claim tax relief for investments in fixed assets located within the economic zone. In 2013 the Company received a positive decision from the Tax Authorities which provides the basis for claiming tax relief. However, due to tax loss incurred, not tax relief was claimed in respect of financial year 2013. The basis for the income tax calculation is gross amount of profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such a basis is used for accounting the corporate income tax liability. In 2013, income tax liability was calculated at the rate of 17 percent of the tax basis compared to 18 percent tax rate applied in the previous year.

Deferred tax

With a view of reporting the relevant profit or loss for the period, the Company also accounted for deferred tax. Deferred tax includes deferred tax assets and deferred tax liabilities. Deferred tax was provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences were divided into taxable and deductible. Taxable temporary differences resulted in an increase of the taxable amounts and deferred tax liabilities. Whereas deductible temporary differences resulted in a decrease of taxable amounts and an increase in deferred tax assets.

Deferred tax assets are offset against deferred tax liabilities when an entity has a legal right to offset current assets and liabilities, and deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

Discontinued operations

A discontinued operation is a segment of an entity in the Group, which was disposed of and which is an independent and significant product line or entire business line, or a subsidiary acquired exclusively for resale. Reclassification to disposal operations is made at the earlier of the segment's disposal or when the segment classifies for reclassification as all the relevant criteria is met. On reclassification to discontinued operations, the relevant comparable data in profit or loss or OCI is also reclassified as if the operation was discontinued from the beginning of the comparable period.

Although the Group carries investments held for sale under the item assets of disposal groups held for sale, it has not recognised any discontinued operations.

Earnings per share

The basic and diluted earnings per share was calculated by dividing the net profit for the financial year 2013 by the weighted average number of ordinary shares in issue.

Income

Operating revenue

Revenue from services rendered

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

Revenue from services rendered is recognised using the stage of completion method on the reporting date. Under the method, revenue is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in the local and foreign markets. Revenue from the local market was achieved in Slovenia, while revenue from foreign markets was generated in the EU and third countries.

Rental income

Rental income (primarily from investment property) comprises revenue generated from facilities and land that are leased out under operating lease. Rental income is recognised within operating revenue.

Other operating revenue

Other operating revenue comprises revaluation operating revenue from the sale of property, plant and equipment, subsidies, donations, insurance proceeds and other income. Government grants and other subsidies received to compensate the Company for expenses incurred are recognised on a systematic basis in the same periods in which the costs are incurred. Other revenue is recognised when it can be justifiably expected that the related receipts will flow to the Company.

Finance income and expenses

Finance income comprises interest income from loans, dividend income, income from disposal of available-for-sale financial assets, and foreign exchange gains. Interest income is recognised when accrued using the effective interest rate method. Dividend income is recognised in profit or loss when a shareholder's right to payment is established.

Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through profit or loss. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

Expenses – costs

Costs are recognised as expenses in the accounting period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed by natural types using the Group's three-digit chart of accounts. Expenses are recognised when decrease in economic benefits in the accounting period results in a decrease of assets or increase in liabilities and this can be reliably measured.

Impairment of non-financial assets

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed in accordance with IAS 36. When the asset's recoverable amount cannot be assessed, the Company determines the recoverable amount of cash generating unit to which the asset belongs. Impairment loss is recognised in the income statement. Impairment losses should be reversed if the estimates used to determine the asset's recoverable amount have changed. Impairment loss is reversed to the extent that the increased carrying amount of the asset does not exceed its carrying amount that would have been determined net of depreciation, had no impairment loss been recognised in respect of the asset. The reversal of the impairment loss is recognised as revenue in profit or loss.

Impairment of financial assets

On each reporting date, financial assets are tested for impairment using criteria set out in the accounting manual in order to determine whether there is any objective evidence of financial asset's impairment. If such objective evidence exists, the Group calculates the amount of impairment loss.

When the Group determines that investments carried at amortised cost should be impaired, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The amount of impairment loss is recognised in profit or loss. When the reasons for impairment of an investment cease to exist, the reversal of the impairment of the investment carried at amortised cost is recognised in profit or loss.

When the Group determines that investments in subsidiaries, associates, jointly controlled entities and other companies carried at cost should be impaired, the impairment loss is recognised in profit or loss as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (or other assessed value) discounted at the current market rate of return for similar financial assets.

Statement of comprehensive income

In the statement of comprehensive income the Group reports net profit or loss as well as other comprehensive income inclusive of items that will be reclassified to profit and loss at a future date and those that will never be reclassified to profit or loss in accordance with the provisions and requirements of other IFRSs

Statement of cash flows

The cash flow statement is presented using an indirect method, on the basis of the items reported in the statement of financial position as at 31 December 2013 and 31 December 2012, as well as the items in the income statement for the financial year 2013, inclusive of any necessary adjustments of the cash flow.

Statement of changes in equity

The statement of changes in equity is a presentation of changes in individual equity elements during the financial year (total revenues and expenses as well as transactions with owners when they operate in their function as the owners), inclusive of the net profit or loss distribution. The statement of comprehensive income is also included which increases net profit of the accounting period by total revenue and expenses directly recognised in the equity.

Basis for consolidation

Subsidiaries

Subsidiaries are entities controlled by the controlling company. Having control means being able to decide on financial and operating policies of the controlled entity in order to obtain benefits from its operations. When assessing the influence, the existence and effect of possible voting rights, which can currently be exercised or exchanged, is considered. Increases in equity ownership interest in subsidiaries are recognised as equity transactions.

Financial statements of subsidiaries are included in consolidated financial statements as of the date when such control begins, until the date when it terminates.

Jointly controlled companies

Joint control is contractually agreed division of control and exists when strategic decisions on financing and performance, relating to company operation, require consents of the parties who share the control. They are included in the consolidated financial statements under the equity method.

Associates

Associates are companies in which the Group has a significant influence but does not control their financial and business policies. A significant influence exists if the Group owns 20 to 50 percent of voting rights in another company. Investments in associates are measured under the equity method. The cost of an investment includes the cost of transaction. Consolidated financial statements include a share of the Group in profits and losses and in other comprehensive income calculated after the financial policies have been harmonised, from the date when a significant influence starts to the date when it ends.

Transactions not included in consolidation

Intragroup balances and transactions, and any unrealised gains and losses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as profits, provided that no evidence of impairment exists.

Risk management

The Group monitors and strives to manage risks at all levels of business. In the assessment of risks, the Group considers various risk factors. Efficient risk management is ensured by timely identification and management of risks and by the relevant guidelines and policies, which are laid down in documents of the overall management system.

The Group’s operations are exposed to strategic, operational and financial risks, which are largely dependent on market laws, and which requires their active monitoring. Procedures for risk identification are described in the chapter Risk management. In addition to strategic and operational risks, the Group also encounters financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 33: Risk management of the Luka Koper Group.

Assets of disposal groups held for sale

In April 2013, Luka Koper d. d. reclassified its investment in Luka Koper Pristan, d. o. o., to assets of disposal groups held for sale. This reclassification had an impact on consolidated financial statements of the Group for the year 2013. In the statement of financial position, assets belonging to Luka Koper Pristan, d. o. o., are as at 31 December 2013 reported under the assets held for sale, whereas the company's liabilities are reported as an item of liabilities held for sale. As the business line pursued by the company is not considered the primary activity of the Group, the income statement data is not presented separately as net profit or loss from discontinued operations. Instead, the complete income statement of Luka Koper Pristan, d. o. o., is included in the consolidated income statement of the Group. Impairment losses recognised on assets are explained in Note 14.

Reclassification of assets and liabilities of Luka Koper Pristan, d. o. o, to assets held for sale as at 31 December 2013

(in EUR)	31.12.2013
ASSETS	
Property, plant and equipment	1,443,737
Deferred tax assets	28,378
Non-current assets	**1,472,115**
Assets of disposal groups held for sale	2,089
Operating receivables	63,797
Cash and cash equivalents	9,111
Current assets	**74,997**
Short-term deferred cost and accrued revenue	**9,329**
TOTAL ASSETS	**1,556,441**
LIABILITIES	
Provisions and accrued costs and deferred revenue	**3,937**
Non-current operating liabilities	2,465
Non-current liabilities	**2,465**
Other current liabilities	57,089
Current liabilities	**57,089**
Short-term accrued cost and deferred revenue	**16,886**
TOTAL LIABILITIES	**80,377**

Investment in Luka Koper Pristan, d. o. o. was reclassified to a group of non-strategic investments held for sale. Public call for tenders for acquisition of the real estate on location at Prisoja published in June was closed in September 2013. The value of all items of real estate owned by Pristan as well as Luka Koper d. d., investments in the aforementioned company was reassessed. Detailed presentation of the valuations' impact is included in Note 14.

Segment reporting

IFRS 8 – Operating segments

The standard requires an entity to adopt management approach to reporting on the financial performance of its operating segments. As such it replaces the requirement for determining and reporting by business and regional segments.

The Group has identified a single business segment. Disclosure at the level of the whole Group is given in the table below.

FY 2013

(in EUR)	Slovenia 2013	Foreign market 2013	Elimination 2013	Total 2013
Sales to non-group companies	48,272,062	95,963,415	-	144,235,477
Sales to group companies	4,020,564	-	-4,020,564	-

FY 2012

(in EUR)	Slovenia 2012	Foreign market 2012	Elimination 2012	Total 2012
Sales to non-group companies	51,558,506	90,143,594	-	141,702,100
Sales to group companies	3,948,255	-	-3,948,255	-

9 ADDITIONAL NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 1. Operating revenue

(in EUR)	2013	2012
Net sales on the domestic market		
- services	46,948,783	50,048,206
- goods and material	57,558	75,360
- rent	1,265,721	1,434,940
Net sales on foreign markets		
- services	95,767,731	89,808,623
- goods and material	-	101,342
- rent	195,684	233,629
Sales revenue	**144,235,477**	**141,702,100**
Capitalised own products and services	-	29,987
Total operating revenue	**144,235,477**	**141,732,087**

In 2013 the revenue from dock dues was reduced by the surplus amount of revenue over the costs of the regular maintenance of the port infrastructure, and deferred revenue in the amount of EUR 1,758,468 was recognised (2012: EUR 1,215,545). The long-term deferred revenue amounts will be utilised to cover the costs of public commercial services of regular maintenance of the port infrastructure in the next financial years.

Note 2. Other revenue

(in EUR)	2013	2012
Reversal of provisions	493	-
Subsidies, grants and similar income	3,374,661	3,487,033
Revaluation operating revenue	120,516	85,705
Other revenue	391,602	58,933
Total	**3,887,272**	**3,631,671**

Majority of other revenue in 2013 and 2012 relates to revenue from utilisation of withheld contributions in Luka Koper Inpo, d. o. o., in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Act. In 2013 these contributions amounted to EUR 2,336,843 (2012: 2,562,989). Other revenue from subsidies, grants and similar income comprise accrued revenue on account of costs incurred on European projects, which the Group expects will be refunded.

Note 3. Costs of materials

(in EUR)	2013	2012
Costs of materials	11,995	7,764
Auxiliary materials	3,837,386	3,936,729
Costs of replacement parts	2,576	-
Cost of power supply	6,845,301	7,479,833
Office stationery	150,491	145,318
Other costs of materials	385,465	385,242
Total	**11,233,214**	**11,954,886**

Note 4. Costs of services

(in EUR)	2013	2012
Cost of services provided in performance of activities	19,350,191	17,763,201
Cost of transportation	160,289	258,742
Cost of maintenance	6,916,196	6,849,623
Rent	751,637	793,625
Reimbursement of costs associated with labour	367,631	287,029
Costs of payment processing, bank charges and insurance premiums	521,904	479,697
Cost of intellectual and personal services	1,054,910	1,014,185
Advertising, trade fairs and hospitality	1,143,427	1,115,767
Costs of services provided by natural persons not involved in activities	277,637	272,155
Cost of other services	9,750,710	12,051,283
Total	**40,294,532**	**40,885,307**

The majority of the costs of services relate to physical services which are inclusive of port services rendered by the contractors and services provided in relation to the Company's primary activity. The costs of other services include the following significant items: concession charges in the amount of EUR 4,578,513 (2012: EUR 4,471,855) cost of information technology support in the amount of EUR 2,945,190 (2012: EUR 3,099,731), cost of utility services and cleaning in the amount of EUR 389,296 (2012: 591,384) and costs of security services in the amount of EUR 172,928 (2012: EUR 173,750).

Costs of intellectual and personal services are audit fees relating to the audit of separate and consolidated financial statements of Luka Koper, d. d., and the Luka Koper Group, in total amount of EUR 37,500.

In 2013, certain items of costs of services were reclassified in terms of their nature, namely: the cost of rail carriages conveyance to and from the port was reclassified to the cost of port services as it is deemed the Company's primary activity. In 2013 the cost of this particular service amounted to EUR 2,447,673 compared to EUR 2,574,944 in 2012 when it was recognised as an item of costs of other services.

The cost of payment processing and insurance premiums includes property insurance costs and personnel insurance in the amount of EUR 445,730 (2012: EUR 416,388). The Group has insured its property against fire, liability for damages caused to third persons and a portion of goods owned by others against fire risk. In accordance with the Concession Agreement, the port infrastructure is also insured.

All lease arrangements are revocable and the relevant amounts are insignificant.

Note 5. Employee benefits

(in EUR)	2013	2012
Employee benefits	25,578,546	23,407,691
Salary substitutes	4,638,553	4,814,285
Voluntary pension insurance	1,222,326	1,171,721
Employer's contributions on employee benefits	5,120,254	4,618,233
Annual holiday pay, reimbursements and other costs	3,347,554	3,478,427
Total	**39,907,233**	**37,490,357**

In 2013, the annual holiday pay amounted to EUR 788 per employee (2012: EUR 763). In December 2013, all the employees of Luka Koper, d., d., and Luka Koper Inpo, d. o. o., except for the members of the Management Board and staff with individual contracts of employment, received an additional salary (13th salary) for having reached the planned added value. Other benefits awarded to employees include the payment of voluntary pension insurance premium by the employer, which has been funding the pension scheme for the twelfth consecutive year.

In 2013 (the same as in 2012) no loans were approved to employees with individual contract of employment.

No loans were granted to members of the Management or Supervisory Boards.

Average number of employees of the Luka Koper Group by educational level in 2013 and 2012

Level of education	Headcount in 2013	Headcount in 2012
8/2	1	2
8/1	19	19
7	106	106
6/2	126	123
6/1	69	66
5	261	267
4	254	263
3	18	21
1-2	133	148
Total	**987**	**1.015**

In 2013 a total of 31 employees left the Group and at 31 December 2013, the Group had 982 employees, compared to a headcount of 999 at 31 December 2012. This reduction is mainly due to retirements. The average number of employees in 2013 was 987 and 1015 in 2012.

Note 6. Write-downs

(in EUR)	2013	2012
Depreciation of buildings	11,951,690	11,978,447
Depreciation of equipment and replacement parts	15,423,935	15,258,691
Depreciation of low value assets	129,617	136,979
Depreciation of investment property	84,255	139,151
Amortisation of intangible assets	593,815	519,081
Revaluation operating expenses from fixed assets	9,197,251	1,974,638
Revaluation operating expenses from current assets	148,307	105,514
Total	**37,528,870**	**30,112,501**

In 2013, amortisation and depreciation rates applied to intangible assets, property, plant and equipment, and investment property, were not changed. Depreciation and amortisation expense on these items did not significantly increase in 2013.

Majority of revaluation operating expenses were incurred on revaluation of property, plant and equipment in the amount of EUR 6,332,837 (2012: EUR 1,164,681), investment property in the amount of EUR 2,574,029 (2012: EUR 430,000), and property, plant and equipment designated for sale in the amount of EUR 135,000.

The revaluation operating expenses from current assets arose on impairment of receivables due and outstanding more than 180 days as at 31 December 2013 (the same criteria as the one applied in 2012). Receivables due from related parties were not impaired.

Note 7. Other operating expenses

(in EUR)	2013	2012
Provisions	1,146,602	-490,294
Charges unrelated to employee benefits or other costs	5,399,603	5,313,598
Environmental charges	59,383	77,293
Awards and scholarship to students inclusive of tax	6,453	4,297
Awards and scholarship to students	2,100	2,100
Other costs and expenses	343,046	829,476
Total	**6,957,187**	**5,736,470**

A significant item of charges represent land rates, which in 2013 amounted to EUR 5,198,780 (in 2012: EUR 5,049,210). EUR 96,870 of donations granted by the Group in 2013 (2012: EUR 190,960) are included in the item charges. Provisions were set aside for law suits and claims for damages. In 2013 the Group set aside EUR 1,146,602 provisions for expected losses from legal disputes and claims for damages, and the related default interest. Of the amount stated, EUR 750,219 of provisions was created for labour dispute with Aldo Babič, EUR 197,978 of provisions was recognised on account of decision of the Competition Protection Office, and EUR 198,405 was provisioned for other disputes.

Note 8. Financial income

(in EUR)	2013	2012
Financial income from shares and interest		
Finance income from shares in associates	600,935	395,108
Financial income from shares and interests in other companies	709,790	661,953
Financial income from loans		
Financial income from loans to others	150,722	989,952
Financial income from operating receivables		
Financial income from operating receivables due from others	99,716	96,340
Total	**1,561,163**	**2,143,353**

Financial revenue from shares and interests in associates comprises profit or loss of associates recognised under the equity method.

In 2013, finance income was lower than in 2012, particularly due to significantly lower realised finance income from loans granted to other entities, which resulted from impairment reversal of the loan granted to T.O. Delta S. p. A. in 2006 in the amount of EUR 752,524 (inclusive of interest). Total interest income from non-current and current financial investments (using the actual interest method) significantly decreased in 2013 and amounted to EUR 150,722 (2012: EUR 244,826). This decrease is due to reduced interest on deposits.

Note 9. Financial expense

(in EUR)	2013	2012
Financial expense for investments	2,685,613	2,167,628
Financial expense from financial liabilities		
Financial expense for borrowings from associates	9,490	21,087
Financial expense for borrowings from banks	4,342,250	5,947,015
Financial expense for operating liabilities		
Financial expense for liabilities to suppliers	379	43,136
Financial expense for other operating liabilities	86,921	19,074
Total	**7,124,653**	**8,197,940**

In addition to financial expenses for borrowings, a significant amount of financial expenses relates to impairment of investments in associates and other investments detailed below (the impairment method is explained in detail in Note 17):

- Impairment loss of EUR 305,778 resulted from impairment of investment in Adria Investicije, d. o. o., in line with the valuation assessment.
- Impairment loss of EUR 969,350 resulted from impairment of investment in Railport Arad, s. r. l., in line with the valuation assessment.
- Impairment loss of EUR 753,079 from restatement of Intereuropa d. d. shares to the issue value of EUR 0.44 per share in accordance with the share price quoted on the Ljubljana Stock Exchange on 30 December 2013, and loss of EUR 233,977 incurred on disposal of shares;

- Write-off of investment in Nova Ljubljanska Banka in the amount of EUR 250,270 in accordance with the decision of the Bank of Slovenia on exceptional measures dated 17 December 2013 and write-off of investment in Slovenian Foundation for Business Excellence pursuant to resolution of the General Meeting of shareholders dated 31 December 2013.

In 2013, financial expenses for financial liabilities fell by 27 percent primarily as a result of a reduction in a variable interest rate Euribor and reduced scope of the Group's indebtedness. A detailed analysis of the risk of changes in interest rates and sensitivity analysis of financial liabilities, with regard to changes in variable interest rates, is disclosed in Note 34 Financial Risk Management.

Financial expenses for other operating liabilities represent the difference between foreign exchange rate gains in the amount of EUR 86,108 and losses (EUR 145,809). The result is exchange rate loss in the amount of EUR 59,701 (2012: EUR 19,074).

Note 10. Profit or loss before tax

In 2013, the Group generated operating profit of EUR 12,201,713 (2012: EUR 19,184,237). Reduction in the operating profit is primarily due to impairment of property, plant and equipment, investment property and available-for-sale financial assets in total amount of EUR 9,041,868. After taking account of the financial loss incurred in 2013 in the amount of EUR 5.563.490 (2012: loss of EUR 6.054.587), in 2013 the Group generated pre-tax profit of EUR 6,638,223 (2012: EUR 13,129,650).

Note 11. Effective tax rate

(in EUR)	2013	2012
Profit or loss before tax	**6,638,223**	**13,129,650**
Income tax (17% in 2013; 18% in 2012)	**-1,128,498**	**-2,363,337**
Non-taxable income and increase in expenditure	1,289,842	123,050
Non-taxable dividends received	270,725	284,571
Tax allowances	164,421	1,462,109
Expenses not recognised for tax purposes	-321,461	-587,423
Impairment loss not recognised for tax purposes	834,890	-248,096
Other reduction in the tax basis	1,358	9,279
Effect of changes in the tax rate	-	-1,311,244
Total income tax payable	**1,111,277**	**-2,631,091**
Effective tax rate	**-16.74%**	**20.04%**

The corporate income tax liability of the entire Group was accounted for in accordance with the Corporate Income Tax Act. Income tax payable by the Group in 2013 amounts to EUR 368,300 (2012: 1,394,257).

Note 12. Deferred tax

In 2013, deferred taxes increased the Group's net profit by EUR 1,479,577, whereas in 2012 deferred taxes decreased the net profit by EUR 1,236,834. Deferred tax assets were made on account of the following: impairment charge for investments, additional provisions, changes in the interest hedge instrument, tax losses, and receivable allowances, none of which are fully tax deductible. In 2013, deferred taxes amount increased by EUR 1,680,199. This increase is primarily due to the sale and impairment of Intereuropa shares, which had an impact on an increase of deferred tax assets in the amount of EUR 1,598,065. Other increases in deferred taxes resulted from impairment of investments.

Deferred tax assets and liabilities recognised in the profit or loss are presented below:

(in EUR)	2013	2012
Provisions	-1,526	-26,659
Unutilised tax losses	104,307	-
Non-current investments	1,615,391	80,316
Receivable allowances	10,151	-200,866
Decommissioning of fixed assets	5,655	-31,446
Interest hedging	-254,401	254,401
Amendment to tax legislation	-	-1,312,581
Total	**1,479,577**	**-1,236,835**

Changes in deferred tax liabilities recognised in the comprehensive income

(in EUR)	2013	2012
Deferred tax on account of changes in fair value of AFS financial investments	-703,964	366,279
Deferred tax on account of changes in fair value of financial instruments used in hedge accounting	118,586	-
Deferred tax on account of actuarial gains and losses on defined employee benefits	3,081	-
Total	**-582,297**	**366,279**

FY 2013

(in EUR)	Assets At 1 January 2013	Assets Recognised in profit or loss	Assets Recognised in equity	Assets At 31 December 2013	Liabilities At 1 January 2013	Liabilities Recognised in equity	Liabilities At 31 December 2013
Deferred tax assets and liabilities relating to:							
Impairment of investments and financial instruments	7,212,883	1,360,988	225,920	8,799,791	1,310,880	811,298	2,122,178
Provisions for termination benefits and jubilee awards and long-term accrued revenue from public commercial services	519,011	-1,467	3,081	520,290	-	-	-
Receivable allowances	92,116	15,749	-	79,821	-	-	-
Tax loss	-	104,307	-	104,307	-	-	-
Total	**7,824,010**	**1,479,577**	**229,001**	**9,504,209**	**1,310,880**	**811,298**	**2,122,178**
Offsetting deferred tax assets and liabilities	-1,310,880			-2,122,178	-1,310,880		-2,122,178
Deferred tax assets recognised in the statement of financial position of the parent	**6,513,130**			**7,382,031**	**-**		**-**

FY 2012

(in EUR)	Assets: At 1 January 2012	Assets: Recognised in profit or loss	Assets: At 31 December 2012	Liabilities: At 1 January 2012	Liabilities: Recognised in equity	Liabilities: At 31 December 2012
Deferred tax assets and liabilities relating to:						
Impairment of investments and financial instruments	8,170,573	-765,833	7,404,740	1,677,159	-366,279	1,310,880
Provisions for termination benefits and jubilee awards, and long-term accrued revenue from public commercial services	630,085	-131,700	498,385	-	-	-
Receivable allowances	279,513	-206,031	73,482	-	-	-
Decommissioning of fixed assets	31,446	-31,446	-	-	-	-
Total	**9,111,617**	**-1,135,010**	**7,976,607**	**1,677,159**	**-366,279**	**1,310,880**
Offsetting deferred tax assets and liabilities	-1,677,159		-1,310,880	-1,677,159		-1,310,880
Deferred tax assets recognised in the statement of financial position of the parent	**7,434,458**		**6,665,727**	**-**		**-**

Note 13. Net profit/loss

In 2013 the Group reported net profit in the amount of EUR 7,749,500 (2012: EUR 10,498,559). Of that, EUR 7,740,458 is attributable to the controlling interest of the parent (2012: EUR 10,478,881), and EUR 9,042 to non-controlling interests (2012: EUR 19,678). The non-controlling interest is attributed to the co-owner of subsidiary TOC, d. o. o.

(in EUR)	**31.12.2013**	**31.12.2012**
Net profit of the controlling interest for the period	7,740,458	10,478,881
Total number of shares	14,000,000	14,000,000
Number of ordinary shares	14,000,000	14,000,000
Basic and diluted net profit per share	**0.55**	**0.75**

Net earnings per share for the year 2013 were calculated by dividing the net operating profit by the weighted average number of ordinary shares in issue during the year.

Following the conversion of all preference shares into ordinary shares, the diluted net earnings per share is equal to the basic net earnings per share.

Net profit or loss and equity of subsidiaries, associated and jointly controlled entities

(in EUR)	**Net profit or loss in 2013**	**Equity at 31 December 2013**	**Net profit or loss in 2012**	**Equity at 31 December 2012**
Subsidiaries				
Luka Koper Inpo, d. o. o.	2,508,240	13,610,278	3,120,886	11,718,118
Luka Koper Pristan, d. o. o.	-177,415	2,441,556	1,687	2,620,574
Adria terminali, d. o. o.	-238,197	128,109	-389,936	366,306
TOC, d. o. o.	28,372	541,525	42,070	513,153
Entities under control of the parent				
Adriafin, d. o. o.	5,967	10,269,367	-57,229	10,263,400
Adria Transport, d. o. o.	919,749	2,067,666	309,373	1,391,822
Adria-Tow, d. o. o.	276,153	7,730,746	416,945	7,654,593
Associates				
Avtoservis, d. o. o.	-113,442	1,853,835	64,848	1,967,277
Golf Istra, d. o. o.	-30,841	360,706	113,233	460,871
Railport Arad s. r. l.	-655,051	5,285,107	-434,412	5,848,592

10 ADDITIONAL NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 14. Property, plant and equipment

(in EUR)	31.12.2013	31.12.2012
Property, plant and equipment		
Land	9,612,708	11,043,000
Buildings	230,110,416	238,062,787
Manufacturing plant and equipment	65,766,265	78,089,558
Other plant and equipment	2,684,283	188,474
Fixed assets being acquired and advances given	21,272,796	23,935,428
Total	**329,446,468**	**351,319,247**

No items of property, plant and equipment are pledged as collateral.

Assessed useful lives of the items of property, plant and equipment were not changed in 2013.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2013 equals zero, is EUR 186,769,428; as at 31 December 2012, it amounted to EUR 179,626,173.

The outstanding trade liabilities to the suppliers of items of property, plant and equipment as at 31 December 2013 amounted to EUR 3,170,233 (2012: EUR 2,775,455).

As at 31 December 2013, the amount of unrealised contractual commitments for acquisition of property, plant and equipment of the Group totalled EUR 17,085,215.

Changes in the value of property, plant and equipment are presented below.

In 2013 the Group reported EUR 13,863,939 of capital investments. Majority of the investments was made by the parent Luka Koper, d. d.; the most significant investments are:

- Construction of the new servicing facility aimed at centralisation of the servicing and regular maintenance of the port machinery in the amount of EUR 2,530,793
- Acquisition of two new wheel loaders for the coal terminal, dumping areas were strengthened and laid with asphalt, loading ramp was fixed along the whole length of rails, and we acquired equipment for cellulose coating against dust and a multi-purpose sweeping vehicle; total investment came to EUR 1,546,067
- We began pumping slime to deepen the sea bed and extend pier 1. To achieve this, dumping grounds were prepared for disposal of excavated material. In 2013 the investment amounted to EUR 739,298
- As part of ecological rehabilitation, we carried out reconstruction of transportable filling hopper for bauxite including installation of electrostatic filter to prevent dust, and renovation of cathodic protection of the silos' steel piles; the investment amounted to EUR 432,873
- On the liquid cargo terminal reconstruction work was in progress on fire protection of reservoirs used for storage of dangerous substances; the investment amounted to EUR 328,871
- Two new forklifts for loading and reloading of various containers were purchased for container terminal; the investment totalled EUR 238,800.

Based on the valuation of the investment in Barka II, in 2013 investment impairment in the amount of EUR 3,526,433 was recognised. Also, impairment loss in the amount of EUR 770,124 was recognised on the property on location of Adria Terminali in Sežana (inclusive of the value of real estate leased from Adria Terminali, d. o. o., Sežana).

Valuation of the investment in Barka II was made by certified appraiser of property in October 2013. Considering the purpose of the valuation and extent of data obtained on real estate market, the comparable sales method was used for land, whereas the cost method was used for improvements, both with 45 percent discount rate.

Due to the reclassification of Luka Koper Pristan, d. o. o., to assets of disposal groups held for sale, the amount of property, plant and equipment of the Luka Koper Group was reduced by EUR 2,253,282 (inclusive of impairment loss of EUR 1,537,042) and reclassified to the assets of disposal groups held for sale.

To ensure more appropriate treatment of property, plant and equipment, at the beginning of the year equipment worth EUR 16,176,871 was transferred to other plant and equipment inclusive of the related impairment loss in the amount of EUR 12,838,465, resulting in reclassification in total amount of EUR 3,338,406.

Table of changes in property, plant and equipment

FY 2013

(in EUR)	Land	Buildings	Property, plant and equipment	Other plant and equipment	Assets being acquired	Advances for PPE	Total
Cost							
At 31 December 2012	11,043,000	412,387,266	241,480,549	521,084	23,923,728	11,700	689,367,327
Adjustments	-	-	-16,176,871	16,176,871	-	-	-
At 1 January 2013	11,043,000	412,387,266	225,303,678	16,697,955	23,923,728	11,700	689,367,327
Additions	-	133,521	178,411	96,999	13,455,008	621,173	14,485,112
Transfer from investments in progress	-	6,841,169	6,165,510	178,531	-13,185,210	-	-
Disposals, write-down	-217,104	-16,537	-380,110	-127,012		-	-740,763
Impairments	-554,976	-2,251,428	-	-	-3,526,433	-	-6,332,837
Transfer from/to intangible assets	-	54,147	244,876	-	-4,980	-	294,043
Transfer from/to investment property	32,257	1,411,898	4,535	-	-20,155	-	1,428,535
Transfer from/to assets of disposal groups held for sale	-231,296	-2,979,179	-883,101	-335,574	-2,035	-	-4,431,185
Reclassifications in property, plant and equipment	-459,173	442,215	228,909	-211,951	-		-
Reclassifications in the cost and impairment losses	-	-	-	-1,164,678	-	-	-1,164,678
Group eliminations	-	-1,701,508	-61,655	-1,005,989	-	-	-2,769,152
At 31 December 2013	9,612,708	414,321,564	230,801,053	14,128,281	20,639,923	632,873	690,136,402
Accumulated depreciation							
At 31 December 2012	-	174,324,479	163,390,991	332,610	-	-	338,048,080
Adjustments			-12,838,465	12,838,465			-
At 1 January 2013	-	174,324,479	150,552,526	13,171,075	-	-	338,048,080
Depreciation	-	11,909,908	14,797,448	695,883	-	-	27,403,239
Disposals, write-down	-	-8,983	-378,487	-105,002	-	-	-492,472
Transfer from/to intangible assets	-	54,147	244,326	-	-	-	298,473
Transfer from/to investment property	-	220,363	4,535	-	-	-	224,898
Transfer from/to assets of disposal groups held for sale	-	-1,855,131	-357,440	-182,925	-	-	-2,395,496
Reclassifications in property, plant and equipment	-	-16,918	228,792	-211,874	-	-	-
Reclassifications in the cost and impairment losses	-	-	-	-1,164,678	-	-	-1,164,678
Group eliminations	-	-416,717	-56,912	-758,481	-	-	-1,232,110
At 31 December 2013	-	184,211,148	165,034,788	11,443,998	-	-	360,689,934
Carrying amount							
At 31 December 2012	**11,043,000**	**238,062,787**	**78,089,558**	**188,474**	**23,923,728**	**11,700**	**351,319,247**
At 1 January 2013	**11,043,000**	**238,062,787**	**74,751,152**	**3,526,880**	**23,923,728**	**11,700**	**351,319,247**
At 31 December 2013	**9,612,708**	**230,110,416**	**65,766,265**	**2,684,283**	**20,639,923**	**632,873**	**329,446,468**

FY 2012

(in EUR)	Land	Buildings	Property, plant and equipment	Other plant equipment	Assets being acquired	Advances for PPE	Total
Cost							
At 31 December 2011	10,966,136	407.413,493	232,623,122	509,304	23,895,174	1,247,700	676,654,929
Adjustments (Group's change)	76,864	-76,864	-		-	-	-
At 1 January 2012	11,043,000	407,336,629	232,623,122	509,304	23,895,174	1,247,700	676,654,929
Additions	-	1,616,282	10,773,338	11,780	5,340,133	-	17,741,533
Transfer from investments in progress	-	3,652,891	1,244,249	-	-4,897,140	-	-
Disposals, write-down	-	-37,489	-1,994,322	-	-	-	-2,031,811
Transfer from/to intangible assets	-	-	-	-	-414,439	-	-414,439
Transfer from/to investment property	-	-168,679	-	-	-	-	-168,679
Transfer from/to assets of disposal groups held for sale	-	-7,920	-2,406,286	-	-	-	-2,414,206
Reclassifications in property, plant and equipment	-	-4,448	1,240,448	-		-1,236,000	-
At 31 December 2012	11,043,000	412,387,266	241,480,549	521,084	23,923,728	11,700	689,367,327
Accumulated depreciation							
At 31 December 2011	-	162,372,110	150,865,102	264,185	-	-	313,501,397
Adjustments (Group's change)	-		-		-	-	-
At 1 January 2012	-	162,372,110	150,865,102	264,185	-	-	313,501,397
Depreciation	-	11,978,450	15,327,244	68,425	-	-	27,374,119
Disposals, write-down	-	-16,063	-1,918,218	-	-	-	-1,934,281
Impairments	-	-	1,164,681	-	-	-	1,164,681
Transfer from/to investment property	-	-1,954	-	-	-	-	-1,954
Transfer from/to assets of disposal groups held for sale	-	-7,920	-2,047,962	-	-	-	-2,055,882
Reclassifications in property, plant and equipment	-	-144	144	-	-	-	-
At 31 December 2012	-	174,324,479	163,390,991	332,610	-	-	338,048,080
Carrying amount							
At 31 December 2011	**10,966,136**	**245,041,383**	**81,758,020**	**245,119**	**23,895,174**	**1,247,700**	**363,153,532**
At 1 January 2012	**11,043,000**	**244,964,519**	**81,758,020**	**245,119**	**23,895,174**	**1,247,700**	**363,153,532**
At 31 December 2012	**11,043,000**	**238,062,787**	**78,089,558**	**188,474**	**23,923,728**	**11,700**	**351,319,247**

Note 15. Investment property

(in EUR)	31.12.2013	31.12.2012
Investment property		
Investment property - land	14,135,894	16,289,500
Investment property - buildings	245,334	4,021,122
Total	**14,381,228**	**20,310,622**

Investment property consists of buildings that are leased out to unrelated entities under an operating lease and land, which is held in order to appreciate in value in the long-term. Investment property of the Group decreased in 2013 by EUR 5,929,394 primarily on account of reclassifications from investment property to assets held for sale in total amount of EUR 4,641,502. The equity interest in the assets is checked on a regular basis.

The amount of income from rent and costs for investment property are presented in the table below.

Leased real estate

(in EUR)	31.12.2013	31.12.2012
Income from the rent of investment property	761,121	891,475
Depreciation of investment property	84,255	139,151

In 2013 we generated EUR 761,121 of rental income from real estate (2012: EUR 891,475). A significant cost related to investment property is its depreciation, which in 2013 amounted to EUR 84,255 (2012: EUR 139,151). The Group incurred no other costs in relation to investment property.

No items of investment property are pledged as collateral.

Fair value of investment property at 31 December 2013 was assessed at EUR 15,413,997.

For accounting and reporting purposes, in 2013 the parent Luka Koper d. d., made an assessment of the fair value of investment property at Orleška gmajna and those on location at Terminali Sežana. Valuation of the investments was made by certified appraiser of property in December 2013. Considering the purpose of the valuation and scope of observable real estate market data, the yield-based valuation method and the cost method were applied in valuation of the investment property.

For accounting and reporting purposes, in 2013 the parent Luka Koper d. d., made an assessment of the fair value of investment property at Orleška gmajna and those on location at Terminali Sežana. Valuation of the investments was made by Tadej Čaks, certified appraiser of property in December 2013. The following methods were applied in the valuation, taking into consideration the purpose and scope of data available on the real estate market:

- Comparable market data was used for land
- Yield-based method was used for buildings
- The cost method was used for valuation of other buildings.

In accordance with the valuation assessment results, all items of real estate whose fair value was below their carrying amount were impaired. In 2013 the Group recognised impairment loss of EUR 2,574,029 on account of investment property; of that, EUR 1,866,187 relates to impairment of buildings and EUR 707,842 to the impairment of land.

The following assumptions were used in the valuation made under the yield-based method:

- Potential income based on appropriate net market rent, which could be attributed to the assessed real estate
- 8 percent non-utilisation of business premises or facilities confirmed by the analysis of the real estate market
- Irrecoverable level of business premises was assessed between one fifth and one quarter of their average occupancy rate, which is equal to 1.80 percent
- Capitalisation rate according to the improvement method is 10.11 percent.

In 2013 assets whose lease has expired were reclassified to property, plant and equipment; the value of reclassified land amounted to EUR 32,257, whereas EUR 1,171,380 relates to reclassification of buildings.

Table of changes in investment property

FY 2013

(in EUR)	Land	Buildings	Total
Cost			
At 31 December 2012	16,289,500	5,617,138	21,906,638
Adjustments			-
At 1 January 2013	16,289,500	5,617,138	21,906,638
Impairments	-1,866,187	-707,842	-2,574,029
Transfer from/to property, plant and equipment	-32,257	-1,396,278	-1,428,535
Transfer from/to assets of disposal groups held for sale	-255,162	-3,153,335	-3,408,497
At 31 December 2013	14,135,894	359,683	14,495,577
Accumulated depreciation			
At 31 December 2012	-	1,596,016	1,596,016
Adjustments			-
At 1 January 2013	-	1,596,016	1,596,016
	-		
Depreciation	-	84,255	84,255
Transfer from/to property, plant and equipment	-	-224,898	-224,898
Transfer from/to assets of disposal groups held for sale	-	-1,341,024	-1,341,024
At 31 December 2013	-	114,349	114,349
Carrying amount			
At 31 December 2012	**16,289,500**	**4,021,122**	**20,310,622**
At 1 January 2013	**16,289,500**	**4,021,122**	**20,310,622**
At 31 December 2013	**14,135,894**	**245,334**	**14,381,228**

FY 2012

(in EUR)	Land	Buildings	Total
Cost			
At 31 December 2011	16,123,733	5,614,226	21,737,959
Adjustments			-
At 1 January 2012	16,123,733	5,614,226	21,737,959
Transfer from/to property, plant and equipment	165,767	2,912	168,679
At 31 December 2012	16,289,500	5,617,138	21,906,638
Accumulated depreciation			
At 31 December 2011	-	1,454,910	1,454,910
Adjustments			-
At 1 January 2012	-	1,454,910	1,454,910
	-		
Depreciation	-	139,152	139,152
Transfer from/to property, plant and equipment	-	1,954	1,954
At 31 December 2012	-	1,596,016	1,596,016
Carrying amount			
At 31 December 2011	**16,123,733**	**4,159,316**	**20,283,049**
At 1 January 2012	**16,123,733**	**4,159,316**	**20,283,049**
At 31 December 2012	**16,289,500**	**4,021,122**	**20,310,622**

Note 16. Intangible assets

(in EUR)	31.12.2013	31.12.2012
Intangible assets		
Development costs	351,671	390,746
Concessions, trademarks and licences	5,239,734	5,491,292
Total	**5,591,405**	**5,882,038**

Comparison of movements and impairment of intangible assets recognised in 2013 and 2012 are presented in the table below.

The cost of intangible assets in use, of which the carrying value as at 31 December 2013 equals zero, is EUR 10,327,003; as at 31 December 2012, it amounted to EUR 10,079,277.

Outstanding liabilities to suppliers of intangible assets as at 31 December 2013 amounted to EUR 254,088 (2012: EUR 344,890).

At 31 December 2013 and 31 December 2012, no items of intangible assets were pledged as collateral.

In addition to concessions, trademarks and licences majority of which are held by the controlling entity, development costs in the amount of EUR 351,671 were reported by subsidiary TOC d. o. o., in relation to the CAPsorb project (development of efficient ecological absorbents to control spills all types of hydrophilic and hydrophobic hazardous and non-hazardous substances on hard and on water surfaces). The Group's most significant investments in 2013 were final implementation of the information system for container terminal Tideworks which came to EUR 115,200 and implementation of the EDI centre at a cost of EUR 82,500.

Table of changes in intangible assets

FY 2013

(in EUR)	Development costs	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost				
At 31 December 2012	390,746	14,919,791	1,750,047	17,060,584
Adjustments				-
At 1 January 2013	390,746	14,919,791	1,750,047	17,060,584
Additions		-	340,752	340,752
Transfer from investments in progress	-	1,589,933	-1,589,933	-
Disposals, write-down	-	-	-42,000	-42,000
Transfer from/to property, plant and equipment	-	-293,493	-550	-294,043
At 31 December 2013	390,746	16,216,231	458,316	17,065,293
Accumulated amortisation				
At 31 December 2012	-	11,178,546	-	11,178,546
Adjustments				-
At 1 January 2013	-	11,178,546	-	11,178,546
Amortisation	39,075	554,740	-	593,815
Transfer from/to property, plant and equipment	-	-298,473	-	-298,473
At 31 December 2013	39,075	11,434,813	-	11,473,888
Carrying amount				
At 31 December 2012	**390,746**	**3,741,245**	**1,750,047**	**5,882,038**
At 1 January 2013	**390,746**	**3,741,245**	**1,750,047**	**5,882,038**
At 31 December 2013	**351,671**	**4,781,418**	**458,316**	**5,591,405**

FY 2012

(in EUR)	Development costs	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost				
At 31 December 2011	332,570	14,448,644	967,369	15,748,583
Adjustments (Group's change)			-	-
At 1 January 2012	332,570	14,448,644	967,369	15,748,583
Additions	58,176	56,708	782,678	897,562
Transfer from/to property, plant and equipment	-	414,439	-	414,439
At 31 December 2012	390,746	14,919,791	1,750,047	17,060,584
Accumulated amortisation				
At 31 December 2011	-	10,659,465	-	10,659,465
Adjustments (Group's change)	-		-	-
At 1 January 2012	-	10,659,465	-	10,659,465
Amortisation	-	519,081	-	519,081
At 31 December 2012	-	11,178,546	-	11,178,546
Carrying amount				
At 31 December 2011	**332,570**	**3,789,179**	**967,369**	**5,089,118**
At 1 January 2012	**332,570**	**3,789,179**	**967,369**	**5,089,118**
At 31 December 2012	**390,746**	**3,741,245**	**1,750,047**	**5,882,038**

Note 17. Non-current investments and loans

Non-current investments as at 31 December 2013 amounted to EUR 44,697,605, whereas non-current loans totalled EUR 1,548,089. These are mostly investments in subsidiaries, associates and jointly controlled companies, and other investments in securities and interests.

(in EUR)	31.12.2013	31.12.2012
Loans:		
Non-current loans with purchase of securities from others	1,310,222	1,454,471
Cost of held-to-maturity investments to others	1,352,992	1,497,241
Impairment of held-to-maturity investments to others	-42,770	-42,770
Current loans		
Non-current loans to others	74,341	62,925
Non-current housing loans to employees	37,233	57,353
Non-current loans to others	37,108	6,284
Impairment of non-current loans and housing loans	-	-712
Non-current deposits given	163,526	9,151
Total loans	**1,548,089**	**1,526,547**
Non-current investments:		
Investments in associates and jointly controlled entities measured at cost	11,435,706	12,087,827
Cost of available-for-sale investments in shares and interests of associates	16,448,501	16,327,192
Impairment of available-for-sale investments in shares and interests of associates	-5,012,795	-4,239,365
Other investments measured at cost	5,588,388	6,205,666
Cost of investments in shares and interests of other companies	29,914,069	31,066,996
Impairment of available-for-sale shares and interests of other companies	-24,325,681	-24,861,330
Other investments measured at fair value through equity	27,673,511	23,088,480
Total non-current investments	**44,697,605**	**41,381,973**
Total	**46,245,694**	**42,908,520**

Investment in associates reduced in 2013 by EUR 652,121. This reduction is due to impairment loss in the amount of EUR 969,350 of the investment in Railport Arad S. r. l. Valuation assessment of investments was made in December 2013 by a certified appraiser using the asset based valuation method and 20 percent non-marketability discount.

At the reporting date, other investments measured at fair value through equity, were assessed to be worth EUR 27,673,511, which presents an increase of EUR 4,585,031 as compared to 2012 when their value was assessed at EUR 23,088,480. Accordingly, the Company recognised an increase in capital revaluation adjustment, which totalled EUR 12,057,754 as at 31 December 2013 (2012: EUR 7,557,916).

At the reporting date, other investments measured at cost in the amount of EUR 5,588,688, relate to securities and interests whose value fell in 2013 by EUR 617,278. This reduction relates to the write-off of investments in NLB and SFPO, and repayment of equity interest of Poteza Adriatic Fund from Amsterdam.

Loans approved by the Group of which majority represent bonds of Slovenian issuers, at 31 December 2013 totalled EUR 1,548,089 (2012: 1,526,547).

Housing loans were approved to employees in accordance with the 1991 Housing Act and the Company's internal housing rules. The longest repayment period is 20 years. All the housing loans are appropriately collateralised.

Majority of the investments in securities with fixed return represent investments in bonds of Slovene commercial banks that mature in a period up to 2020. The nominal interest rate on investments in loans ranges between 1.54 and 6.0 percent.

Table of changes in non-current investments and loans

FY 2013

(in EUR)	Held-to-maturity investments	Non-current loans	Non-current investments	Total
Gross value				
At 31 December 2012	1,497,241	72,788	70,482,668	72,052,697
Additions				
New loans, acquisitions	-	155,552	317,229	472,781
Attributed interest	-	4,831	-	4,831
Transfer from current investments	-	62,818	-	62,818
Revaluation to fair value through equity	-	-	4,662,630	4,662,630
Disposal				
Repayment, disposals	-144,249	-41,320	-367,008	-552,577
Transfer to assets of disposal groups held for sale	-	-16,802	-	-16,802
Write-off	-	-	-785,920	-785,920
Reclassifications in the cost and impairment losses	-	-	-195,920	-195,920
Revaluation to fair value through equity	-	-	-77,599	-77,599
At 31 December 2013	1,352,992	237,867	74,036,080	75,626,939
Accumulated impairment				
At 31 December 2012	42,770	712	29,100,695	29,144,177
Additions				
Impairment	-	-	969,350	969,350
Disposal				
Write-off	-	-712	-535,650	-536,362
Reclassifications in the cost and impairment losses	-	-	-195,920	-195,920
At 31 December 2013	42,770	-	29,338,475	29,381,245
Net amount at 31 December 2012	**1,454,471**	**72,076**	**41,381,973**	**42,908,520**
Net amount at 31 December 2013	**1,310,222**	**237,867**	**44,697,605**	**46,245,694**

FY 2012

(in EUR)	Held-to-maturity investments	Non-current loans	Non-current investments	Total
Gross value				
At 31 December 2011	1,629,659	2,985,853	71,597,971	76,213,483
Additions				
New loans, acquisitions	-	9,151	80,495	89,646
Disposal	-	-	-	
Transfer to current investments	-132,418	-37,704	-	-170,122
Transfer to sales account	-	-2,884,512	-	-2,884,512
Revaluation to fair value through equity	-	-	-1,195,798	-1,195,798
At 31 December 2012	1,497,241	72,788	70,482,668	72,052,697
Accumulated impairment				
At 31 December 2011	42,770	5,440	27,855,250	27,903,460
Additions				
Impairment	-	-	1,245,445	1,245,445
Disposal				
Investments written-off, later recovered	-	-4,728	-	-4,728
Repayment, disposals	-	-	-	
At 31 December 2012	42,770	712	29,100,695	29,144,177
Net amount at 31 December 2011	**1,586,889**	**2,980,413**	**43,742,721**	**48,310,023**
Net amount at 31 December 2012	**1,454,471**	**72,076**	**41,381,973**	**42,908,520**

Note 18. Non-current operating receivables

(in EUR)	31.12.2013	31.12.2012
Non-current operating receivables:		
Non-current advances and guarantees	8,509	7,664
Impairments	-2,421	-2,421
Total	**6,088**	**5,243**

Note 19. Deferred tax assets and liabilities

	Assets		Liabilities		Net deferred tax	
(in EUR)	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Deferred tax assets and liabilities relating to:						
- investments and financial instruments	8,799,792	7,212,883	2,122,178	1,310,880	6,677,614	5,902,003
- trade receivables	79,938	92,116	-	-	79,938	92,116
- provisions for termination benefits	52,539	53,319	-	-	52,539	53,319
- provisions for jubilee awards	31,474	29,534	-	-	31,474	29,534
- long-term deferred revenue for commercial services	436,158	436,158	-	-	436,158	436,158
- tax loss	104,308	-	-	-	104,308	-
Total	**9,504,209**	**7,824,010**	**2,122,178**	**1,310,880**	**7,382,031**	**6,513,130**

Deferred tax assets are accounted for as temporary differences arising from: non-current investments and interest hedging in the amount of EUR 8,799,792, deferred revenue of the cost of pubic commercial services in the amount of EUR 436,158, tax loss incurred in the amount of EUR 104,308, provisions for termination benefits and jubilee awards in the amount of EUR 84,013, and impairment of receivables in the amount of EUR 79,938.

Note 20. Assets of disposal groups held for sale

(in EUR)	31.12.2013	31.12.2012
Assets held for disposal:		
Property, plant and equipment	4,706,412	1,275,879
Other assets held for sale	3,312,854	4,716,519
Assets of Luka Koper Pristan, d. o. o.	1,556,441	-
Total	**9,575,707**	**5,992,398**

The items of property, plant and equipment owned by Luka Koper d. d., and leased to Luka Koper Pristan, d. o. o., were in 2013 reclassified to assets of disposal groups held for sale together with the parent's investment in the subsidiary in total amount of EUR 2,835,000. Valuation assessment of both, the investment and assets designated for sale was made by a certified appraiser. The assets were impaired to their fair value based on the valuation results. Consequently, the Group recognised impairment loss in the amount of EUR 2,600,315. Catering facility Pristan and related apartments were in June 2013 also subject to valuation by a certified appraiser. The weighted mean between the comparable market comparable prices and the yield-based method was used for valuation of catering facilities, whereas the comparable market prices method was applied in valuation of apartments in consideration of the highest use of the asset.

Assets of Luka Koper Pristan, d. o. o., in the amount of EUR 1,556,441 as at 31 December 2013, were reclassified to assets of disposal groups held for sale. Impairment loss of EUR 716,240 was recognised on the assets. Valuation assessment was made by a certified appraiser in June 2013 using the comparable market prices method considering the highest use of the property.

In the group of non-current assets held for sale, impairment loss on investment in subsidiary Adria Investicije, d. o. o. was recognised in the amount of EUR 305,778 and hence its fair value amounted to EUR 1,775,775 at 31 December 2013. Impairment loss was recognised on the basis of valuation assessment made by a certified appraiser. The value of investment in Logis Nova d. o. o. remained unchanged as compared to the end of the previous year and amounts to EUR 674,453.

Two items of real estate classified as assets held for sale were also subject to the valuation assessment: the facility Luna including the land, and plot no. 3883/19, both of which are located in Sežana. The valuation showed that the fair value of the assets was below their carrying amount and amounted to EUR 1,558,500. As a consequence, impairment loss of total EUR 1,428,756 was recognised. Valuation of the investments was made by a certified appraiser of property in December 2013. The following methods were applied in the valuation, taking into consideration the purpose and scope of data available on the real estate market:

- Comparable market data was used for land
- The cost method was used for valuation of buildings.

In 2013 the Group sold assets held for sale in total amount of EUR 537,595; of that, the majority relates to the sale of 25 rail carriages in the amount of EUR 525,863.

(in EUR)	Property, plant and equipment	Other assets	Assets of Luka Koper Pristan, d.o.o.	Total
At 31 December 2012	1,275,879	4,716,519	-	5,992,398
Additions				
Discontinued operations	-	-	1,556,441	1,556,441
Transfer from property, plant and equipment	2,035,689	-	-	2,035,689
Transfer from investment property	2,067,473	-	-	2,067,473
Disposal				
Repayment, disposals	-537,395	-233,405	-	-770,800
Write-off	-234	-	-	-234
Restatement to fair value	-135,000	-1,170,260	-	-1,305,260
At 31 December 2013	4,706,412	3,312,854	1,556,441	9,575,707
Total at 31 December 2013	**4,706,412**	**3,312,854**	**1,556,441**	**9,575,707**

Note 21. Investments and loans

(in EUR)	31.12.2013	31.12.2012
Loans:		
Non-current borrowings		
Current loans to others	112,164	130,968
Current loans to others	253,873	303,308
Impairment of current loans to others	-141,709	-172,340
Current deposits	623,636	3,147,323
Total loans	**735,800**	**3,278,291**
Total	**735,800**	**3,278,291**

Current loans to others are the current amounts of housing loans and loans to other corporate entities.

Table of changes in current investments and loans

FY 2013

(in EUR)	Current loans	Total
Gross value		
At 31 December 2012	3,450,631	3,450,631
Additions		
New loans, acquisitions	447,836	447,836
Transfer from non-current investments	16,802	16,802
Disposal		
Repayment, disposals	-2,974,942	-2,974,942
Transfer to non-current investments	-62,817	-62,817
At 31 December 2013	877,510	877,510
Accumulated impairment		
At 31 December 2012	172,340	172,340
Additions		
Impairment	705	705
Disposal	-	
Investments written-off, later recovered	-31,335	-31,335
At 31 December 2013	141,710	141,710
Net amount at 31 December 2012	**3,278,291**	**3,278,291**
Net amount at 31 December 2013	**735,800**	**735,800**

FY 2012

(in EUR)	Held-to-maturity investments	Current loans	Total
Gross value			
At 31 December 2010	420,000	1,177,468	1,597,468
Additions			
New loans, acquisitions	-	211,415	211,415
Attributed interest	-	120,702	120,702
Transfer from non-current investments	-	2,884,513	2,884,513
Disposal			
Repayment, disposals	-420,000	-697,751	-1,117,751
Transfer to assets of disposal groups held for sale	-	-245,716	-245,716
Restatement to fair value	-	-	-
At 31 December 2011	-	3,450,631	3,450,631
Accumulated impairment			
At 31 December 2010	-	916,241	916,241
Additions			
Impairment	-	453	453
Disposal			
Investments written-off, later recovered	-	-563,350	-563,350
Transfer to assets of disposal groups held for sale	-	-181,004	-181,004
Write-off	-	-	-
At 31 December 2011	-	172,340	172,340
Net amount at 31 December 2012	**420,000**	**261,227**	**681,227**
Net amount at 31 December 2011	**-**	**3,278,291**	**3,278,291**

Note 22. Operating receivables

(in EUR)	31.12.2013	31.12.2012
Current trade receivables:		
On domestic market	7,958,477	9,287,483
On foreign markets	7,550,540	5,656,630
Current operating receivables due from exporters	7,980,361	6,704,855
Allowance - trade receivables and due from exporters	-1,555,980	-1,705,830
Current operating receivables due from associates	229,471	272,929
Current advances and guarantees given	5,873	2,370
Current interest and dividend receivables	62,164	117,954
Bad debt allowance related to finance income, advances and guarantees	-45,149	-50,221
VAT receivables	942,058	1,087,074
Excise duty receivables	71,147	74,849
Other current receivables	2,097,840	1,266,257
Bad debt allowance	-1,132	-1,132
Total	**25,295,670**	**22,713,218**

With most trade receivables, the Luka Koper Group has an option to enforce a legal lien over the stored goods in its possession. In 2013 trade receivables and receivables due from exporters increased by EUR 1.8 million compared to the previous year, as a result of the Group's current operations. VAT credits of EUR 942,058 relate to VAT declarations for the months of November and December 2013. At the end of 2012, VAT credits amounted to EUR 1,087,074. Receivables from excise duties include settlement for October, November and December 2013 in the amount of EUR 71,147 (2012:74,849).

Other current receivables are mainly income tax credits of total EUR 1,316,777, on account of income tax prepayments made in 2013.

At 31 December 2013 and 31 December 2012, no receivables are due from members of the Management Board or the Supervisory Board. Receivables are not pledged as collateral for debts.

Maturity of receivables:

(in EUR)	**31.12.2013**	**31.12.2012**
Outstanding trade receivables neither past due nor impaired	17,907,818	16,860,155
Past due receivables:		
Up to 30 days	2,406,711	2,229,602
31 to 60 days overdue	666,173	424,346
61 to 90 days overdue	227,261	143,462
91 to 180 days overdue	294,141	181,479
More than 180 days overdue	683,653	447,126
Total	**22,185,757**	**20,286,170**

Note: The amount includes trade receivables and interest receivables.

Changes in receivable allowances:

(in EUR)	**31.12.2013**	**31.12.2012**
At 1 January	1,757,183	1,833,555
Bad debt allowance	93,709	399,397
Receivables written-off, later collected	-237,380	-304,340
Write-off of receivables	-11,251	-171,429
At 31 December	**1,602,261**	**1,757,183**

Note 23. Cash and cash equivalents

(in EUR)	31.12.2013	31.12.2012
Cash in hand	4,790	5,954
Cash at bank	751,678	324,924
Current deposits	2,397,262	1,277,467
Total	**3,153,730**	**1,608,345**

At 31 December 2013, cash in the amount of EUR 3,153,730 encompasses cash on transaction accounts and deposits at banks with maturity of up to 3 months. The Group has not agreed any overdraft facilities with banks. For daily cash surpluses on transaction accounts, the Group has agreed framework deposit contracts with a commercial bank and a contract for transfer of any surplus cash, to secure optimum liquidity.

Note 24. Deferred cost and accrued revenue

(in EUR)	31.12.2013	31.12.2012
Short-term deferred costs	248,543	169,755
Insurance premiums	93,112	92,252
Accrued revenue	1,403,087	1,293,496
Total	**1,744,742**	**1,555,503**

Short-term accrued revenue is represented by accrued revenue based on incurred costs of European projects co-financed by European institutions.

Note 25. Share capital and reserves

Share capital

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. Nominal value of one share is EUR 4.17.

For complete information about ownership structure, changes in the share's price, and dividend distribution policy, see chapter "The LKPG Share" of the Luka Koper Group's Business Report.

Reserves

Share premium and legal reserves are not included in the distributable profit.

Luka Koper, d. d., has created legal reserves in the amount of 10 percent. Share premium and legal reserves are not included in the distributable profit. The Group has no statutory reserves since these are not determined in its Articles of Association. Based on the resolution of the parent's Management Board regarding the formation of other profit reserves in the amount of one half of the net profit, Luka Koper, d. d., created additional other profit reserves in the amount of EUR 2,306,123 at the end of 2013 in accordance with Article 230 (§3) of the Companies Act.

(in EUR)	31.12.2013	31.12.2012
Share premium	89,562,703	89,562,703
Legal reserves	18,765,117	18,877,761
Other profit reserves	62,333,234	60,027,111
Total	**170,661,054**	**168,467,575**

Share premium is carried at amounts resulting from the reversal of the general capital revaluation adjustment.

Revaluation reserve

At the end of 2013, revaluation reserve resulting from revaluation of: investments measured at fair value, fair value of hedging instruments, and unrealised actuarial gains and losses, amounted to EUR 11,118,213, which is an increase of EUR 5,056,774 over the balance at 31 December 2012. After deduction of deferred tax liabilities, the revaluation reserve amounts to EUR 9,225,036.

Consolidated equity of the Luka Koper Group

The total controlling interest's equity of the Group amounts to EUR 259,783,145.

Note 26. Provisions and accrued costs and deferred revenue

(in EUR)	31.12.2013	31.12.2012
Provisions for termination benefits and jubilee awards	1,014,296	1,046,159
Provisions for disputes	3,077,543	1,828,648
State grants and subsidies received	231,621	96,111
Long-term accrued costs and deferred revenue for regular maintenance	9,388,493	8,619,882
Other long-term accrued costs and deferred revenue	1,107,701	462,282
Total	**14,819,654**	**12,053,082**

Provisions for retirement benefits and long-term service bonuses were set aside in the amount of the present value of expected future expenditure. The amount is based on an actuarial calculation made as at 31 December 2013, considering the following assumptions:

- Valid current level of retirement and long-term service bonuses

- 0.66-percent planned increase of salaries in the Company
- Average inflation from December 2012 to November 2013
- Death rate based on the mortality tables in Slovenia 2000–2002
- 5.05-percent discount factor
- Staff turnover: 1 percent.

Based on actuarial calculation, in 2013 the Group recognised unrealised actuarial losses on account of termination benefits in the amount of EUR 36,077 in equity, whereas unrealised actuarial losses from current employee benefits of EUR 36,077 and interest expense in the amount of EUR 27,053 were recognised in profit or loss. Current employee benefit costs and interest expense associated with jubilee awards were recognised in profit or loss as actuarial losses in the amount of EUR 56,575.

A change in actuarial assumptions would only have an insignificant impact on the amount of provisions and hence adjustment for 2012 was not accounted for.

EUR 3,077,543 of provisions was set aside for lawsuits (2012: 1,828,648) based on the assessment of the Management Board through obtained legal opinions.

In accordance with the concession agreement, Luka Koper, d. d., has received the right to collect port dues as the income intended to cover the costs of commercial services performance. Any surplus of revenue over costs is recognised as deferred revenue for costs of public commercial services of ordinary maintenance of port infrastructure in future years.

At 31 December 2013, long-term deferred costs and accrued revenue for the performance of commercial public services amounted to EUR 5,539,649 (2012: EUR 3,781,181).

Long-term accrued cost and deferred revenue items comprise deferred revenue from fixed assets acquired free of charge or grants for the acquisition of fixed assets, as well as withheld contributions on the salaries of employees working for the disability firm Luka Koper INPO, d. o. o.. These funds have been earmarked for a particular purpose and are mainly used to cover the fixed asset depreciation charge or else they are recognised as revenue when received to cover salaries of the disabled persons.

Changes in provisions and accrued costs and deferred revenue

FY 2013

(in EUR)	Pensions, jubilee awards, termination benefits	Claims and damages	State grants and subsidies	Accrued costs and deferred revenue for regular maintenance	Other accrued costs and deferred revenue	Total
At 31 December 2012	1,046,159	1,828,648	96,111	8,619,882	462,282	12,053,082
Changes:						
Formation	248,769	1,354,902	1,396,687	1,758,468	673,478	5,432,304
Transfer from other liabilities	-	197,978	-	-		197,978
Utilisation	-183,878	-95,685	-1,261,177	-989,857	-28,059	-2,558,656
Reversal	-96,754	-208,300	-	-	-	-305,054
At 31 December 2013	**1,014,296**	**3,077,543**	**231,621**	**9,388,493**	**1,107,701**	**14,819,654**

FY 2012

(in EUR)	Pensions, jubilee awards, termination benefits	Claims and damages	State grants and subsidies	Accrued costs and deferred revenue for regular maintenance	Other accrued costs and deferred revenue	Total
At 31 December 2011	1,251,737	2,337,581	716	8,487,073	358,818	12,435,925
Changes:						
Formation	168,296	61,703	1,742,271	1,215,547	103,750	3,291,567
Utilisation		305,165				305,165
Reversal	-284,580	-323,804	-1,646,876	-1,082,738	-286	-3,338,284
At 31 December 2012	**1,046,159**	**1,828,648**	**96,111**	**8,619,882**	**462,282**	**12,053,082**

Note 27. Non-current financial liabilities – borrowings and other financial liabilities

(in EUR)	31.12.2013	31.12.2012
Non-current financial liabilities to associates	500,000	550,000
Non-current borrowings from banks and companies in Slovenia	90,771,025	116,398,246
Non-current borrowings from banks and companies abroad	60,912,836	64,901,392
Other non-current financial liabilities	1,099,393	1,607,383
Current amounts of non-current financial liabilities	-15,211,280	-46,586,860
Total	**138,071,974**	**136,870,161**

Changes in non-current financial liabilities – borrowings and other financial liabilities

FY 2013

	Lender			
(in EUR)	Associates	Banks	Others	Total
Principal amount at 1 January 2013	550,000	134,712,778	1,607,383	136,870,161
New borrowings	165,000	20,000,000	-	20,165,000
Repayments	-215,000	-3,028,917	-	-3,243,917
Change in fair value	-	-	-507,990	-507,990
Amounts maturing in 2014	-	-15,211,280	-	-15,211,280
Principal amount at 31 December 2013	**500,000**	**136,472,581**	**1,099,393**	**138,071,974**

FY 2012

	Lender			
(in EUR)	Associates	Banks	Others	Total
Principal amount at 1 January 2012	1,064,212	155,303,673	496,823	156,864,708
New borrowings	1,206,296	27,000,000	-	28,206,296
Repayments	-1,720,508	-1,004,035	-13,059	-2,737,602
Change in fair value	-	-	1,123,619	1,123,619
Amounts maturing in 2013	-	-46,586,860	-	-46,586,860
Principal amount at 31 December 2012	**550,000**	**134,712,778**	**1,607,383**	**136,870,161**

Total financial liabilities to banks, both non-current as well as current, decreased by EUR 29,615,777 in 2013 as compared to the financial year 2012.

Non-current financial liabilities to banks amount to EUR 136,472,581. The amount of the principals (EUR 15,211,280) of non-current borrowings which falls due in 2014 was re-classified to current liabilities.

In 2013, Luka Koper, d. d., raised a non-current borrowing of EUR 20 million in order to restructure a portion of its current borrowings raised in the past.

All bank loans are tied to a variable interest rate. As at 31 December 2013, variable interest rate, calculated as annual nominal interest rate, ranged between 0.93 and 3.525 percent.

Interest rate agreed on these loans is tax recognised rate for transactions with related parties.

All non-current loans are repaid according to a predetermined schedule. For some of the loans the Group was granted a moratorium on the payment of the principal. All liabilities from non-current borrowings from banks are collateralised with blank bills of exchange and financial covenants. The Group complies with all financial covenants under the loan agreements.

Scheduled payments of non-current borrowings from banks are presented in the table below.

The Group regularly meets its non-current financial liabilities in line with the agreed repayment plan.

Other non-current financial liabilities include the fair value of interest rate swap, which is explained in detail in Note 34.

Balance of non-current and current borrowings from banks and their maturity

FY 2013

(in EUR)	Principal at 31.12.2013	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Period 2019–2031
Principal amount of borrowings from banks by maturity	151,909,053	15,211,280	19,235,780	16,164,857	17,312,399	23,310,399	60,674,338
Expected interest	16,922,782	3,363,165	2,959,000	2,504,438	2,072,681	1,578,115	4,445,383
Total	**168,831,835**	**18,574,445**	**22,194,780**	**18,669,295**	**19,385,080**	**24,888,514**	**65,119,721**

FY 2012

(in EUR)	Principal at 31.12.2012	Year 2013	Year 2014	Year 2015	Year 2016	Year 2017	Period 2018–2031
Principal amount of borrowings from banks by maturity	181,570,913	46,586,860	14,051,860	17,686,939	15,166,017	15,763,558	72,865,679
Expected interest		3,711,261	2,883,637	2,516,056	2,100,092	1,719,799	5,265,623
Total	**181,570,913**	**50,298,121**	**16,935,497**	**20,202,995**	**17,266,109**	**17,483,357**	**78,131,302**

Note 28. Non-current operating liabilities

(in EUR)	31.12.2013	31.12.2012
Non-current advances and securities received	95,541	201,430
Total	**95,541**	**201,430**

Non-current operating liabilities include long-term guarantees received for leased business premises. Deferred tax liabilities are explained in detail in Note 17.

Note 29. Liabilities of disposal groups held for sale

Liabilities of Luka Koper Pristan, d. o. o., in the amount of EUR 80,377 are classified as liabilities held for disposal since Luka Koper d. d., intends to dispose of its investment.

Note 30. Current financial liabilities – borrowings and other financial liabilities

(in EUR)	31.12.2013	31.12.2012
Current liabilities related to the distribution of the profit	65,000	112,559
Other current financial liabilities	402,398	230,382
Current amounts of non-current financial liabilities	15,211,280	46,586,860
Total	**15,678,678**	**46,929,801**

Current financial liabilities from bank borrowings at 31 December 2013 totalled EUR 15,613,125 (2012: EUR 46,817,242). They represent the current amount of non-current principals, which are due in 2014 in accordance with the amortisation plans, and other financial liabilities. In accordance with the Group's financial policy, a large proportion of current financial liabilities were restructured as non-current.

Current borrowings include a revolving loan of EUR 7 million granted by commercial banks, which was not drawn as at 31 December 2013. The total current borrowings drawn and repaid in 2013 are presented in the table below. The withdrawals refer only to withdrawals of revolving loans in the year, whereas repayments represent repayment of current amounts of non-current borrowings and repayment of revolving credits during the year.

Other non-current financial liabilities include interest payable and liability relating to the interest rate swap established in accordance with the interest rate risk management strategy.

The total interest expense in 2013 using the actual interest method amounted to EUR 4,542,225 (2012: EUR 6,272,503).

At 31 December 2013, none of the Group's liabilities were past due and outstanding.

Movements in current financial liabilities – borrowings and other financial liabilities

FY 2013

	Lender			
(in EUR)	Associates	Banks	Others	Total
Principal amount at 1 January 2013	-	46,586,860	505,114	47,091,974
New borrowings	500,000	10,625,000	4,961,803	16,086,803
Repayments	-500,000	-57,211,860	-7,322,653	-65,034,513
Transfer from non-current borrowings - maturing in 2014	-	15,211,280	-	15,211,280
Reclassification	-	-	2,380,000	2,380,000
Write-off	-	-	-56,866	-56,866
Principal amount at 31 December 2013	**-**	**15,211,280**	**467,398**	**15,678,678**

FY 2012

(in EUR)	Associates	Banks	Others	Total
	Lender			
Principal amount at 1 January 2012	45,000	48,777,193	112,572	48,934,765
New borrowings	-	30,807,000	230,369	31,037,369
Repayments	-45,000	-79,584,193	-	-79,629,193
Transfer from non-current borrowings - maturing in 2013	-	46,586,860	-	46,586,860
Principal amount at 31 December 2012	**-**	**46,586,860**	**342,941**	**46,929,801**

The difference between the end balance of other current financial liabilities and the balance at 1 January 2013 is due to changes in data presentation. The 2013 data also includes interest payable, whereas in 2012 they were disclosed as an item of current operating liabilities.

Note 31. Other current liabilities

(in EUR)	31.12.2013	31.12.2012
Current liabilities to suppliers		
On domestic market	9,159,669	9,397,298
On foreign markets	720,833	342,762
Current liabilities to associates	68,064	51,917
Current liabilities from advances, guarantees	68,088	41,765
Current liabilities to employees	1,610,114	2,670,780
Current liabilities to the state and other institutions	1,613,153	1,987,009
Other current liabilities	245,622	426,602
Total	**13,485,543**	**14,918,133**

At the year-end, the amount of current liabilities was lower compared to the balance at 31 December 2012 by EUR 1,432,590. This reduction is mainly due to the decrease in payables to employees, reduction in liabilities to the state and state institutions on account of income tax payable (EUR 368,300 payable in 2013 compared to EUR 808,070 in 2012), and decrease in other current financial liabilities.

Note 32. Short-term accrued cost and deferred revenue

(in EUR)	31.12.2013	31.12.2012
Accrued cost/expenditure	1,688,182	1,782,029
Short-term deferred revenue	434,474	3,600
Total	**2,122,656**	**1,785,629**

The major items of accrued costs and deferred revenue include accrued costs of bonuses for collective performance, accrued costs of interest on borrowings, accrued costs of bonuses to employees with individual employment contracts, and accrued costs of holidays not utilised.

Note 33. Related party transactions

Remuneration of Members of the Management and Supervisory Boards of the controlling company Luka Koper, d. d., are presented in Note 29 of the financial report of the Company. Remuneration of managements of the Group's subsidiaries are presented below.

Receipts of groups of persons in 2013

Groups of persons	Gross salary (fixed and variable part)	Annual holiday pay and jubilee awards	Benefits and other receipts	Managerial and other contracts	Total receipts
Members of the Management Board	296,238	1,576	12,006	106,465	416,285
Members of the Supervisory Board (nine members)	-	-	206,762	-	206,762
Management of subsidiaries	279,304	3,824	5,186	11,375	299,689
Employees with individual employment contracts	2,242,614	25,385	48,410	-	2,316,409
Employed under corporate collective agreement	27,007,195	981,749	45,104	-	28,034,048
Total	**29,825,351**	**1,012,534**	**317,468**	**117,840**	**31,273,193**

Related party transactions

Income statement (in EUR)	**Luka Koper, d. d.** **2013**	**2012**	**Luka Koper Group** **2013**	**2012**
Net sales				
To subsidiaries	825,583	732,486	-	-
To associates and jointly controlled entities	559,002	628,352	743,964	613,656
Costs of materials				
To subsidiaries	12,012	730	-	-
To associates and jointly controlled entities	-	-	-	-
Costs of services				
To subsidiaries	3,159,850	3,173,401	-	-
To associates and jointly controlled companies	481,988	144,449	493,420	145,315
Employee benefits				
To subsidiaries	1,586	1,517	-	-
To associates and jointly controlled companies	-	-	-	-
Other operating expenses				
To subsidiaries	8,806	8,855	-	-
To associates and jointly controlled companies	22,889	22,889	22,889	22,889
Financial income from shares and interest				
Subsidiaries	625,780	644,513	-	-
Associates and jointly controlled companies	221,952	309,462	600,935	395,108
Financial income from loans				
To subsidiaries	7,288	7,398	-	-
To associates and jointly controlled companies	-	-	-	-
Financial expense from impairment and write-downs of investments				
Subsidiaries	2,232,390	-	-	-
Associates and jointly controlled companies	969,350	1,025,980	1,031,105	1,184,011
Financial expense from financial liabilities				
To subsidiaries	190,485	304,401	-	-
To associates and jointly controlled companies	9,490	21,087	9,490	21,087

Statement of financial position (in EUR)	**Luka Koper, d. d.** **31.12.2013**	**31.12.2012**	**Luka Koper Group** **31.12.2013**	**31.12.2012**
Non-current investments excluding loans (inclusive of assets of disposal groups)				
Subsidiaries	2,047,288	4,279,678	-	-
Associates and jointly controlled companies	7,717,709	8,687,059	11,435,705	12,087,827
Current loans				
To subsidiaries	422,819	423,319	-	-
To associates and jointly controlled companies	-	-	-	-
Current operating receivables				
Due from subsidiaries	51,496	60,172	-	-
Due from associates and jointly controlled companies	229,471	272,929	229,471	272,929
Non-current financial liabilities				
To subsidiaries	10,250,580	10,183,575	-	-
To associates and jointly controlled companies	500,000	550,000	500,000	550,000
Current financial liabilities				
To subsidiaries	-	-	-	-
To associates and jointly controlled companies	-	-	-	-
Current operating liabilities				
To subsidiaries	561,088	407,272	-	-
To associates and jointly controlled companies	68,064	51,917	68,064	51,917

In addition to transactions made on the basis of the concession agreement with the Republic of Slovenia, the Group also entered into transactions related to dredging operations in Basin I. The subsidiary Luka Koper Inpo, d. o. o., entered into agreement with the Republic of Slovenia in 2012 about the dredging of the navigation channel to the port outside the concession area. The project was concluded in 2013. Accordingly, Luka Koper Inpo, d. o. o., realised EUR 366,489 of revenue in 2013. At 31 December 2013 no receivables due from the state are outstanding in relation to the aforementioned project. All transactions relating to the Concession Agreement are disclosed in the Appendix to the Annual Report.

Note 34. Financial instruments and financial risk management

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 currency rates
5. Credit risk, and
6. The risk of adequate capital structure

The management of the Luka Koper Group's financial risks has been organised within the parent company's finance department. The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of unpredictability and, consequently, higher level of risk. The Group has consequently tightened the control of individual financial categories. Other, mainly non-financial risks are described in detail in the Business Report in section Risk Management.

1. Managing the risk of fair value changes

Only the controlling company Luka Koper, d. d., holds investments measured at fair value.

Luka Koper, d. d., has invested 6.3 percent of its assets (5.1 percent in the previous year) in investments at fair value. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal. This type of risk was identified in association with investments in market securities of successful Slovene companies. As at the last day of 2013, the value of current available-for-sale investments at fair value through equity amounted to EUR 27,382,587 and comprises shares of Slovene companies and units of mutual funds.

In given conditions on capital markets it is difficult to forecast any future changes. The Group estimates that in a few years the value of all investments carried at fair value will stabilise at higher levels. The sensitivity of investments to changes in fair values is presented in table below

The sensitivity analysis of investments at fair value is made under the assumption that past fair value changes (the SBI TOP is used) will be reflected in future periods. The average variability of the class was assessed for the past five-year period by calculating the average deviation of daily values (both in terms of increases and decreases) from the annual trend of the SBI TOP index. According to the above analysis, we can assume that in 2014 the fair value of investment portfolio carried at fair value could decrease by a good 5 percent or increase by around 4 percent. When considering the highest annual increase in the level of the index in the past five-year period, in 2014 we can expect the risk item to increase by 15 percent or decrease by a good 30 percent. If we further simplify our expectations by assuming a 10 percent increase in the value of the index, such growth would result in an increase in the fair value of the market securities portfolio by EUR 2,738,259. A 10 percent decrease in the value of the index would have the opposite effect, reducing the fair value of these investments by that same amount.

If this was the case, the amount of the difference would be recognised as either an increase or decrease in equity.

Fair value hierarchy

	Fair value			
(in EUR)	**Carrying amount at 31.12.2013**	**Direct stock market quotation (level 1)**	**Value based on comparable market inputs (level 2)**	**No observable inputs (level 3)**
Asset at fair value				
Securities and other interests at fair value	27,673,511	27,673,511	-	-
Assets at cost including fair value disclosure				
Investment property	14,381,228	-	-	15,413,997
Loans	2,283,889	-	-	2,283,889
Assets of disposal groups held for sale	3,312,854	862,626	-	2,450,228
Operating receivables	25,295,670	-	-	25,295,670
Liabilities measured at cost including fair value disclosure				
Borrowings	152,183,861	-	-	152,183,861
Operating liabilities	13,485,543	-	-	13,485,543

The management estimates that fair values of financial assets and financial liabilities do not differ significantly from the book values.

2. Management of the risk of changes in interest rates

Only the controlling company Luka Koper, d. d., is exposed to the risk of changes in interest rates due to having financial liabilities with variable interest rates.

With the increased volume of foreign financial resources, the risk of changes in interest rates is increasingly more important as unexpected growth in variable interest rates can jeopardize the planned results. In 2013, the parent Company reduced its financial liabilities by 15.5 percent compared to the previous financial year, to EUR 163,889,773 as at the last day of 2013. The share of financial liabilities in the overall structure of liabilities decreased from 43 percent in 2012 to 38 percent in 2013. Detailed information concerning non-current financial liabilities is provided in the Business Report in chapters "Analysis of operations in 2013" and "Financial management". The effect of potential changes in variable interest rates on future results of the Group is presented in the table below.

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

(in EUR)	Liabilities at 31.12.2013	Potential increase in interest rates by 15 %	Potential increase in interest rates by 50 %	Potential increase in interest rates by 100 %
1M EURIBOR	-	-	-	-
3M EURIBOR	95,909,053	41,289	137,629	275,259
6M EURIBOR	56,000,000	32,676	108,920	217,840
Total effect	**151,909,053**	**73,965**	**246,549**	**493,099**

(in EUR)	Liabilities at 31.12.2012	Potential increase in interest rates by 15 %	Potential increase in interest rates by 50 %	Potential increase in interest rates by 100 %
1M EURIBOR	-	-	-	-
3M EURIBOR	118,770,912	33,315	111,051	222,102
6M EURIBOR	62,800,000	30,144	100,480	200,960
Total effect	**181,570,912**	**63,459**	**211,531**	**423,062**

The analysis of financial liabilities' sensitivity to changes in variable interest rates is based on the assumption of potential growth in interest rates of 15, 50 and 100 percent.

If variable interest rates increase in 2014 by 15 percent, the Group would incur interest expenses of EUR 73,965 (taking into account the level of financial liabilities as at 31 December 2013). If variable interest rates rose by 50 percent or 100 percent, the negative effect of the increase in variable interest rates would result in the interest expense increase by EUR 246,549 or EUR 493,099, respectively. Potential drop in interest rates by the same percentage would result in a decrease of interest expense by the same amounts.

To reduce exposure to the risk of interest rate changes, on 19 April 2013 the controlling Company entered into the second interest rate swap to the amount of EUR 35 million for a period of five years in respect of selected non-current borrowings. Together with the first interest rate swap agreed in

2011 of EUR 30 million, non-current financial liabilities that are hedged account for nearly 44 percent of total non-current financial liabilities of the controlling Company. The two interest rate swaps are carried in the books of account under the principle of *hedge accounting*. Since the hedging instruments are tailored to the loan, we can justifiably expect that the interest rate hedge will be successful. At 31 December 2013, the fair value of the swap instruments was EUR −697.563 and was recognised as a non-current financial liability of the Company.

In addition, the controlling Company has also two investments tied to a variable rate of interest. The loan whose outstanding amount at 31 December 2013 amounts to EUR 5,898, bears variable rate of interest TOM, whereas bonds of one of Slovenian's commercial banks of total EUR 625,000 bear variable rate of interest Euribor 6m. Due to insignificant amount of financial assets, the risk of changes in variable interest rates affecting interest income is negligible.

Regardless of the sensitivity analysis, the Management Board believes that no significant increase in variable interest rates will occur in 2014. The Group decreased the exposure to this risk for the period of the next five years by setting up an additional interest risk hedge on financial liabilities in the amount of EUR 35 million, resulting in interest rate hedge of nearly 44-percent of non-current financial liabilities.

3. Management of liquidity risk

The Luka Koper Group manages liquidity risk by regular planning of cash flows with different maturities. By careful planning of all liabilities the Group ensures consistent compliance with the agreed deadlines. Additional measures for preventing delays in receivable collection include regular monitoring of payments and immediate response to any delays and charging penalty interest in accordance with the Group's uniform policy of receivable management. In 2013, the Group continued its process of converting current financial liabilities to non-current liabilities by raising additional borrowings with longer term, which has additionally reduced its exposure to liquidity risk.

(in thousand EUR)	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2013					
Borrowings*	3,123	12,088	76,523	60,674	**152,408**
Accrued interest maturing in the next calendar year	117	-	-	-	**117**
Anticipated interest on all borrowings	514	2,857	9,130	4,445	**16,946**
Other financial liabilities	467	-	1,099	-	**1,566**
Supplier payables	10,017	-	96	-	**10,113**
Other operating liabilities	3,101	-	-	-	**3,101**
2012					
Borrowings*	8,218	38,369	84,425	51,109	**182,121**
Accrued interest maturing in the next calendar year	-	-	-	-	**-**
Anticipated interest on all borrowings	616	3,091	9,150	5,158	**18,015**
Other financial liabilities	343	-	1,607	-	**1,950**
Supplier payables	9,834	-	201	-	**10,035**
Other operating liabilities	4,276	-	-	-	**4,276**

*The item includes borrowings from associates

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

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars. The average monthly invoiced sales in USD in 2013 totalled US$ 820 thousand. As at 31 December 2013, the outstanding receivables denominated in US dollars account for only 2.61 percent (in 2012: 3.0 percent) of total outstanding trade receivables. According to the Group's estimates, the share of receivables denominated in US dollars is insignificant and for this reason it was decided not to use any hedging instruments to mitigate currency risk.

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

5. Management of credit risk

In view of the global recession in recent years, the management of counterparty risk, i.e. credit risk has gained in importance. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduces the assessed probability of timely inflows and increases additional costs of financing the operation. The accelerated debt collection contributes to minimising negative effects of wide-spread insolvency. The specific structure of our customers (the Group predominantly does business with a limited number of major companies i.e. freight forwarders and agents), has a positive effect in terms of credit risk as it considerably reduces exposure to credit risk.

Another distinctive feature of the Group's business is the use of liens on stored goods, which may be exercised in order to collect debt or receive payment for obligations that are not voluntarily settled by customers. Some receivables have been secured with collaterals which are returned to the customers once all obligations have been settled. Investments include loans which are secured with blank bills of exchange and other movable and immovable property. The credit risk management policy as outlined above is reflected in a relatively low share of bad debt impairment which in 2013 reached 0.39 percent compared to 1.94 percent in 2012.

Assets exposed to credit risk:

(in EUR)	Notes	31.12.2013	31.12.2012
Non-current loans	17	1,548,089	1,526,547
Non-current operating receivables	18	6,088	5,243
Assets of disposal groups held for sale	20	4,869,295	4,716,519
Current deposits	22	623,636	3,147,323
Current loans	22	112,164	130,968
Current trade receivables	23	21,933,398	19,943,138
Other current receivables	23	336,521	339,549
Cash and cash equivalents	24	3,153,730	1,608,345
Total		**32,582,921**	**31,417,632**

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

6. Management of the risk of adequate capital structure

Identification of the optimum capital structure and subsequent alignment of the existing capital structure with it, are of key importance for successful performance of the entire Group as equity is the most expensive source of financing. By following its strategy of reaching the optimum capital structure to finance the Group's own organic growth, the Group has in recent years gradually increased its share of financial liabilities in total equity and liabilities. In 2013, the Group again reduced its overall debt by good 16 percent compared to the previous year to EUR 153,750,652. This has had a positive impact on the risk of adequate capital structure. In future years, the Group will, in line with its long-term policy, try to gradually decrease its share of funds raised from external resources.

(in EUR)	31.12.2013	31.12.2012
Total liabilities	167,412,113	198,919,525
Cash and cash equivalents and current deposits	-3,777,366	-4,755,668
Net debt	**163,634,747**	**194,163,857**
Equity	**259,783,145**	**249,200,127**
Net debt / equity	**0.63**	**0.78**

The management estimates that the Group's exposure to the risk of adequate capital structure is moderate, and as a result of the effective system designed to manage this risk, the likelihood of an adverse effect is also considered as moderate.

Note 35. Contingencies

Off-balance sheet accounts include items that do not qualify for balance sheet recognition.

(in EUR)	31.12.2013	31.12.2012
Sureties received	6,309,256	6,168,443
Guarantees received	8,968,473	6,910,033
Contingent receivables from lawsuits	37,306,115	-
Other contingent receivables	128,776	70,015
Total contingent assets	**52,712,620**	**13,148,491**
Letters of credit	608,000	546,728
Guarantees	1,687,526	1,260,000
Sureties	18,097,291	12,263,937
Contingent liabilities from lawsuits	8,330,213	8,534,839
Total contingent liabilities	**28,723,030**	**22,605,504**
Interest swap hedge	**65,000,000**	**30,000,000**
Total	**146,435,650**	**65,753,995**

Majority of guarantees were granted in respect of transactions with the customs authorities. At 31 December 2013 they amounted to EUR 1,515,000

The following sureties have been given by the Group:

- Assignment of receivables in the amount of EUR 7,700,000 as surety given for borrowings raised by Luka Koper d. d.
- EUR 6,397,291 guaranteed by Luka Koper, d. d., to Adria Transport, d. o. o., for financial lease of train engines
- Luka Koper, d. d., guarantees borrowings drawn by Adria-Tow, d. o. o., in the amount of EUR 3,000,000 and has received a guarantee for the same amount
- EUR 750,000 (the same as in 2012) guaranteed by Luka Koper, d. d., for borrowings raised by Railport Arad, s. r. l.
- Adria Terminali, d. o. o., received a bank guarantee for payment of customs duty in the amount of EUR 250,000, which is secured with a surety given by Luka Koper, d. d.

The Group's contingencies include interest rate swap hedge on selected borrowings of total EUR 65,000,000. Compared to the year-end 2012, the value has increased by EUR 35,000,000.

Contingent assets include all contingent receivables for lawsuits, whereas contingent liabilities include all legal disputes, which failed to comply with the criterion for recognition as provisions for legal disputes. As at the end of 2013, contingent receivables totalled EUR 37,306,115, whereas contingent liabilities stood at EUR 8,330,213.

TABLE OF NOTES:

11 SUBSEQUENT EVENTS

JANUARY 2014

- The Supervisory Board of Luka Koper d. d., appointed Andraž Novak Member of the Management Board for operations and sales division. His mandate began on 13 January 2014.
- On 21 January 2014, the Management Board of Luka Koper, d. d., received an appeal from Slovenska Odškodninska Družba (Slovene Compensation Fund) to call for a General Meeting of Shareholders.
- In January 2014 the Slovenian Maritime Authority installed two new buoys at the entry to Basin 1. This meets condition stipulated in the Slovenian Maritime Authority's decision allowing berthing of 11.8 m deep-draft ships (previously 11.4m) under specific conditions. This new development will not have a significant impact on the increase in cargo handling at the Luka Koper container terminal until seabed is deepened to 14m, which is expected to be achieved in April 2014.

FEBRUARY 2014

- On 6 February 2014, Luka Koper d. d. published results of the review of position and critical measures made in the port following natural disaster that affected majority of the country.
- On 17 February 2014, the Management Board called and scheduled the 24th General Meeting of Shareholders of Luka Koper d. d. for 19 March 2014.
- In February construction work began on warehouses at rear berth 7 C at container terminal i.e. at the front of pier 1. This will provide additional 6,840m2of area for storing of 672 TEU. The investment is part of the pier 1 extension project, which is expected to be finalised by 2018.
- The first phase of deepening the seabed in the first basin began; the seabed will be extended to the depth of 13 metres. Work has also intensified on construction and filling of dumping grounds. These works coincide with the plans to extend pier 1.

MARCH 2014

- The General Meeting of Shareholders of Luka Koper, d. d., on 19 March 2014, adopted amendments to the Company's Articles of Association. The Municipality of Koper has announced an appeal against the decision. Gašpar Mišič, Chairman of the Luka Koper, d. d., Management Board, informed the shareholders of the situation regarding compensation claims filed against the former Management and Supervisory Board members.
- The first phase of deepening the seabed to the depth of 13 metres has been completed.
- The Republic of Slovenia Maritime Administration issued a decision allowing 12.5-metres draft ships to sail into the port (previously 11.8 metres).

The aforementioned events have no effect on the financial statements.

12 INDEPENDENT AUDITOR'S REPORT

Building a better working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Luka Koper d.d.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Luka Koper Group, which comprise the consolidated statement of financial position as at December 31, 2013, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the consolidated financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated 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 consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated 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 consolidated 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 consolidated 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 Luka Koper Group as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the consolidated financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited consolidated financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated financial statements.

Ljubljana, April 1, 2014

Sanja Košir Nikašinović
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Lidija Šinkovec
Certified Auditor

Družba je članica Ernst & Young Global Limited.

CONTENTS

FINANCIAL STATEMENTS OF LUKA KOPER, D. D., FY 2013

1 INCOME STATEMENT

(in EUR)	Notes	2013	2012
Operating revenue	1	136,808,792	133,329,178
Other income	2	1,487,461	1,034,300
Costs of materials	3	-10,324,499	-10,950,674
Cost of services	4	-40,945,827	-41,491,867
Employee benefit cost	5	-34,350,388	-31,474,106
Write-downs	6	-35,174,939	-28,518,731
Other operating expenses	7	-6,940,384	-5,678,739
Profit/loss from operations		**10,560,216**	**16,249,361**
Financial income from shares and interest	8	1,557,522	1,615,928
Financial income from loans	8	126,530	988,619
Financial income from operating receivables	8	92,409	90,036
Financial expense for investments	9	-4,744,844	-2,997,688
Financial expense from financial liabilities	9	-4,542,225	-6,272,504
Financial expense for operating liabilities	9	-81,922	-63,281
Profit or loss from financing activities		**-7,592,530**	**-6,638,890**
Profit or loss before tax	10	**2,967,686**	**9,610,471**
Income tax expense	11	-	-947,871
Deferred tax	12	1,644,560	-1,135,010
Net profit for the period	**13**	**4,612,246**	**7,527,590**
Net profit per share – basic and diluted	**13**	**0.33**	**0,54**

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

2 STATEMENT OF OTHER COMPREHENSIVE INCOME

(in EUR)	2013	2012
Net profit for the period	**4,612,246**	**7,527,590**
Gains or losses on revaluation of available-for-sale financial assets	4,294,107	-1,195,797
Deferred tax effect from revaluation of available-for-sale financial assets	-703,964	366,279
Change in fair value of financial instruments used in hedge accounting	798,914	-1,123,620
Deferred tax effect from change in fair value of financial instruments used in hedge accounting	118,586	-
Total other comprehensive income that will be reclassified to profit and loss in future	4,507,643	-1,953,138
Unrealised actuarial gains or losses from post-employment benefits	-45,098	-
Deferred tax on unrealised actuarial gains or losses	3,833	-
Total other comprehensive income that will never be reclassified to profit or loss	-41,265	-
Other comprehensive income	**4,466,378**	**-1,953,138**
Total comprehensive income for the period	**9,078,624**	**5,574,452**

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

3 STATEMENT OF FINANCIAL POSITION

(in EUR)	Notes	31.12.2013	31.12.2012
ASSETS			
Property, plant and equipment	14	315,025,705	327,801,022
Investment property	15	23,638,779	35,342,753
Intangible assets and long-term deferred cost	16	5,085,761	5,324,587
Non-current investments	17	42,541,896	42,260,883
Loans	17	1,384,563	1,517,396
Non-current operating receivables	18	6,088	5,243
Deferred tax assets	19	7,728,741	6,665,727
Non-current assets		**395,411,533**	**418,917,611**
Assets of disposal groups held for sale	20	8,233,179	5,988,745
Loans	21	534,983	3,525,810
Operating receivables	22	24,093,394	20,629,730
Cash and cash equivalents	23	895,323	629,077
Current assets		**33,756,879**	**30,773,362**
Short-term deferred cost and accrued revenue	24	**1,741,728**	**1,528,525**
TOTAL ASSETS		**430,910,140**	**451,219,498**
EQUITY AND LIABILITIES			
Share capital	25	58,420,965	58,420,965
Share premium	25	89,562,703	89,562,703
Profit reserves	25	81,098,349	78,792,226
Revaluation surplus	25	9,216,938	4,750,560
Retained earnings		1,415,638	-
Net profit the year		2,306,123	3,763,795
Equity		**242,020,716**	**235,290,249**
Provisions and accrued costs and deferred revenue	26	**10,354,268**	**6,627,678**
Non-current borrowings	27	147,223,161	145,446,353
Other financial liabilities	27	988,486	1,496,476
Non-current operating liabilities	28	60,090	164,000
Non-current liabilities		**148,271,737**	**147,106,829**
Current borrowings	29	15,211,280	46,586,860
Other financial liabilities	29	466,845	342,941
Income tax liabilities		-	361,684
Other current liabilities	30	12,751,481	13,233,174
Current liabilities		**28,429,606**	**60,524,659**
Short-term accrued cost and deferred revenue	31	**1,833,813**	**1,670,083**
TOTAL EQUITY AND LIABILITIES		**430,910,140**	**451,219,498**

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)	2013	2012
Cash flows from operating activities		
Net profit for the period	4,612,246	7,527,590
Adjustments for:		
Amortisation and depreciation	26,679,349	26,481,697
Write-downs and losses from sale of property, plant, equipment, and investment property	8,480,558	1,713,735
Gains from the sale of property, plant, equipment, intangible assets and investment property	-9,040	-80,053
Bad debt allowance	48,769	78,388
Financial income	-1,776,461	-2,694,582
Financial expenses	9,368,991	9,333,472
Income tax and deferred tax assets and liabilities	-1,644,560	2,082,881
Operating revenue before the change in net current assets and tax	**45,759,852**	**44,443,128**
Changes in net current assets and provisions		
Change in operating receivables	-2,421,088	780,893
Change in deferred costs and accrued revenue	-213,203	-988,097
Change in operating liabilities	-947,287	-1,086,731
Change in provisions	3,726,590	601,075
Change in accrued costs and deferred revenue	163,730	471,583
Income tax expense	749,339	-723,368
Net cash from operating activities	**46,817,933**	**43,498,483**
Cash flows from investing activities		
Interest received	218,939	1,078,654
Dividends received	1,557,522	1,615,928
Receipts from sale of property, plant, equipment and intangible assets	801,490	72,773
Receipts from sale of investment property	-	21,427
Receipts from sale, decrease in financial investments and loans	4,461,472	782,564
Disbursements to acquire property, plant, equipment and intangible assets	-14,522,369	-17,598,240
Disbursements to acquire investment property	-	-169,979
Disbursements to acquire financial investments and increase in loans	-105,508	-526,549
Net cash used in investing activities	**-7,588,454**	**-14,723,422**
Cash flows from financing activities		
Interest paid	-4,624,147	-6,335,784
Receipts from non-current borrowings	20,642,005	30,160,127
Receipts from current borrowings	18,451,803	31,037,369
Cash repayments of non-current borrowings	-3,653,917	-4,279,637
Cash repayments of current borrowings	-67,456,133	-79,629,193
Change in equity	31,843	-
Dividends paid	-2,354,687	-
Net cash used in financing activities	**-38,963,233**	**-29,047,118**
Opening balance of cash and cash equivalents	**629,077**	**901,134**
Net cash flow in the period	**266,246**	**-272,057**
Net cash and cash equivalents at end of period	**895,323**	**629,077**

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

5 STATEMENT OF CHANGES IN EQUITY

FY 2013

(in EUR)	Share capital	Share premium	Legal reserves	Other reserves from profit	Retained earnings	Net profit for the year	Revaluation surplus	Total capital
At 31 December 2012	**58,420,965**	**89,562,703**	**18,765,115**	**60,027,111**	**-**	**3,763,795**	**4,750,560**	**235,290,249**
At 1 January 2013	**58,420,965**	**89,562,703**	**18,765,115**	**60,027,111**	**-**	**3,763,795**	**4,750,560**	**235,290,249**
Changes in equity – transactions with owners								
Dividends paid	-	-	-	-	-2,380,000	-	-	-2,380,000
Other changes in equity	-	-	-	-	31,843	-	-	31,843
	-	**-**	**-**	**-**	**-2,348,157**	**-**	**-**	**-2,348,157**
Total comprehensive income for the period	-							
Net profit or loss for the period	-	-	-	-	-	4,612,246	-	4,612,246
Net change in revaluation of financial assets	-	-	-	-	-	-	3,590,143	3,590,143
Net change in fair value of financial instruments used in hedge accounting	-	-	-	-	-	-	917,500	917,500
Net unrealised actuarial gains and losses	-	-	-	-	-	-	-41,265	-41,265
	-	**-**	**-**	**-**	**-**	**4,612,246**	**4,466,378**	**9,078,624**
Movements within equity								
Transfer of the remaining net profit of the comparable period to other equity elements	-	-	-	-	3,763,795	-3,763,795	-	-
Appropriation of a portion of the net profit for the year to other equity elements based on a decision of the Management and Supervisory Boards	-	-	-	2,306,123	-	-2,306,123	-	-
	-	**-**	**-**	**2,306,123**	**3,763,795**	**-6,069,918**	**-**	**-**
As at 31 December 2013	**58,420,965**	**89,562,703**	**18,765,115**	**62,333,234**	**1,415,638**	**2,306,123**	**9,216,938**	**242,020,716**

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

FY 2012

(in EUR)	Share capital	Share premium	Legal reserves	Other reserves from profit	Retained earnings	Net profit or loss for the year	Revaluation surplus	Total capital
At 31 December 2011	**58,420,965**	**89,562,703**	**18,765,115**	**56,263,316**	**-**	**-**	**6,703,698**	**229,715,797**
At 1 January 2012	**58,420,965**	**89,562,703**	**18,765,115**	**56,263,316**	**-**	**-**	**6,703,698**	**229,715,797**
Changes in equity – transactions with owners								
	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-							
Net profit or loss for the period	-	-	-	-	-	7,527,590	-	7,527,590
Net change in revaluation of financial assets	-	-	-	-	-	-	-829,518	-829,518
Net change in fair value of financial instruments used in hedge accounting	-	-	-	-	-	-	-1,123,620	-1,123,620
	-	**-**	**-**	**-**	**-**	**7,527,590**	**-1,953,138**	**5,574,452**
Movements within equity								
Appropriation of a portion of the net profit for the year to other equity elements based on a decision of the Management and Supervisory Boards	-	-	-	3,763,795	-	-3,763,795	-	-
	-	**-**	**-**	**3,763,795**	**-**	**-3,763,795**	**-**	**-**
At 31 December 2012	**58,420,965**	**89,562,703**	**18,765,115**	**60,027,111**	**-**	**3,763,795**	**4,750,560**	**235,290,249**

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

6 NOTES TO THE FINANCIAL STATEMENTS

Luka Koper d. d., pristaniški in logistični sistem, established at Vojkovo nabrežje 38, Koper, Slovenia, is the controlling entity of the Luka Koper Group.

The financial statements of the Company are prepared for the year ended 31 December 2013.

A list and the relevant data of all the entities in which Luka Koper, d. d., (the Company) holds a minimum of 20% equity share, are included in the Section »Presentation of the Luka Koper Group" of the Annual Report.

Statement of compliance

The separate financial statements are compiled in accordance with the Companies Act and International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU.

At the balance sheet date, due to the endorsement process of the EU, there is no difference in the policies applied by Luka Koper d. d. between IFRS and IFRS adopted by the EU.

The Management Board of Luka Koper, d. d. approved these financial statements on 1 April 2014.

Basis of preparation

The financial statements are expressed in euro (EUR) without cents.

Fair value

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

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 - quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - valuation techniques for which the lowest level input is directly or indirectly observable

Level 3 - valuation techniques for which the lowest level input is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the reporting period.

The fair value measurement hierarchy of the Company's assets and liabilities is presented in Note 33.

Accounting policies applied

The accounting policies used are consistent with those applied in the financial year ended 31 December 2012, except for the adoption of new standards and interpretations effective from 1 January 2013 and which are noted below.

Newly adopted standards and interpretations

IAS 1 – Financial Statement Presentation – Presentation of Items of Other Comprehensive Income

The amendment becomes effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time (for example, upon derecognition or settlement) are presented separately from items that will never be reclassified. These amendments do not change the nature of the items that were recognised in OCI, nor do they impact the determination of whether items in OCI are reclassified through profit and loss in future periods. The amendment affects presentation only and there is no impact on financial position or performance of Luka Koper, d. d.

IAS 19 – Employee benefits (revised)

The revised standard includes a number of amendments that range from fundamental changes to simple clarifications and re-wording. The more significant changes include the following: for defined benefit plans, the ability to defer recognition of actuarial gains and losses (i.e. the corridor approach) has been removed. There are new or revised disclosure requirements which include quantitative information of the sensitivity of the defined benefit obligation to a reasonably possible change in each significant actuarial assumption; termination benefits are recognized at the earlier of when the offer of termination cannot be withdrawn, or when the related restructuring costs are recognized under IAS 37; the distinction between short-term and other long-term employee benefits is based on expected timing of settlement rather than the employee's entitlement to the benefits. The amendment becomes effective for annual periods beginning on or after 1 January 2013. Revised standard has no significant impact on Luka Koper d. d.'s financial position or performance and accordingly, comparable data of each relevant equity element or other comparable amounts were not restated as if the new accounting policy was used from the very beginning.

IFRS 7 – Financial Instruments: Disclosures (Amended) – Offsetting Financial Assets and Financial Liabilities.

The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment requires an entity to disclose information about rights to set-off and related arrangements (e.g. collateral agreements). The disclosure would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all categorised financial instruments that are set off in accordance with IAS 32 Financial Instruments: Presentation. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar arrangement, irrespective of whether they are set-off in accordance with IAS 32. Revised standard has no impact on financial position or performance of Luka Koper, d. d.

IFRS 13 – Fair Value Measurement

IFRS 13 establishes a single source of guidance under IFRS for all fair value measurements. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

Fair value under IFRS 13 is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date" (i.e. "an exit price"). "Fair value" as used in IFRS 2 Share-based payments and IAS 17 Leases is excluded from the scope of IFRS 13.

The standard provides clarification on a number of areas, including the following:

- Concepts of "highest and best use" and "valuation premise" are relevant only for non-financial assets
- Adjustments for blockage factors (block discounts) are prohibited in all fair value measurements
- A description of how to measure fair value when a market becomes less active.

New disclosures related to fair value measurements are also required to help users understand the valuation techniques and inputs used to develop fair value measurements and the effect of fair value measurements on profit or loss.

Other than requirement for additional disclosures, the standard has no significant impact on the financial statements of Luka Koper, d. d.

New IFRS Standards and Interpretations either not yet effective or not yet adopted by the EU.

The Company has not early adopted any standard or interpretation issued but not yet effective. The Company intends to adopt these standards, if applicable, when they become effective.

The following new and amended standards will be applied in future periods as required by IFRSs and the European Union: The Company is currently assessing the potential impact of the new and revised standards and interpretations that will be effective or adopted by the European Union on or after 1 January 2014.

IAS 28 – Investments in Associates and Joint Ventures

As a consequence of the new IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 32 – Financial Instruments: Presentation (Amended) – Offsetting Financial Assets and Financial Liabilities.

In December 2011, IASB issued an amendment to IAS 32, which is intended to clarify existing application issues relating to the offsetting rules and reduce level of diversity in current practice. The amendment is effective for annual periods beginning on or after 1 January 2014. The amendments clarify that rights of set-off must not only be legally enforceable in the normal course of business, but must also be enforceable in the event of default and the event of bankruptcy or insolvency of all of the counterparties to the contract, including the reporting entity itself. The IAS 32 offsetting criteria require the reporting entity to intend either to settle on a net basis, or to realise the asset and settle the liability simultaneously. The amendment clarifies that only gross settlement mechanisms with features that eliminate or result in insignificant credit and liquidity risk and that process receivables and payables in a single settlement process or cycle would be, in effect, equivalent to net settlement and, therefore, meet the net settlement criterion. The Company does not expect the amendment will have an impact on its financial statements.

IAS 36 – Impairment of Assets (Recoverable Amount Disclosure for Non-Financial Assets)

The amendment clarifies the disclosure requirements in respect of fair value less costs of disposal. When IAS 36 Impairment of Assets was originally changed as a consequence of IFRS 13, the IASB intended to require disclosure of information about the recoverable amount of impaired assets if that amount was based on fair value less costs to sell. An unintended consequence of the amendments was that an entity would be required to disclose the recoverable amount for each cash-generating unit for which the carrying amount of goodwill or intangible assets with indefinite useful lives allocated to that unit was significant in comparison with the entity's total carrying amount of goodwill or intangible assets with indefinite useful lives. This requirement has been deleted by the amendment.

In addition, the IASB added two disclosure requirements:

- Additional information about the fair value measurement of impaired assets when the recoverable amount is based on fair value less costs of disposal
- Information about the discount rates that have been used when the recoverable amount is based on fair value less costs of disposal using a present value technique. The amendment harmonises disclosure requirements between value in use and fair value less costs of disposal.

The amendment is effective for financial statements beginning on or after 1 January 2014. The Company does not expect the amendment will have an impact on its financial statements.

IAS 39 - Financial Instruments - Recognition and Measurement (Novation of Derivatives and Continuation of Hedge Accounting)

The amendment provides an exception to the requirement to discontinue hedge accounting in certain circumstances in which there is a change in counterparty to a hedging instrument in order to achieve clearing for that instrument.

The amendment covers novations:

- That arise as a consequence of laws or regulations, or the introduction of laws or regulations
- Where the parties to the hedging instrument agree that one or more clearing counterparties replace the original counterparty to become the new counterparty to each of the parties, and
- That did not result in changes to the terms of the original derivative other than changes directly attributable to the change in counterparty to achieve clearing.

All of the above criteria must be met to continue hedge accounting under this exception. The amendments cover novations to central counterparties, as well as to intermediaries such as clearing members, or clients of the latter that are themselves intermediaries. For novations that do not meet the criteria for the exception, entities have to assess the changes to the hedging instrument against the derecognition criteria for financial instruments and the general conditions for continuation of hedge accounting.

The amendment is effective for financial statements beginning on or after 1 January 2014. The Company does not expect the amendment will have an impact on its financial statements.

IFRS 9 – Financial Instruments – Classification and Measurement

The IFRS 9 was originally issued in November 2009, and is intended to replace IAS 39 Financial Instruments: Recognition and Measurement The standard introduces new requirements for classifying and measuring financial assets and liabilities. In October 2010 the IASB added to IFRS 9 the requirements for classification and measurement of financial liabilities and derecognition of financial assets and liabilities. Most of the requirements in IAS 39 for classification and measurement of financial liabilities and derecognition of financial assets and liabilities were carried forward unchanged to IFRS 9. The standard eliminates categories of financial instruments currently existing in IAS 39: available-for-sale and held-to-maturity. According to IFRS 9 all financial assets and liabilities are initially recognised at fair value plus transaction costs.

<u>Financial assets</u>

Debt instruments may, if the fair value option (FVO) is not invoked, be subsequently measured at amortised cost if:

- The asset is held within a business model that has the objective to hold the assets to collect the contractual cash flows
  and
- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

All other debt instruments, where the above mentioned conditions are not met, are subsequently measured at fair value.

All equity investment financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity instruments held for trading must be measured at fair value through profit or loss. Entities have an irrevocable choice of recognising changes in fair value either in OCI or profit or loss by instrument for all other equity investment financial assets.

Financial liabilities

For FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss.

Hedge accounting

A new chapter on hedge accounting has been added to IFRS 9. This represents a major overhaul of hedge accounting and puts in place a new model that introduces significant improvements principally by aligning the accounting more closely with risk management. There are also improvements to the disclosures about hedge accounting and risk management.

The standard does not currently indicate the mandatory effective date. The IASB decided to defer the mandatory effective date of IFRS 9 until the date of the completed version of IFRS 9 is known. The standard has not yet been endorsed by the EU.

The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets and liabilities. The Company will quantify the effect in conjunction with the other phases, when issued, to present a comprehensive picture of its effects on the consolidated financial statements.

IFRS 10 – Consolidated Financial Statements

IFRS 10 replaces the portion of IAS 27 Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12 Consolidation - Special Purpose Entities, which resulted in SIC-12 being withdrawn. IAS 27, as revised, is limited to the accounting for investments in subsidiaries, joint ventures, and associates in separate financial statements.

IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent. The standard changes definition of control, which exists when an investor has:

- Power over the investee (defined in IFRS 10 as when the investor has existing rights that give it the current ability to direct the relevant activities)
- Exposure, or rights, to variable returns from its involvement with the investee
  and
- The ability to use its power over the investee to affect the amount of the investor's returns.

The amendment becomes effective for annual periods beginning on or after 1 January 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014. The Company does not expect the standard to have significant impact on its existing interests; however, it may have an impact on accounting for future takeovers.

IFRS 11 – Joint Arrangements

IFRS 11 replaces IAS 31: Interest in Joint Ventures and SIC 13 Jointly-controlled entities – Non-monetary Contributions by venturers.

Joint control under IFRS 11 is defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities require the unanimous consent of the parties sharing control. 'Control' in 'joint control' refers to the definition of 'control' in IFRS 10. IFRS 11 also changes the accounting for joint arrangements by moving from three categories under IAS 31 to the following two categories:

- Joint operation - An arrangement in which the parties with joint control have rights to the assets and obligations for the liabilities relating to that arrangement. In respect of its interest in a joint operation, a joint operator must recognize all of its assets, liabilities, revenues and expenses, including its relative share of jointly controlled assets, liabilities, revenue and expenses.
- Joint venture - An arrangement in which the parties with joint control have rights to the net assets of the arrangement. Joint ventures are accounted for using the equity method. The option in IAS 31 to account for joint ventures (as defined in IFRS 11) using proportionate consolidation has been removed.

Under these new categories, the structure of the joint arrangement is not the only factor considered when classifying the joint arrangement as either a joint operation or a joint venture, which is a change from IAS 31. Under IFRS 11, parties are required to consider whether a separate vehicle exists and, if so, the legal form of the separate vehicle, the contractual terms and conditions, and other facts and circumstances.

The amendment becomes effective for annual periods beginning on or after 1 January 2013. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The Company does not expect the standard to have significant impact on its existing interests; however, it may have an impact on accounting of future joint arrangements.

IFRS 12 – Disclosures of Involvement in Other Entities

IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. Some of the more extensive qualitative and quantitative disclosures of IFRS 12 include: provision of summarized financial information for each subsidiary with a material non-controlling interest; description of significant judgments used by management in determining control, joint control and significant influence, and the type of joint arrangement (i.e. joint operation or joint venture); provision of summarized financial information for each individually material joint venture and associate; and description of the nature of the risks associated with an entity's interests in unconsolidated structured entities.

This standard becomes effective for annual periods beginning on or after 1 January 2013 and may affect the disclosures in the notes to financial statements. The endorsement process within EU adopted the standard and decided that the standard should be applied, at the latest, as from the commencement date of a financial year starting on or after 1 January 2014.

The amendment affects presentation only and there is no impact on the Company's financial position or performance.

Investment Entities (Amendments to IFRS 10, IFRS 12, IAS 27 and IAS 28)

In October 2012 IASB issued the amendments that are effective for annual periods beginning on or after January 1, 2014. These amendments will apply to investments in subsidiaries, joint ventures and associates held by a reporting entity that meets the definition of an investment entity. An investment entity will account for its investments in subsidiaries, associates and joint ventures at fair value through profit or loss in accordance with IFRS 9 (or IAS 39, as appropriate), except for investments in subsidiaries, associates and joint ventures that provide services that relate only to the investment entity, which would be consolidated or accounted for using the equity method, respectively. An investment entity will measure its investment in another controlled investment entity at fair value Non-investment entity parents of investment entities will not be permitted to retain the fair value accounting that the investment entity subsidiary applies to its controlled investees. For non-investment entities, the existing option in IAS 28, to measure investments in associates and joint ventures at fair value through profit or loss, will be retained. The Company is currently assessing the impact that this interpretation could have on its financial position and performance.

IFRIC 21 – Levies

The interpretation is applicable to all levies other than outflows that are within the scope of other standards (e.g. IAS 12) and fines or other penalties for breaches of legislation. Levies are defined in the interpretation as outflows of resources embodying economic benefits imposed by government on entities in accordance with legislation. The interpretation clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. It also clarifies that a levy liability is accrued progressively only if the activity that triggers payment occurs over a period of time, in accordance with the relevant legislation. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability is recognised before the specified minimum threshold is reached. The interpretation does not address the accounting for the debit side of the transaction that arises from recognising a liability to pay a levy. Entities look to other standards to decide whether the recognition of a liability to pay a levy would give rise to an asset or an expense under the relevant standards. The interpretation is effective for annual periods beginning on or after 1 January 2014. The Company is currently assessing the impact that this interpretation could have on its financial position and performance.

Foreign currency transactions

Transactions in foreign currency are translated into euro at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities in foreign currency are translated at the reference exchange rate of the ECB at the balance sheet date. All differences resulting from foreign currency translation are recognised in profit or loss.

Profit or loss from operations

Profit from operations is defined as the result before income tax and finance items. Finance items comprise interest revenue on cash balances at the bank, deposits, interest bearing available-for-sale investments, interest expense on borrowings, gains and losses on sale of available-for-sale financial instruments and foreign exchange gains and losses on all monetary assets and liabilities denominated in foreign currency.

Significant accounting estimates and judgements

In the preparation of financial statements under International Financial Reporting Standards, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying value of assets and liabilities, revenues and expenses. These estimates are based on experience from previous periods as well as expectations in the accounting period. Actual results differ from those estimates and for that reason they are constantly revised and adjusted accordingly.

Impairment of financial instruments and non-financial assets

Information on significant estimates about uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, was applied in assessment of the value of property, plant and equipment (Note 14) and investment property (Note 15), in measurement of investments in subsidiaries, associates and other entities (Note 17) and in the process of recognition of deferred tax assets (Note 12).

Deferred tax

Based on our estimates that in future sufficient taxable profit will be available, deferred tax was provided on account of the following items:

- Provisions for jubilee awards and termination benefits on retirement
- Impairment of investments
- Impairment of receivables, and
- Tax losses.

Deferred tax assets recognised on account of provisions for jubilee awards and termination benefits are reduced by the relevant amount of provisions utilised or increased by the amounts of newly formed provisions.

Deferred tax assets were recognised in the relevant amount of impairment loss on investments and receivables as impairment losses are not recognised as tax expenditure until the investments' derecognition. Deferred tax assets will be capitalised on sale or disposal of the investment or financial instrument as well as on final write-off of receivables.

Deductible temporary differences are recognised at the tax rate of 17 percent (the same as in 2012), with exception of deferred tax recognised on account of jubilee awards and termination benefits to which a 15 percent tax rate was applied.

Deferred tax liabilities are recognised for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss) to a higher value, whereas on revaluation of available-for-sale financial assets to a lower value, deferred tax assets are recognised.

At the balance sheet date the amount of deferred tax assets and liabilities is reassessed. If there is not sufficient amount of available taxable profits, the amount of deferred tax assets is reduced accordingly.

Provisions

The Management approves the substance and amount of provisions on the basis of the following:

- Provisions for jubilee awards and termination benefits on retirement are set on the basis of actuarial calculation.
- Provisions for legal disputes and damages are set aside using the following criteria:
    - Whether present obligation (legal or constructive) exists a result of past events
    - It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognised if the probability is high
    - A reliable estimate can be made of the amount of the obligation.

7 SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Individual categories are disclosed under International Financial Reporting Standards. All significant items and issues have been disclosed. Accounting policies used as well as their nature and degree of significance are identified in the Company's internal rules. For all significant amounts reported in the financial statements, we have also disclosed comparable information for the previous period and included in numerical and descriptive information. Comparative information has been adjusted to be consistent with the presentation in the current financial year.

The accounting policies detailed below were consistently applied in all the periods presented in the financial statements.

The accounting policies were not changed in 2013 with exception of reclassification of the item plant from plant and equipment to other plant and equipment to ensure a more appropriate accounting treatment. The change has no impact on profit or loss.

Property, plant and equipment

The items of property, plant and equipment are carried at cost. Under the cost model, an item of property, plant and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses. The manner and methods used in the valuation of assets due to impairment are described in the section "Impairment of Property, Plant and Equipment". The cost of an item of property, plant and equipment is equal to the monetary price on the date of the asset's recognition.

Parts of property, plant and equipment, which have different useful lives, are accounted for as individual assets, which are depreciated within the estimated useful life.

Land is accounted for separately and is not depreciated.

<u>Borrowing costs</u>

Borrowing costs that may be directly attributed to the acquisition, construction or production of a qualifying asset, increase its cost. Borrowing costs are capitalised as a portion of costs of a qualifying asset when expenditures for the asset are incurred, when borrowing costs are incurred and when activities begin which are necessary to make the asset ready for its intended use or disposal.

<u>Subsequent costs</u>

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is expensed when incurred.

<u>Depreciation</u>

Depreciation charge is recognised in an individual period in profit or loss. An asset is subject to depreciation when it is made available for its use. The items of property, plant and equipment are depreciated under the straight-line depreciation method, considering the assessed economic life of an individual asset. The depreciation method used is reassessed at the end of each financial year. As a rule, the residual value of an asset is considered only for significant items of property, plant and equipment as is their cost of disposal. Land, assets being acquired, non-current assets classified to disposal groups (derecognition) and works of art are not depreciated.

Asset	2013	2012
Buildings	1.5–6 %	1.5–6 %
Transport and transhipment equipment	5.6-20%	5.6-20%
Computer hardware	20–25 %	20–25 %
Other equipment	10–25 %	10–25 %

Derecognition

The carrying amount of an individual item of property, plant and equipment is derecognised upon its disposal or when no future economic benefits are expected from the asset's use or disposal. Any profit or losses resulting from disposal of individual item of property, plant and equipment is determined as the differences between the revenue from disposal and the carrying amount and are included in profit or loss.

Intangible assets

Initially, intangible assets are recognised at cost. Subsequent to initial recognition, they are recognised at their cost reduced by accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation begins when an asset is ready for its use, i.e. when the asset is on the location and in the condition necessary for it to operate as intended.

The net carrying amount of an item of intangible assets with a useful life is reduced using the straight-line amortisation method over the period of its useful life. All items of intangible assets have finite useful lives.

The period and method of amortisation of an intangible asset with finite useful life are reassessed at least at the end of each financial year. When expected useful life of an intangible asset differs from previous assessments, its amortisation rate is adjusted accordingly.

The useful life of an item of intangible assets that arises from contractual or other legal rights does not exceed the period of these contractual rights or legal rights, however, it may be shorter, depending on the period during which the asset is expected to be used. Assessed useful life of other items of intangible assets is 10 years (average amortisation rates used are presented below).

Intangible assets	2013	2012
Concessions, trademarks and licences	10–20 %	10–20 %

Investment property

Investment properties are held to bring rent and/or appreciate in their value. Investment property is measured under the cost model. Depreciation is accounted for under the straight-line depreciation method over the estimated useful life of an individual asset. Land is not depreciated. Facilities under lease are divided into individual parts according to their estimated useful lives. Average used depreciation rates for investment property:

Investment property	2013	2012
Buildings	1.5–6 %	1.5–6 %

Investments in related parties

Investments in subsidiaries, associates, jointly controlled entities and other entities are measured at cost. On each balance sheet date, the Company checks if there is any objective evidence of potential impairment of investments. Any impairment loss is recognised in the profit or loss.

Financial instruments

Financial instruments are classified into the following categories:

1. Financial instruments at fair value through profit or loss
2. Financial investments held to maturity
3. Loans and receivables
4. Available-for-sale financial assets

Loans and receivables

The third category comprises all loans and borrowings as well as receivables. They are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

In the books of accounts, non-current and current trade receivables are carried separately. Interest receivable is recognised in the off balance sheet records. Current and non-current trade receivables are initially recognised at amounts agreed in the contracts or recorded in the relevant accounting documents. On the last day of the financial year, trade receivables expressed in foreign currency are translated into the local currency at the reference rate of the ECB.

Trade receivables impairment

Bad debt allowances of the total amount are recognised regularly for all trade receivables and interest receivables that are due and outstanding for more than 180 days. Allowances against specific types of receivables are made individually based on relevant judgements. Impairment loss is recognised as revaluation operating expenses associated with receivables of individual organisational unit, where a receivable incurred.

Impairment of receivables due from companies, which are in bankruptcy or liquidation procedure, is recognised in the total amount (100 percent) of the receivable immediately after the commencement of such procedure has been determined. Impairment loss is recognised as revaluation operating expenses associated with receivables of individual organisational unit, where a receivable incurred.

Loans

On initial recognition loans are carried at their amortised cost using the effective interest rate method. In terms of their maturity, loans are classified on the settlement date into non-current or current financial assets. With a view of credit risk management, maturity of individual loans as well as the method of settlement and collateral is determined taking into consideration the credit rating of a borrower (e.g. bills of exchange, pledge of securities and other movable or immovable property, potential for unilateral netting of mutual liabilities, and similar collateral). In the event of the borrower failing to meet his contractual liabilities, collateral is liquidated or, if legal proceedings have been instituted, the investment is impaired.

Borrowings

On initial recognition, borrowings are carried at their amortised cost using the effective interest rate method. Major amount of borrowings represent bank loans with repayment of principal when the loan contract matures. In terms of their maturity, borrowings are classified into non-current and current financial liabilities. On the last day of the year, all financial liabilities maturing within a period of 12 months are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants.

Available-for-sale financial assets

Available-for-sale financial assets comprise all of the investments in equity securities. On initial recognition they are measured at fair value, increased by the cost of transaction relating to the acquisition of individual financial assets. Fair value is considered market value based on the market value of securities or published daily value of a unit of a mutual fund's assets. Fair value changes are recognised directly in the statement of comprehensive income. Declining volume of securities is accounted for in books of account using the average prices method. When available-for-sale financial assets are derecognised, the accumulated gains or losses are transferred to the profit or loss. Additions and disposals of available-for sale financial assets are recognised on the trading date.

All other investments, for which no operating market exists and the fair value of which cannot be measured reliably, are measured at the cost.

Non-current assets of disposal groups held for sale

This category includes non-current assets, items of property, plant and equipment and financial assets that are non-current in nature and whose carrying amounts will be settled predominantly by their sale in the next 12 months. The period of sale completion may be extended over 12 months if this delay is caused by events and circumstances that are beyond the control of the Company and there is sufficient evidence that the Company is consistently pursuing its plans to dispose of the asset.

After the assets' reclassification to Non-current assets (disposal groups) held for sale, they are measured at the lower of the carrying amount or fair value, less costs to sell.

Any losses due to reduction in the fair value are recognised immediately in the profit or loss.

Cash

Cash comprises cash on hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months. The balance of cash in foreign currency is translated into the local currency at the reference rate of the ECB on the last day of the financial year.

Derivative financial instruments

The Company does not issue derivative financial instruments for trading purposes. Derivative financial instruments are used to hedge the Company’s exposure to risks arising from financing and investing activities. Derivative financial instruments are recognised at fair value. The method of recognition of gains or losses arising from the change in fair value depends upon whether hedge accounting has been applied or not. Luka Koper, d. d., applies derivatives only for hedge accounting. When hedge accounting has been applied gains or losses arising from the change in fair value are recognised by recognising the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge directly in equity in the statement of comprehensive income. When the forecasted transaction results in the recognition of an asset or a liability, the associated cumulative gains or losses are removed from equity and entered into the initial measurement of the acquisition cost or other carrying amount of the asset or liability. The ineffective portion of the cash flow hedge is immediately recognised in profit or loss.

Equity

Share capital

The share capital consists of 14,000,000 registered ordinary no-par value shares that are freely transferable.

Dividends

Dividends are recognised in the financial statements when the Shareholders Meeting's decision on the payment of dividends has been approved.

Repurchase of treasury shares

In 2013, the Company did not trade in treasury shares.

Authorised capital

At 31 December 2013 the Company had no authorised capital.

Provisions

Provisions for legal disputes and damages

The Company made provisions for disputes and damages related to alleged business offences. The amount of provisions and the need for their recognition is determined in consideration of the following criteria:

- Whether present obligation (legal or constructive) exists as a result of past events
- It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognised if the probability is high
- A reliable estimate can be made of the amount of the obligation.

Provisions for retirement benefits and anniversary bonuses

In accordance with the statutory requirements and the collective agreement, the Company is obligated to pay jubilee awards and termination benefits on retirement. These payments are measured using the method of accounting, which requires that an actuarial liability is assessed on the basis of the expected salary increase from the valuation date until the anticipated retirement of an employee. This means that benefits are accrued in proportion with the work performed. The assessed liability is recognised as the present value of expected future expenditure. Anticipated salary increase and employee turnover are also considered as part of the measurement.

Unrealised actuarial gains or losses of the current year based on the actuarial calculation of current employee benefits and interest are recognised in profit or loss. Current employee benefit costs and interest expense associated with jubilee awards are recognised in profit or loss as actuarial gains or losses.

Maintenance of port infrastructure

In accordance with the Concession Agreement with the Republic of Slovenia, and criteria approved by the Government of the Republic of Slovenia, Luka Koper, d. d., recognises long-term accrued costs for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs. In the case the Company reports a surplus of costs over revenue from dock dues, the relevant amount of deferred revenue is transferred to the revenue.

Financial liabilities

On initial recognition borrowings are carried at their fair value less attributable transaction costs. The difference between historical cost and amortised cost is reported in profit or loss over the loan repayment period, using the effective interest rate method.

Trade payables

Non-current operating liabilities include collateral received for rented business premises. Trade liabilities and payables to the state and employees are shown separately. Operating liabilities denominated in foreign currency are converted into the local currency at the reference rate of the ECB on the balance sheet date.

Accrued and deferred items

Capitalised short-term deferred costs and accrued revenue include items of deferred costs or deferred expenses, whereas short-term accrued costs and deferred revenue include accrued costs or expenses.

Income tax expense

Income tax is provided for in accordance with the Corporate Income Tax Act and, as we have the status of an Economic Zone user, also in accordance with the Economic Zones Act. This allows the Company to claim tax relief for investments in fixed assets located within the economic zone. In 2013 the Company received a positive decision from the Tax Authorities which provides the basis for claiming tax relief. However, due to tax loss incurred, not tax relief was claimed in respect of financial year 2013. The basis for the income tax calculation is gross amount of profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such a basis is used for accounting the corporate income tax liability. In 2013, income tax liability was calculated at the rate of 17 percent of the tax basis compared to 18 percent tax rate applied in the previous year.

Deferred tax

With a view of reporting the relevant profit or loss for the period, the Company also accounted for deferred tax. Deferred tax includes deferred tax assets and deferred tax liabilities. Deferred tax was provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Temporary differences were divided into taxable and deductible. Taxable temporary differences resulted in an increase of the taxable amounts and deferred tax liabilities. Whereas deductible temporary differences resulted in a decrease of taxable amounts and an increase in deferred tax assets.

Deferred tax assets are offset against deferred tax liabilities when an entity has a legal right to offset current assets and liabilities, and deferred tax assets and liabilities relate to the same taxable entity and the same tax authority.

Earnings per share

The basic and diluted earnings per share was calculated by dividing the net profit for the financial year 2013 by the weighted average number of ordinary shares in issue.

Income

Operating revenue

Revenue from services rendered

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

Revenue from services rendered is recognised using the stage of completion method on the reporting date. Under the method, revenue is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in the local and foreign markets. Revenue from the local market was achieved in Slovenia, while revenue from foreign markets was generated in the EU and third countries.

Rental income

Rental income (primarily from investment property) comprises revenue generated from facilities and land that are leased out under operating lease. Rental income is recognised within operating revenue.

Other income

Other operating revenue comprises revaluation operating revenue from the sale of property, plant and equipment, subsidies, donations, insurance proceeds and other income. Government grants and other subsidies received to compensate the Company for expenses incurred are recognised on a systematic basis in the same periods in which the costs are incurred. Other revenue is recognised when it can be justifiably expected that the related receipts will flow to the Company.

Financial income and expense

Finance income comprises interest income from loans, dividend income, income from disposal of available-for-sale financial assets, and foreign exchange gains. Interest income is recognised when accrued using the effective interest rate method. Dividend income is recognised in profit or loss when a shareholder’s right to payment is established.

Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through profit or loss. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

Expenses – costs

Costs are recognised as expenses in the accounting period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed by natural types using the Company's three-digit chart of accounts. Expenses are recognised when decrease in economic benefits in the accounting period results in a decrease of assets or increase in liabilities and this decrease can be reliably measured.

Impairment of non-financial assets

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed in accordance with IAS 36. When the asset's recoverable amount cannot be assessed, the Company determines the recoverable amount of cash generating unit to which the asset belongs. Impairment losses are recognised in profit or loss. Impairment losses should be reversed if the estimates used to determine the asset's recoverable amount have changed. An impairment loss is reversed only to the extent that the asset’s carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in the previous periods. The reversal of the impairment loss is recognised as revenue in profit or loss.

Impairment of financial assets

On each reporting date, financial assets are tested for impairment using criteria set out in the accounting manual in order to determine whether there is any objective evidence of impairment. If such objective evidence exists, the Company calculates the amount of impairment loss.

When the Company determines that investments carried at amortised cost should be impaired, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The amount of impairment loss is recognised in profit or loss. When the reasons for impairment of an investment cease to exist, the reversal of the impairment of the investment carried at amortised cost is recognised in profit or loss.

When the Company determines that investments in subsidiaries, associates, jointly controlled entities and other companies carried at cost should be impaired, the impairment loss is recognised as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows (or by use of another method) discounted at the current market rate of return for similar financial assets. Impairment loss is recognised in profit or loss as revaluation financial expense.

Statement of comprehensive income

In the statement of comprehensive income the Company reports net profit or loss as well as other comprehensive income inclusive of items that will be reclassified to profit and loss at a future date and those that will never be reclassified to profit or loss in accordance with the provisions and requirements of other IFRSs

Statement of cash flows

The cash flow statement is presented using an indirect method, on the basis of the balance sheet items as at 31 December 2013 and 31 December 2012, as well as the items in the income statement for the financial year ended 31 December 2013 and 31 December 2012, as well as the items in the income statement for the financial year 2013, inclusive of any necessary adjustments of the cash flow.

Statement of changes in equity

The statement of changes in equity shows the changes in individual items of equity in the financial year (the total income and expenses and transactions with owners, when acting as owners), including the use of the net profit or loss. The statement of comprehensive income is also included which increases net profit of the accounting period by total revenue and expenses directly recognised in the equity.

Risk management

The Company monitors and strives to manage risks at all levels of business. In the assessment of risks, the Company considers various risk factors and compares costs with the related benefits. Efficient risk management is ensured by timely identification and management of risks and by the relevant guidelines and policies, which are laid down in documents of the overall management system.

The Company's operations are exposed to strategic, operational and financial risks, which are largely dependent on market laws, and which require their active monitoring. In addition to strategic and operational risks, the Company also encounters financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 33: Financial Risk Management.

Segment reporting

The Company operates as a complete unit with no segments.

8 ADDITIONAL NOTES TO THE INCOME STATEMENT

Note 1. Operating revenue

(in EUR)	2013	2012
Net sales on the domestic market	44,512,508	47,045,771
- services	42,840,369	45,271,766
- goods and material	57,558	75,360
- rent	1,614,581	1,698,645
Net sales on foreign markets	92,296,284	86,283,407
- services	92,104,450	85,955,036
- goods and material	-	101,342
- rent	191,834	227,029
Total net sales	**136,808,792**	**133,329,178**
Total operating revenue	**136,808,792**	**133,329,178**

In 2013 the revenue from dock dues was reduced by the surplus amount of revenue over the costs of the regular maintenance of the port infrastructure, and deferred revenue in the amount of EUR 1,758,468 was recognised (2012: EUR 1,215,545). The long-term deferred revenue amounts will be utilised to cover the costs of public commercial services of regular maintenance of the port infrastructure in the next financial years.

Note 2. Other revenue

(in EUR)	2013	2012
Reversal of provisions	493	-
Subsidies, grants and similar income	1,003,453	917,201
Revaluation operating revenue	109,750	80,053
Other income	373,765	37,046
Total	**1,487,461**	**1,034,300**

Note 3. Costs of materials

(in EUR)	2013	2012
Auxiliary materials	3,316,180	3,383,163
Cost of power supply	6,517,690	7,108,529
Office stationery	129,598	125,203
Other costs of materials	361,031	333,779
Total	**10,324,499**	**10,950,674**

Note 4. Cost of services

(in EUR)	2013	2012
Port services	19,268,603	17,576,699
Cost of transportation	135,088	223,441
Cost of maintenance	8,223,305	8,220,886
Rent	739,875	747,755
Reimbursement of costs associated with labour	337,764	249,178
Costs of payment processing, bank charges and insurance premiums	420,581	399,367
Cost of intellectual and personal services	1,016,436	980,146
Advertising, trade fairs and hospitality	1,147,896	1,135,170
Costs of services provided by natural persons not involved in activities	253,621	256,022
Cost of other services	9,402,658	11,703,203
Total	**40,945,827**	**41,491,867**

The majority of the costs of services relate to physical services which are inclusive of port services rendered by the contractors and services provided as part of the Company's primary activity. The costs of other services include the following significant items: the cost of concession charges in the amount of EUR 4,578,513 (2012: EUR 4,471,855) cost of information technology support in the amount of EUR 2,764,793 (2012: EUR 2,908,617), and cost of utility services in the amount of EUR 851,022 (2012: EUR 812,684).

The cost of professional and personal services includes also audit fees for the audit of the financial statements of Luka Koper d. d., and consolidated financial statements of the Luka Koper Group in the amount of EUR 25,500.

In 2013, certain items of costs of services were reclassified in terms of their nature, namely: the cost of rail carriages conveyance to and from the port was reclassified to the cost of port services as it is deemed the Company's primary activity. In 2013 the cost of this particular service amounted to EUR 2,447,673 (2012: EUR 2,574,944 recognised as an item of costs of other services).

Majority of the cost of payment processing, bank charges and insurance premiums include property insurance and personnel insurance costs in the amount of EUR 381,456 (2012: EUR 362,732). The Company has insured its property against fire, liability for damages caused to third persons and a portion of goods owned by others against fire risk. In accordance with the Concession Agreement, the port infrastructure is also insured.

All lease arrangements are revocable and the relevant amounts are insignificant.

Note 5. Employee benefit cost

(in EUR)	2013	2012
Employee benefits	22,166,221	19,818,928
Salary substitutes	3,946,254	4,047,870
Voluntary pension insurance	1,050,855	976,949
Employer's contributions on employee benefits	4,430,206	3,893,781
Annual holiday pay, reimbursements and other costs	2,756,852	2,736,578
Total	**34,350,388**	**31,474,106**

In December 2013, all the employees, except for the members of the Management Board and staff with individual contracts of employment, received an additional salary (13th salary) equal to each employee's average salary, for having reached the planned added value. Other benefits awarded to employees include the payment of voluntary pension insurance premium by the employer, which has been funding the pension scheme for the twelfth consecutive year.

The annual holiday pay amounted to EUR 788 per employee in 2013 (in 2012: EUR 763).

In 2013 (the same as in 2012) no loans were approved to employees with individual contract of employment.

No loans were granted to members of the Management or Supervisory Boards.

Average number of employees by level of education in 2013 and 2012

Level of education	Headcount in 2013	Headcount in 2012
8/2	1	2
8/1	18	18
7	98	96
6/2	120	118
6/2	60	57
5	234	236
4	196	201
3	12	14
1-2	45	47
Total	**784**	**789**

At 31 December Luka Koper, d. d., had 784 employees compared to 785 at the end of the previous year. Average number of employees in 2013 was 784, compared to 789 in the previous year.

Note 6. Write-downs

(in EUR)	2013	2012
Depreciation of buildings	11,455,226	11,390,394
Depreciation of equipment and replacement parts	14,144,123	13,899,243
Depreciation of low value assets	117,511	117,312
Depreciation of investment property	420,481	566,809
Amortisation of intangible assets	542,008	507,940
Operating expenses from revaluation of property, plant and equipment	8,480,558	1,958,645
Operating expenses from revaluation of current assets	15,032	78,388
Total	**35,174,939**	**28,518,731**

In 2013, amortisation and depreciation rates applied to intangible assets, property, plant and equipment, and investment property, were not changed. Depreciation and amortisation expense on these items did not significantly increase in 2013.

Majority of revaluation operating expenses were incurred on revaluation of property, plant and equipment in the amount of EUR 3,729,430 (2012: EUR 1,164,681), investment property in the amount of EUR 4,461,198 (2012: EUR 430,000), and property, plant and equipment designated for sale in the amount of EUR 135,000.

The revaluation operating expenses from current assets arose on impairment of receivables with maturity of over 180 days as at 31 December 2013 (the same criteria as the one applied in 2012). Receivables due from related parties were not impaired.

Note 7. Other operating expenses

(in EUR)	2013	2012
Provisions	1,146,602	-490,294
Charges unrelated to employee benefits or other costs	5,384,796	5,292,352
Environmental levies	67,834	71,061
Awards and scholarship to students inclusive of tax	4,496	3,837
Awards and scholarship to students	2,100	2,100
Other costs and expenses	334,556	799,683
Total	**6,940,384**	**5,678,739**

A significant item of charges represent land rates, which in 2013 amounted to EUR 5,099,682 (2012: EUR 4,951,858). The Company spent EUR 94,000 on donations (2012: EUR 186,650). Provisions were set aside for law suits and claims for damages. In 2013 the Company set aside EUR 1,146,602 provisions for expected losses from legal disputes and claims for damages, and the related default interest. Of the amount stated, EUR 750,219 of provisions was created for labour dispute with Aldo Babič, EUR 197,978 of provisions was recognised on account of decision of the Competition Protection Office, and EUR 198,405 was provisioned for other disputes.

Note 8. Financial income

(in EUR)	2013	2012
Financial income from shares and interest		
Financial income from shares and interests in the group	625,780	644,513
Finance income from shares in associates	221,952	309,462
Financial income from shares and interests in other companies	709,790	661,953
Financial income from loans		
Financial income from loans to group companies	7,288	7,399
Finance income from loans to others	119,242	981,220
Financial income from operating receivables		
Financial income from operating receivables due from others	92,409	90,036
Total	**1,776,461**	**2,694,583**

In 2013, finance income did not reach the 2012 level, particularly due to significantly lower realised finance income from loans granted to other entities, which resulted from impairment reversal of the loan granted to T.O. Delta S. p. A. in 2006 in the amount of EUR 752,524 (inclusive of interest). Total interest income from non-current and current financial investments (using the actual interest method) significantly decreased in 2013 and amounted to EUR 126,530 (2012: EUR 236,094. This decrease is due to reduced interest on deposits.

Note 9. Financial expense

(in EUR)	2013	2012
Financial expense for investments	4,744,844	2,997,688
Financial expense from financial liabilities		
Financial expense for borrowings from group companies	190,485	304,402
Financial expense for borrowings from associates	9,490	21,087
Financial expense for borrowings from banks	4,342,250	5,947,015
Financial expense for operating liabilities		
Financial expense for liabilities to suppliers	375	41,896
Financial expense for other operating liabilities	22,832	815
Foreign exchange rate losses	58,715	20,570
Total	**9,368,991**	**9,333,473**

In addition to financial expenses for borrowings, a significant amount of financial expenses relates to impairment of investments detailed below (the impairment method is explained in detail in Note 17):

- Impairment loss of EUR 2,222,390 was recognised on investment in Luka Koper Pristan, d. o. o., in line with the investment valuation
- Impairment loss of EUR 305,778 resulted from impairment of investment in Adria Investicije, d. o. o., in line with the valuation assessment
- Impairment loss of EUR 10,000 resulted from impairment of investment in Adria Terminali, d. o. o., in line with the valuation assessment
- Impairment loss of EUR 969,350 resulted from impairment of investment in Railport Arad, s. r. l., in line with the valuation assessment

- Impairment loss of EUR 753,079 from restatement of Intereuropa d. d. shares to the issue value of EUR 0.44 per share in accordance with the price quoted on the Ljubljana Stock Exchange on 30 December 2013, and loss of EUR 233,977 incurred on disposal of shares
- Write-off of investment in Nova Ljubljanska banka in the amount of EUR 250,270 following the Bank of Slovenia decision on exceptional measures dated 17 December 2013, and write-off of investment in Slovenian Foundation for Business Excellence (SFPO) in accordance with resolution adopted by the General Meeting on 13 December 2013.

In 2013, financial expenses for financial liabilities fell by 28 percent primarily as a result of a reduction in a variable interest rate Euribor and reduced scope of the Company's indebtedness. A detailed analysis of the risk of changes in interest rates and sensitivity analysis of financial liabilities, with regard to changes in variable interest rates, are disclosed in Note 33 Financial Risk Management.

Financial expenses for other operating liabilities represent the difference between foreign exchange rate gains in the amount of EUR 85,825 and losses (EUR 144,540). The result is exchange rate loss in the amount of EUR 58,715 (2012: EUR 20,570).

Note 10. Profit or loss before tax

In 2013, the Company generated operating profit of EUR 10,560,216, compared to EUR 16,249,361 in 2012. Reduction in the operating profit is primarily due to impairment of property, plant and equipment, investment property and available-for-sale financial assets in total amount of EUR 8,325,628. After taking account of the financial loss incurred in 2013 in the amount of EUR 7,592,530 (2012: loss of EUR 6,638,890), in 2013 the Company generated pre-tax profit of EUR 2,967,686, compared to EUR 9,610,471, achieved in 2012.

Note 11. Effective tax rate

(in EUR)	2013	2012
Profit or loss before tax	**2,967,686**	**9,610,471**
Income tax (17% in 2013; 18% in 2012)	**-504,507**	**-1,729,885**
Non-taxable income and increase in expenditure	1,342,954	116,694
Non-taxable dividends received	270,725	284,571
Tax allowances	-	1,229,805
Expenses not recognised for tax purposes	-276,758	-439,211
Impairment loss not recognised for tax purposes	815,951	-248,096
Other reduction in the tax basis	-3,805	9,279
Effect of changes in the tax rate	-	-1,306,038
Total income tax payable	**1,644,560**	**-2,082,881**
Effective tax rate	**-55,42%**	**21,67%**

In 2013, Luka Koper, d. d. reported negative tax base in the amount of EUR 613,573 and recognised EUR 104,308 of deferred tax assets on account of tax loss incurred.

Note 12. Deferred tax

In 2013, deferred taxes increased the net profit by EUR 1,644,560, whereas in 2012 deferred taxes decreased the net profit by EUR 1,135,101. Deferred tax assets were made on account of the following: impairment charge for investments and provisions, changes in the interest hedge instrument, tax losses, and receivable allowances, none of which are fully tax deductible. In 2013, deferred taxes increased by EUR 1,874,312. This increase is primarily due to the sale and impairment of Intereuropa shares, which had an impact on increased amount of deferred tax assets in the amount of EUR 1,579,126. Other increases in deferred taxes resulted from impairment of investment and tax loss incurred.

Deferred tax assets and liabilities recognised in the profit or loss are presented below:

(in EUR)	2013	2012
Provisions	4,405	-25,492
Unutilised tax losses	104,307	-
Non-current investments	1,786,204	174,925
Receivable allowances	4,044	-201,360
Decommissioning of fixed assets	-	-31,446
Interest hedging	-254,401	254,401
Change in tax rate	-	-1,306,038
Total	**1,644,559**	**-1,135,010**

Changes in deferred tax liabilities recognised in the statement of comprehensive income

(in EUR)	2013	2012
Deferred tax on changes in fair value of AFS financial investments	-703,964	366,279
Change in fair value of financial instruments used in hedge accounting	118,586	-
Deferred tax on account of actuarial gains and losses on defined employee benefits	3,833	-
Total	**-581,545**	**366,279**

FY 2013

(in EUR)	Receivables: At 1 January 2013	Receivables: Recognised in profit or loss	Receivables: Recognised in equity	Receivables: At 31 December 2013	Liabilities: At 1 January 2013	Liabilities: Recognised in equity	Liabilities: At 31 December 2013
Deferred tax assets and liabilities relating to:							
Impairment of investments and financial instruments	7,404,740	1,531,803	225,920	9,162,463	1,310,880	811,298	2,122,178
Provisions for termination benefits and jubilee awards, and long-term accrued revenue from public commercial services	498,385	4,405	3,833	506,623	-	-	-
Receivable allowances	73,482	4,044	-	77,526	-	-	-
Tax loss	-	104,307	-	104,307	-	-	-
Total	**7,976,607**	**1,644,559**	**229,753**	**9,850,919**	**1,310,880**	**811,298**	**2,122,178**
Offsetting deferred tax assets and liabilities	-1,310,880			-2,122,178	-1,310,880		-2,122,178
Deferred tax assets recognised in the statement of financial position	**6,665,727**			**7,728,741**	**-**		**-**

FY 2012

(in EUR)	Receivables At 1 January 2012	Receivables Recognised in profit or loss	Receivables At 31 December 2012	Liabilities At 1 January 2012	Liabilities Recognised in equity	Liabilities At 31 December 2012
Deferred tax assets and liabilities relating to:						
Impairment of investments and financial instruments	8,170,573	-765,833	7,404,740	1,677,159	-366,279	1,310,880
Provisions for termination benefits and jubilee awards, and long-term accrued revenue from public commercial services	630,085	-131,700	498,385	-	-	-
Receivable allowances	279,513	-206,031	73,482	-	-	-
Decommissioning of fixed assets	31,446	-31,446	-	-	-	-
Total	**9,111,617**	**-1,135,010**	**7,976,607**	**1,677,159**	**-366,279**	**1,310,880**
Offsetting deferred tax assets and liabilities	-1,677,159		-1,310,880	-1,677,159		-1,310,880
Deferred tax assets recognised in the statement of financial position	**7,434,458**		**6,665,727**	**-**		**-**

Note 13. Earnings per share

(in EUR)	31.12.2013	31.12.2012
Net profit for the period	4,612,246	7,527,590
Total number of shares	14,000,000	14,000,000
Number of ordinary shares	14,000,000	14,000,000
Basic and diluted net profit per share	**0.33**	**0.54**

Net earnings per share for the year 2013 were calculated by dividing the net operating profit by the weighted average number of ordinary shares in issue during the year.

Following the conversion of all preference shares into ordinary shares, the diluted net earnings per share is equal to the basic net earnings per share.

9 ADDITIONAL NOTES TO THE STATEMENT OF FINANCIAL POSITION

Note 14. Property, plant and equipment

(in EUR)	31.12.2013	31.12.2012
Property, plant and equipment		
Land	7,280,453	6,261,659
Buildings	221,080,309	223,593,152
Plant and machinery	63,032,036	73,871,587
Other plant and equipment	2,525,244	139,696
Fixed assets being acquired and advances given	21,107,663	23,934,928
Total	**315,025,705**	**327,801,022**

No items of property, plant and equipment are pledged as collateral.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2013 is zero, is EUR 183,668,733; as at 31 December 2012, it amounted to EUR 177,644,822.

The outstanding trade liabilities to the suppliers of items of property, plant and equipment as at 31 December 2013 amounted to EUR 3,129,353 and at 31 December 2012 to EUR 2,398,375

As at 31 December 2013, the amount of unrealised contractual commitments for acquisition of property, plant and equipment total EUR 17,085,215.

Changes in the value of property, plant and equipment are presented below.

In 2013 the Company reported EUR 13,724,467 of capital investments, among which the most significant ones include:

- Construction of the new servicing facility aimed at centralisation of the servicing and regular maintenance of the port machinery in the amount of EUR 2,530,793
- Acquisition of two new wheel loaders for the coal terminal, dumping areas were strengthened and laid with asphalt, loading ramp was fixed along the whole length of rails, and we acquired equipment for cellulose coating against dust and a multi-purpose sweeping vehicle; total investment came to EUR 1,546,067
- We began pumping slime to deepen the seabed and extend pier 1. To achieve, this dumping grounds were prepared for disposal of excavated material. In 2013 the investment amounted to EUR 739,298
- As part of ecological rehabilitation, we carried out reconstruction of transportable filling hopper for bauxite including installation of electrostatic filter to prevent dust, and renovation of cathodic protection of the silos' steel piles; the investment amounted to EUR 432,873
- Reconstruction work was in progress at the liquid cargo terminal on fire protection of reservoirs used for storage of dangerous substances; the investment amounted to EUR 328,871
- Two new forklifts for loading and reloading of various containers were purchased for container terminal; the investment totalled EUR 238,800.

Based on the valuation of the investment in Barka II, the investment was in 2013 impaired to the amount of EUR 3,526,433, as was the property at location of Adria Terminali in Sežana to the amount of EUR 202,997.

Valuation of the investment in Barka II was made by certified appraiser of property in October 2013. Considering the purpose of the valuation and extent of data obtained on real estate market, the comparable sales method was used for land, whereas the cost method was used for improvements, both with 45 percent discount rate.

To ensure more appropriate treatment of property, plant and equipment, at the beginning of the year equipment worth EUR 13,192,036 was transferred to other plant and equipment, inclusive of the related impairment loss of EUR 10,299,637; reclassification total of EUR 2,892,399.

Table of changes in property, plant and equipment

FY 2013

(in EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Assets being acquired	Advances for PPE	Total
Cost							
At 31 December 2012	6,261,659	391,294,360	230,663,518	139,696	23,923,228	11,700	652,294,161
Transfers			-13,192,036	13,192,036			-
At 1 January 2013	6,261,659	391,294,360	217,471,482	13,331,732	23,923,228	11,700	652,294,161
Additions	-	128,068	84,761	57,790	13,453,848	457,700	14,182,167
Transfer from investments in progress	-	6,841,169	6,165,510	178,531	-13,185,210	-	-
Disposals, write-down	-217,104	-16,537	-214,491	-7,673		-	-455,805
Impairments	-62,894	-140,103	-	-	-3,526,433	-	-3,729,430
Transfer from/to intangible assets	-	54,147	244,326	-	-4,980	-	293,493
Transfer from/to investment property	1,298,792	2,456,444	4,535	-	-20,155	-	3,739,616
Transfer from/to assets of disposal groups held for sale	-	-	-933,018	-335,574	-2,035	-	-1,270,627
Reclassifications in property, plant and equipment	-	-16,958	228,909	-211,951	-	-	-
Reclassifications in the cost and impairment losses	-	-	-1,164,681	-	-	-	-1,164,681
At 31 December 2013	7,280,453	400,600,590	221,887,333	13,012,855	20,638,263	469,400	663,888,894
Accumulated depreciation							
At 31 December 2012	-	167,701,208	156,791,931	-	-	-	324,493,139
Transfers			-10,299,637	10,299,637			-
At 1 January 2013	-	167,701,208	146,492,294	10,299,637	-	-	324,493,139
Depreciation	-	11,455,226	13,671,209	590,424	-	-	25,716,859
Disposals, write-down	-	-8,983	-214,023	-7,651	-	-	-230,657
Transfer from/to intangible assets	-	54,147	244,326	-	-	-	298,473
Transfer from/to investment property	-	335,601	4,535	-	-	-	340,136
Transfer from/to assets of disposal groups held for sale	-	-	-407,155	-182,925	-	-	-590,080
Reclassifications in property, plant and equipment	-	-16,918	228,792	-211,874	-	-	-
Reclassifications in the cost and impairment losses	-	-	-1,164,681	-	-	-	-1,164,681
At 31 December 2013	-	179,520,281	158,855,297	10,487,611	-	-	348,863,189
Carrying amount							
At 31 December 2012	**6,261,659**	**223,593,152**	**73,871,587**	**139,696**	**23,923,228**	**11,700**	**327,801,022**
At 1 January 2013	**6,261,659**	**223,593,152**	**70,979,188**	**3,032,095**	**23,923,228**	**11,700**	**327,801,022**
At 31 December 2013	**7,280,453**	**221,080,309**	**63,032,036**	**2,525,244**	**20,638,263**	**469,400**	**315,025,705**

FY 2012

(in EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Assets being acquired	Advances for PPE	Total
Cost							
At 31 December 2011	6,261,659	386,481,354	222,409,241	139,696	23,894,674	1,247,700	640,434,324
Adjustments							-
At 1 January 2012	6,261,659	386,481,354	222,409,241	139,696	23,894,674	1,247,700	640,434,324
Additions	-	1,411,033	10,007,524	-	5,440,665	-	16,859,222
Transfer from investments in progress	-	3,652,891	1,244,249	-	-4,897,140	-	-
Disposals, write-down	-	-	-1,986,357	-	-	-	-1,986,357
Transfer from/to intangible assets	-	-	-	-	-414,439	-	-414,439
Transfer from/to investment property	-	-239,070	-	-	-100,532	-	-339,602
Transfer from/to assets of disposal groups held for sale	-	-7,400	-2,251,587	-	-	-	-2,258,987
Reclassifications in property, plant and equipment	-	-4,448	1,240,448	-	-	-1,236,000	-
At 31 December 2012	6,261,659	391,294,360	230,663,518	139,696	23,923,228	11,700	652,294,161
Accumulated depreciation							
At 31 December 2011	-	156,320,311	145,421,049	-	-	-	301,741,360
Adjustments							-
At 1 January 2012	-	156,320,311	145,421,049	-	-	-	301,741,360
Depreciation	-	11,390,395	14,016,554	-	-	-	25,406,949
Disposals, write-down	-	-	-1,913,584	-	-	-	-1,913,584
Impairments	-	-	1,164,681	-	-	-	1,164,681
Transfer from/to investment property	-	-1,954	-	-	-	-	-1,954
Transfer from/to assets of disposal groups held for sale	-	-7,400	-1,896,913	-	-	-	-1,904,313
Reclassifications in property, plant and equipment	-	-144	144	-	-	-	-
At 31 December 2012	-	167,701,208	156,791,931	-	-	-	324,493,139
Carrying amount							
At 31 December 2011	**6,261,659**	**230,161,043**	**76,988,192**	**139,696**	**23,894,674**	**1,247,700**	**338,692,964**
At 1 January 2012	**6,261,659**	**230,161,043**	**76,988,192**	**139,696**	**23,894,674**	**1,247,700**	**338,692,964**
At 31 December 2012	**6,261,659**	**223,593,152**	**73,871,587**	**139,696**	**23,923,228**	**11,700**	**327,801,022**

Note 15. Investment property

(in EUR)	31.12.2013	31.12.2012
Investment property		
Investment property - land	16,468,149	21,070,841
Investment property - buildings	7,170,630	14,271,912
Total	**23,638,779**	**35,342,753**

Investment property consists of facilities that are leased out under operating lease and real estate that increases the value of non-current investments. As a result of reclassification of some real estate to assets held for sale in the amount of EUR 7,316,886, and reclassification of land and buildings worth EUR 3,399,480, the amount of investment property is lower than in the previous year - a reduction of EUR 11,703,974.

The amount of income from rent and costs for investment property are presented in the table below.

Leased real estate

(in EUR)	31.12.2013	31.12.2012
Income from the rent of investment property	1,289,120	1,465,803
Depreciation of investment property	420,481	566,809

In 2013 we generated EUR 1,289,120 of rental income from real estate (2012: EUR 1,465,803). A significant cost related to investment property is its depreciation, which in 2013 amounted to EUR 420,481 (2012: EUR 566,809). The Company incurred no other costs in relation to investment property.

No items of investment property are pledged as collateral.

Fair value of investment property at 31 December 2013 was assessed at EUR 28,768,029.

For accounting and reporting purposes, in 2013 the Company made an assessment of the fair value of investment property at Orleška gmajna and those on location at Terminali Sežana. Valuation of the investments was made by certified appraiser of property in December 2013. Considering the purpose of the valuation and scope of real estate market data, the comparable market prices method was used in valuation of property at Orleška gmajna, and yield-based valuation method was applied in valuation of investment property at Terminali Sežana.

In accordance with the valuation assessment results, all items of real estate whose fair value was below their carrying amount were impaired. In 2013 the Company recognised impairment loss of EUR 4,461,198 on account of investment property; of that, EUR 2,106,893 relates to impairment of buildings and EUR 2,354,305 to the impairment of land.

The following assumptions were used in the valuation made under the yield-based method:

- Potential income based on appropriate net market rent, which could be attributed to the assessed real estate;
- 8 percent non-utilisation of business premises or facilities confirmed by the analysis of the real estate market;
- Irrecoverable level of business premises was assessed between one fifth and one quarter of their average occupancy rate, which is equal to 1.80 percent;
- Capitalisation rate according to the improvement method is 10.11 percent.

In 2013 assets whose lease has expired were reclassified to property, plant and equipment; the value of reclassified land amounted to EUR 1,298,792, whereas buildings worth EUR 2,100,688 were reclassified.

Table of changes in investment property

FY 2013

(in EUR)	Land	Buildings	Total
Cost			
At 31 December 2012	21,070,841	20,882,505	41,953,346
Adjustments	-	-	-
At 1 January 2013	21,070,841	20,882,505	41,953,346
Impairments	-2,354,305	-2,106,893	-4,461,198
Transfer from/to property, plant and equipment	-1,298,792	-2,440,824	-3,739,616
Transfer from/to assets of disposal groups held for sale	-490,422	-6,128,548	-6,618,970
Reclassification of investment property	-459,173	459,173	-
At 31 December 2013	16,468,149	10,665,413	27,133,562
Accumulated depreciation			
At 31 December 2012	-	6,610,593	6,610,593
Adjustments	-	-	-
At 1 January 2013	-	6,610,593	6,610,593
	-		
Depreciation	-	420,481	420,481
Transfer from/to property, plant and equipment	-	-340,136	-340,136
Transfer from/to assets of disposal groups held for sale	-	-3,196,155	-3,196,155
At 31 December 2013	-	3,494,783	3,494,783
Carrying amount			
At 31 December 2012	**21,070,841**	**14,271,912**	**35,342,753**
At 1 January 2013	**21,070,841**	**14,271,912**	**35,342,753**
At 31 December 2013	**16,468,149**	**7,170,630**	**23,638,779**

FY 2012

(in EUR)	Land	Buildings	Total
Cost			
At 31 December 2011	20,828,209	20,754,097	41,582,306
Adjustments			-
At 1 January 2012	20,828,209	20,754,097	41,582,306
Additions	-	69,447	69,447
Disposals, write-down	-	-37,489	-37,489
Transfer from/to property, plant and equipment	239,070	100,532	339,602
Transfer from/to assets of disposal groups held for sale	-	-520	-520
Reclassification of investment property	3,562	-3,562	-
At 31 December 2012	21,070,841	20,882,505	41,953,346
Accumulated depreciation			
At 31 December 2011	-	6,058,412	6,058,412
Adjustments			-
At 1 January 2012	-	6,058,412	6,058,412
	-		
Depreciation	-	566,809	566,809
Disposals, write-down	-	-16,062	-16,062
Transfer from/to property, plant and equipment	-	1,954	1,954
Transfer from/to assets of disposal groups held for sale	-	-520	-520
At 31 December 2012	-	6,610,593	6,610,593
Carrying amount			
At 31 December 2011	**20,828,209**	**14,695,685**	**35,523,894**
At 1 January 2012	**20,828,209**	**14,695,685**	**35,523,894**
At 31 December 2012	**21,070,841**	**14,271,912**	**35,342,753**

Note 16. Intangible assets

(in EUR)	31.12.2013	31.12.2012
Intangible assets		
Concessions, trademarks and licences	5,085,761	5,324,587
Total	**5,085,761**	**5,324,587**

Comparison of movements and impairment of intangible assets recognised in 2013 and 2012 are presented in the table below.

The cost of intangible assets in use, of which the carrying value as at 31 December 2013 equals zero, is EUR 10,327,003; as at 31 December 2012, it amounted to EUR 10,079,277.

Outstanding liabilities to suppliers of intangible assets as at 31 December 2013 amounted to EUR 254,008 and at 31 December 2012, EUR 344,890.

At 31 December 2013 and 31 December 2012, no items of intangible assets were pledged as collateral.

The Company's most significant investments in 2013 were final implementation of the information system for container terminal which came to EUR 115,200 and implementation of the EDI centre at a cost of EUR 82,500.

Table of changes in intangible assets

FY 2013

(in EUR)	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost			
At 31 December 2012	14,712,495	1,750,047	16,462,542
Adjustments			-
At 1 January 2013	14,712,495	1,750,047	16,462,542
Additions	-	340,202	340,202
Transfer from investments in progress	1,589,933	-1,589,933	-
Disposals, write-down	-	-42,000	-42,000
Transfer from/to property, plant and equipment	-293,493	-	-293,493
At 31 December 2013	16,008,935	458,316	16,467,251
Accumulated amortisation			
At 31 December 2012	11,137,955	-	11,137,955
Adjustments			-
At 1 January 2013	11,137,955	-	11,137,955
Amortisation	542,008	-	542,008
Transfer from/to property, plant and equipment	-298,473	-	-298,473
At 31 December 2013	11,381,490	-	11,381,490
Carrying amount			
At 31 December 2012	**3,574,540**	**1,750,047**	**5,324,587**
At 1 January 2013	**3,574,540**	**1,750,047**	**5,324,587**
At 31 December 2013	**4,627,445**	**458,316**	**5,085,761**

FY 2012

(in EUR)	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost			
At 31 December 2011	14,242,940	967,369	15,210,309
Adjustments			-
At 1 January 2012	14,242,940	967,369	15,210,309
Additions	55,116	782,678	837,794
Transfer from/to property, plant and equipment	414,439	-	414,439
At 31 December 2012	14,712,495	1,750,047	16,462,542
Accumulated amortisation			
At 31 December 2011	10,630,015	-	10,630,015
Adjustments			-
At 1 January 2012	10,630,015	-	10,630,015
Amortisation	507,940	-	507,940
At 31 December 2012	11,137,955	-	11,137,955
Carrying amount			
At 31 December 2011	**3,612,925**	**967,369**	**4,580,294**
At 1 January 2012	**3,612,925**	**967,369**	**4,580,294**
At 31 December 2012	**3,574,540**	**1,750,047**	**5,324,587**

Note 17. Non-current investments and loans

Investments in subsidiaries

(in EUR)	Equity share	Net profit or loss in 2013	Equity at 31 December 2013
Subsidiaries:			
Luka Koper Inpo, d. o. o.	100.0	2,508,240	11,718,118
Luka Koper Pristan, d. o. o.	100.0	-177,415	2,620,574
Adria terminali, d. o. o.	100.0	-238,197	366,306
TOC, d. o. o.	50.8	28,372	513,153

Non-current investments as at 31 December 2013 amounted to EUR 42,541,896, whereas non-current loans totalled EUR 1,384,563. These investments mostly consist of investments in subsidiaries, associates and jointly controlled companies, and other investments in securities and interests.

(in EUR)	31.12.2013	31.12.2012
Loans:		
Held-to-maturity investments:		
Non-current loans with purchase of securities from others	1,310,222	1,454,471
Cost of held-to-maturity investments to others	1,352,992	1,497,241
Impairment of held-to-maturity investments to others	-42,770	-42,770
Non-current borrowings		
Non-current loans to others, including finance lease	74,341	62,925
Non-current housing loans to employees	37,233	57,353
Non-current loans to others	37,108	6,284
Impairment of non-current loans and housing loans	-	-712
Total loans	**1,384,563**	**1,517,396**
Non-current investments		
Investments in subsidiaries measured at cost	1,562,288	4,279,678
Cost of available-for-sale investments in shares and interests of Group companies	3,617,880	6,325,270
Impairment of available-for-sale investments in shares and interests of Group companies	-2,055,592	-2,045,592
Investments in associates and jointly controlled companies measured at cost	7,717,709	8,687,059
Cost of available-for-sale investments in shares and interests of associates	12,730,504	12,730,504
Impairment of available-for-sale investments in shares and interests of associates	-5,012,795	-4,043,445
Other investments measured at cost	5,588,388	6,205,666
Cost of investments in shares and interests of other companies	29,914,069	31,066,996
Impairment of available-for-sale shares and interests of other companies	-24,325,681	-24,861,330
Other investments measured at fair value through equity	27,673,511	23,088,480
Total non-current investments	**42,541,896**	**42,260,883**
Total	**43,926,459**	**43,778,279**

Compared to the previous year, in 2013 the value of investments in subsidiaries reduced by EUR 2,717,390 resulting from impairment of the investment in Koper Pristan, d. o. o., to the amount go EUR 2,222,390 and transfer of the residual fair value in the amount of EUR 485,000 to assets held for sale. Furthermore, in 2013 investment in Adria Terminal, d. o. o., was impaired in the amount of EUR 10,000.

Decrease in the value of investments in associates in the amount of EUR 969,350, resulted from impairment of the investment in Railport Arad, S. r. l. Valuation assessment of investments was made in December 2013 by a certified appraiser using the asset based valuation method and 20 percent non-marketability discount.

At the reporting date, other investments measured at fair value through equity, were assessed to be worth EUR 27,673,511, which presents an increase of EUR 4,585,031 as compared to 2012 when their value was assessed at EUR 23,088,480. Accordingly, the Company recognised an increase in capital revaluation adjustment, which totalled EUR 12,057,754 as at 31 December 2013 (2012: EUR 7,557,916).

At the reporting date, other investments measured at cost in the amount of EUR 5,588,688, relate to securities and interests whose value fell in 2013 by EUR 617,278. This reduction relates to the write-off of investments in NLB and SFPO, and repayment of equity interest of Poteza Adriatic Fund from Amsterdam.

Loans approved by the Company of which majority represent bonds of Slovenian issuers, totalled EUR 1,384,563 at 31 December 2013 (2012: 1,517,396).

Housing loans were approved to employees in accordance with the 1991 Housing Act and the Company's internal housing rules. The longest repayment period is 20 years. All the housing loans are appropriately collateralised.

Majority of the investments in securities with fixed return represent investments in bonds of Slovene commercial banks that mature in a period up to 2020. The nominal interest rate on investments in loans ranges between 1.54 and 6.0 percent.

Table of changes in non-current investments and loans

2013

(in EUR)	Held-to-maturity investments	Non-current loans	Non-current investments	Total
Gross value				
Balance at 31 December 2012	1,497,241	63,637	73,211,250	74,772,128
Additions				
New loans, acquisitions	-	1,177	-	1,177
Attributed interest	-	4,831	-	4,831
Transfer from current investments	-	62,818	-	62,818
Revaluation to fair value through equity	-	-	4,662,630	4,662,630
Disposal				
Repayment, disposals	-144,249	-41,320	-367,008	-552,577
Transfer to current investments	-	-16,802	-	-16,802
Transfer to assets of disposal groups held for sale	-	-	-485,000	-485,000
Write-off	-	-	-785,920	-785,920
Revaluation to fair value through equity	-	-	-77,599	-77,599
Balance at 31 December 2013	1,352,992	74,341	76,158,353	77,585,686
Accumulated impairment loss				
Balance at 31 December 2012	42,770	712	30,950,367	30,993,849
Additions				
Impairment	-	-	3,201,740	3,201,740
Disposal				
Write-off	-	-712	-535,650	-536,362
Balance at 31 December 2013	42,770	-	33,616,457	33,659,227
Net amount at 31 December 2012	**1,454,471**	**62,925**	**42,260,883**	**43,778,279**
Net amount at 31 December 2013	**1,310,222**	**74,341**	**42,541,896**	**43,926,459**

FY 2012

(in EUR)	Held-to-maturity investments	Non-current loans	Non-current investments	Total
Gross value				
Balance at 31 December 2011	1,629,659	2,985,853	74,400,543	79,016,055
Disposal	-	-	-	
Transfer to current investments	-132,418	-37,704	-	-170,122
Transfer to assets held for sale	-	-2,884,512	-	-2,884,512
Revaluation to fair value through equity	-	-	-1,195,798	-1,195,798
Balance at 31 December 2012	1,497,241	63,637	73,211,250	74,772,128
Accumulated impairment loss				
Balance at 31 December 2011	42,770	5,440	28,893,562	28,941,772
Additions				
Impairment	-	-	2,075,505	2,075,505
Disposal				
Investments written-off, later recovered	-	-4,728	-	-4,728
Balance at 31 December 2012	42,770	712	30,950,367	30,993,849
Net amount at 31 December 2011	**1,586,889**	**2,980,413**	**45,506,981**	**50,074,283**
Net amount at 31 December 2012	**1,454,471**	**62,925**	**42,260,883**	**43,778,279**

Note 18. Non-current operating receivables

(in EUR)	31.12.2013	31.12.2012
Non-current operating receivables:		
Non-current advances and guarantees	8,509	7,664
Impairments	-2,421	-2,421
Total	**6,088**	**5,243**

Note 19. Deferred tax assets and liabilities

(in EUR)	Receivables		Liabilities		Net deferred tax	
	31.12.2013	31.12.2012	31.12.2013	31.12.2012	31.12.2013	31.12.2012
Deferred tax assets and liabilities relating to:						
- investments and financial instruments	9,162,462	7,404,740	2,122,178	1,310,880	7,040,284	6,093,860
- trade receivables	77,526	73,482	-	-	77,526	73,482
- provisions for termination benefits	45,950	41,520	-	-	45,950	41,520
- provisions for jubilee awards	24,515	20,707	-	-	24,515	20,707
- long-term deferred revenue for commercial services	436,158	436,158	-	-	436,158	436,158
- decommissioning of fixed assets	-	-	-	-	-	-
- tax loss	104,308	-	-	-	104,308	-
Total	**9,850,919**	**7,976,607**	**2,122,178**	**1,310,880**	**7,728,741**	**6,665,727**

Deferred tax assets are accounted for as temporary differences arising from: non-current investments and interest hedging in the amount of EUR 9,162,462, deferred revenue of the cost of public commercial services in the amount of EUR 436,158, tax loss incurred in the amount of EUR 104,308, impairment of receivables of EUR 77,526, and provisions for termination benefits and jubilee awards in the amount of EUR 70,465.

Note 20. Assets of disposal groups held for sale

(in EUR)	31.12.2013	31.12.2012
Assets held for disposal:		
Property, plant and equipment	4,706,246	1,272,226
Other assets held for sale	3,526,933	4,716,519
Total	**8,233,179**	**5,988,745**

In 2013 the Company sold 615,730 shares to subsidiary Luka Koper INPO, d. o. o., for consideration of EUR 381,753, which equals EUR 0.62 per share. The remaining shares were impaired in accordance with the Ljubljana Stock Exchange quotation price to EUR 0.44 per share and recognised impairment loss of total EUR 753,078.

Investment in subsidiary Luka Koper Pristan, d. o. o. was reclassified to assets held for sale at assessed fair value of EUR 485,000, as was property, plant and equipment owned by Luka Koper, d. d., and leased to Luka Koper Pristan, d. o. o.. The aforementioned property, plant and equipment and the subsidiary Luka Koper Pristan are for sale at total fair value of EUR 2,835,000. Fair value of the investment and assets was verified prior to their reclassification. The assets were impaired to their fair value based on the valuation results. The Company recognised the investment's impairment loss in the amount of EUR 2,222,390, and impairment loss from property, plant and equipment of total EUR 2,600,315. Valuation assessment of the investment in the subsidiary was made in June 2013 by a certified appraiser of companies. The discounted cash flow method was used in the valuation, considering 14-percent discount rate and 20 percent deduction on account of low marketability. Catering facility Pristan and related apartments were in June 2013 also subject to valuation by a certified appraiser. The weighted mean between the comparable market comparable prices and the yield-based method was used for valuation of catering facilities, whereas the comparable market prices method was applied in valuation of apartments in consideration of the highest use of the asset.

In the group of non-current assets held for sale, impairment loss on investment in subsidiary Adria Investicije, d. o. o. was recognised in the amount of EUR 305,778 and hence its fair value at 31 December 2013 amounted to EUR 1,775,775. Impairment loss was recognised on the basis of valuation assessment made by a certified appraiser. The value of investment in Logis Nova d. o. o. remained unchanged as compared to the value at the end of the previous year and amounts to EUR 674,453.

Two items of real estate classified as assets held for sale were also subject to the valuation assessment: the facility Luna with the related land, and plot no. 3883/19. Both of them are located in Sežana. The valuation showed that the fair value of the assets was below their carrying amount and amounted to EUR 1,558,500. As a consequence, impairment loss of total EUR 1,428,756 was recognised. Valuation of the investments was made by certified appraiser of property in December 2013. The following methods were applied in the valuation, taking into consideration the purpose and scope of data available on the real estate market:

- Comparable market data was used for land
- The cost method was used for valuation of buildings.

In 2013 the Company sold assets held for sale in total amount of EUR 534,108; of that, the majority relates to the sale of 25 rail carriages in the amount of EUR 525,863.

Table of assets (disposal group) held for sale in 2013

(in EUR)	Property, plant and equipment	Other assets	Total
At 31 December 2012	1,272,226	4,716,519	5,988,745
Additions			
Transfer from property, plant and equipment	680,547	-	680,547
Transfer from investment property	3,422,815	-	3,422,815
Transfer from non-current investments	-	485,000	485,000
Disposal			
Repayment, disposals	-534,108	-615,730	-1,149,838
Write-off	-234	-	-234
Restatement to fair value	-135,000	-1,058,856	-1,193,856
At 31 December 2013	4,706,246	3,526,933	8,233,179
Total at 31 December 2013	**4,706,246**	**3,526,933**	**8,233,179**

Note 21. Investments and loans

(in EUR)	31.12.2013	31.12.2012
Loans:		
Non-current loans		
Current loans to Group companies	422,819	423,319
Current loans to Group companies	422,819	423,319
Current loans to others	112,164	130,968
Current loans to others	253,873	303,308
Impairment of current loans to others	-141,709	-172,340
Current deposits	-	2,971,523
Total loans	**534,983**	**3,525,810**
Total	**534,983**	**3,525,810**

The current loans approved to group companies represent a single loan granted to subsidiary Adria Terminali, d. o. o., at the rate of interest applicable to related parties as recognised for tax purposes.

Current loans to others are the current amounts of housing loans and loans to other corporate entities.

Table of changes in investments and loans

FY 2013

(in EUR)	Current loans to group companies	Non-current loans	Total
Gross value			
At 31 December 2012	423,319	3,274,831	3,698,150
Additions			
New loans, acquisitions	99,500		99,500
Transfer from non-current investments	-	16,802	16,802
Disposal			
Repayment, disposals	-100,000	-2,974,942	-3,074,942
Transfer to non-current investments	-	-62,817	-62,817
At 31 December 2013	422,819	253,874	676,693
Accumulated impairment			
At 31 December 2012	-	172,340	172,340
Additions			
Impairment	-	705	705
Disposal		-	
Investments written-off, later recovered	-	-31,335	-31,335
At 31 December 2013	-	141,710	141,710
Net amount at 31 December 2012	**423,319**	**3,102,491**	**3,525,810**
Net amount at 31 December 2013	**422,819**	**112,164**	**534,983**

FY 2012

(in EUR)	Held-to-maturity investments	Current loans to group companies	Non-current loans	Total
Gross value				
At 31 December 2011	420,000	1,137,442	176,359	1,733,801
Additions				
New loans, acquisitions	-	35,615	374,960	410,575
Attributed interest	-	120,702	-	120,702
Transfer from non-current investments	-	2,884,513	-	2,884,513
Disposal				
Repayment, disposals	-420,000	-632,520	-128,000	-1,180,520
Transfer to assets of disposal groups held for sale	-	-245,716	-	-245,716
Restatement to fair value	-	-25,205	-	-25,205
At 31 December 2012	-	3,274,831	423,319	3,698,150
Accumulated impairment				
At 31 December 2011	-	916,241	-	916,241
Additions				
Impairment	-	453	-	453
Disposal				
Investments written-off, later recovered	-	-563,350	-	-563,350
Transfer to assets of disposal groups held for sale	-	-181,004	-	-181,004
At 31 December 2012	-	172,340	-	172,340
Net amount at 31 December 2011	**420,000**	**221,201**	**176,359**	**817,560**
Net amount at 31 December 2012	**-**	**3,102,491**	**423,319**	**3,525,810**

Note 22. Operating receivables

(in EUR)	**31.12.2013**	**31.12.2012**
Current trade receivables:		
On domestic market	7,636,444	8,082,926
On foreign markets	7,454,873	5,570,822
Current operating receivables due from exporters	7,641,801	6,399,022
Allowance - trade receivables and due from exporters	-1,511,616	-1,532,026
Current operating receivables due from Group companies	51,496	60,172
Current operating receivables due from associates	229,471	272,929
Current advances and guarantees given	5,295	1,879
Current interest and dividend receivables	45,607	52,682
Bad debt allowance related to finance income, advances and guarantees	-44,381	-48,037
VAT receivables	925,180	1,073,752
Excise duty receivables	71,147	74,849
Other current receivables	1,589,209	621,892
Bad debt allowance	-1,132	-1,132
Total	**24,093,394**	**20,629,730**

With most trade receivables, Luka Koper, d. d., has an option to enforce a legal lien over the stored goods in its possession. In 2013 trade receivables and receivables due from exporters increased by EUR 2.7 million compared to the previous year, as a result of the Company's current operations. VAT credits of EUR 925,180 relate to VAT declarations for the months of November and December 2013. At the end of 2012, VAT credits amounted to EUR 1,073,752. Receivables from excise duties include settlement for October, November and December 2013 in the amount of EUR 71,147 (2012:74,849).

Other current receivables are mainly income tax credits of total EUR 895,211, on account of income tax prepayments made in 2013.

As at 31 December 2013 and 2012, no receivables due from related parties were due and outstanding.

At 31 December 2013 and 31 December 2012, no receivables are due from members of the Management Board or the Supervisory Board. Receivables are not pledged as collateral for debts.

Maturity of receivables:

(in EUR)	31.12.2013	31.12.2012
Outstanding trade receivables neither past due nor impaired	17,465,540	15,849,173
Past due receivables:		
Up to 30 days	2,231,417	1,942,999
31 to 60 days overdue	625,885	242,414
61 to 90 days overdue	210,998	129,467
91 to 180 days overdue	292,869	158,325
More than 180 days overdue	682,281	537,991
Total	**21,508,990**	**18,860,369**

Note: The amount includes trade receivables, receivables to subsidiaries and associates, and interest receivables.

Total income from interest on late payments in 2013 amounted to EUR 92,409 (2012: EUR 90,036).

Changes in receivable allowances:

(in EUR)	31.12.2013	31.12.2012
At 1 January	1,580,063	1,674,729
Bad debt allowance	75,393	359,207
Receivables written-off, later collected	-99,459	-282,444
Write-off of receivables	-	-171,429
At 31 December	**1,555,997**	**1,580,063**

Note 23. Cash and cash equivalents

(in EUR)	31.12.2013	31.12.2012
Cash in hand	20	20
Cash at bank	578,114	220,511
Current deposits	317,189	408,546
Total	**895,323**	**629,077**

Balance of cash at 31 December 2013n the amount of EUR 895,323 encompasses cash on transaction accounts and deposits at banks with maturity of up to 3 months. The Company has not agreed any overdraft facilities with banks. For daily cash surpluses on transaction accounts, the Company has agreed framework deposit contracts with a commercial bank and a contract for transfer of any surplus cash, to secure optimum liquidity.

Note 24. Deferred cost and accrued revenue

(in EUR)	31.12.2013	31.12.2012
Short-term deferred costs	247,618	151,086
Insurance premiums	91,022	83,943
Accrued revenue	1,403,088	1,293,496
Total	**1,741,728**	**1,528,525**

Short-term accrued revenue is represented by accrued revenue based on incurred costs of European projects co-financed by European institutions.

Note 25. Share capital and reserves

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. Nominal value of one share is EUR 4.17.

Reserves

The Company has set aside legal reserves in the amount of 10 percent of its capital. Share premium and legal reserves are not included in the distributable profit. The Company has no statutory reserves since these are not determined in its Articles of Association. Based on the resolution of the Management Board regarding the formation of other profit reserves in the amount of a half of the net profit of 2013, Luka Koper, d. d., created additional other profit reserves of EUR 2,306,123 at the end of 2013 in accordance with Article 230 (§3) of the Companies Act.

(in EUR)	31.12.2013	31.12.2012
Share premium	89,562,703	89,562,703
Legal reserves	18,765,115	18,765,115
Other profit reserves	62,333,234	60,027,111
Total	**170,661,052**	**168,354,929**

Share premium is carried at amounts resulting from the reversal of the general capital revaluation adjustment.

Revaluation surplus

At the end of 2013, capital surplus from revaluation of investments measured at fair value, revaluation of fair value of hedging instruments, and revaluation of unrealised actuarial gains and losses, amounted to EUR 11,109,363, representing an increase of EUR 5,047,923 over the balance at 31 December 2012. After deduction of deferred tax liabilities, the revaluation surplus amounts to EUR 9,216,938.

Distributable profit

The appropriation of the 2012 distributable profit and formation of the distributable profit for the financial year 2013 are presented in Section 13 Statement of Distributable Profit.

Note 26. Provisions and accrued costs and deferred revenue

(in EUR)	31.12.2013	31.12.2012
Provisions for pensions and similar obligations	829,003	772,461
Provisions for disputes	3,077,543	1,828,648
Long-term accrued costs and deferred revenue for regular maintenance	5,539,649	3,781,181
Other long-term accrued costs and deferred revenue	908,073	245,388
Total	**10,354,268**	**6,627,678**

Provisions for retirement benefits and long-term service bonuses were set aside in the amount of the present value of expected future expenditure. The amount is based on an actuarial calculation made as at 31 December 2013, considering the following assumptions:

- Valid current level of retirement and long-term service bonuses
- 0.66-percent planned increase of salaries in the Company
- Average inflation from December 2012 to November 2013
- Death rate based on the mortality tables in Slovenia 2000–2002
- 5.05-percent discount factor
- Employees' turnover: 1 percent.

Based on actuarial calculation, in 2013 the Company recognised unrealised actuarial losses on account of termination benefits in the amount of EUR 45,098 and current employee benefits of EUR 33,821 in equity, whereas unrealised actuarial loss of EUR 22,708 on account of interest expense was recognised in profit or loss. Current employee benefit costs and interest expense associated with jubilee awards were recognised in profit or loss as actuarial gains or losses in the amount of EUR 69,624.

A change in actuarial assumptions would only have an insignificant impact on the amount of provisions and hence adjustment for 2012 was not accounted for.

EUR 3,077,543 of provisions was set aside for lawsuits (2012: 1,828,648) based on the assessment of the Management Board through obtained legal opinions.

In accordance with the Concession Agreement, Luka Koper, d. d., has received the right to collect port dues, which is income intended to cover the costs of commercial services performance. Any surplus of revenue over costs is retained as a provision for costs of ordinary maintenance of port infrastructure in future years.

At 31 December 2013, long-term deferred costs and accrued revenue for the performance of commercial public services amounted to EUR 5,539,649 (2012: EUR 3,781,181).

Changes in provisions and accrued costs and deferred revenue

FY 2013

(in EUR)	Pensions, jubilee awards, retirement benefits	Claims and damages	Long-term accrued costs and deferred revenue for regular maintenance	Other accrued costs and deferred revenue	Total
At 31 December 2012	772,461	1,828,648	3,781,181	245,388	6,627,678
Changes:					
Created	171,250	1,354,902	1,758,468	673,478	3,958,098
Transfer from other liabilities	-	197,978	-	-	197,978
Utilised	-114,708	-95,685	-	-10,793	-221,186
Reversed	-	-208,300	-	-	-208,300
At 31 December 2013	**829,003**	**3,077,543**	**5,539,649**	**908,073**	**10,354,268**

FY 2012

(in EUR)	Pensions, jubilee awards, retirement benefits	Claims and damages	Long-term accrued costs and deferred revenue for regular maintenance	Other accrued costs and deferred revenue	Total
At 31 December 2011	981,750	2,337,581	2,565,634	141,638	6,026,603
Changes:					
Created	106,760	61,703	1,215,547	103,750	1,487,760
Transfer from other liabilities	-	305,165	-	-	305,165
Utilised	-232,819	-323,804	-	-	-556,623
Reversed	-83,230	-551,997	-	-	-635,227
At 31 December 2012	**772,461**	**1,828,648**	**3,781,181**	**245,388**	**6,627,678**

Note 27. Non-current financial liabilities – borrowings and other financial liabilities

(in EUR)	31.12.2013	31.12.2012
Non-current financial liabilities to Group companies	10,250,580	10,183,575
Non-current financial liabilities to associates	500,000	550,000
Non-current borrowings from banks and companies in Slovenia	90,771,025	116,398,246
Non-current borrowings from banks and companies abroad	60,912,836	64,901,392
Other non-current financial liabilities	988,486	1,496,476
Current amounts of non-current financial liabilities	-15,211,280	-46,586,860
Total	**148,211,647**	**146,942,829**

Changes in non-current financial liabilities – borrowings and other financial liabilities

FY 2013

	Lender				
(in EUR)	Group companies	Associates	Banks	Others	Total
Principal amount at 1 January 2013	10,183,575	550,000	134,712,778	1,496,476	146,942,829
New borrowings	477,005	165,000	20,000,000	-	20,642,005
Repayments	-410,000	-215,000	-3,028,917	-	-3,653,917
Change in fair value	-	-	-	-507,990	-507,990
Amounts maturing in 2014	-	-	-15,211,280	-	-15,211,280
Principal amount at 31 December 2013	**10,250,580**	**500,000**	**136,472,581**	**988,486**	**148,211,647**

FY 2012

	Lender				
(in EUR)	Group companies	Associates	Banks	Others	Total
Principal amount at 1 January 2012	9,784,838	1,064,212	155,303,673	372,857	166,525,580
New borrowings	1,953,831	1,206,296	27,000,000	-	30,160,127
Repayments	-1,555,094	-1,720,508	-1,004,035	-	-4,279,637
Change in fair value	-	-	-	1,123,619	1,123,619
Amounts maturing in 2013	-	-	-46,586,860	-	-46,586,860
Principal amount at 31 December 2012	**10,183,575**	**550,000**	**134,712,778**	**1,496,476**	**146,942,829**

Total financial liabilities to banks, both non-current as well as current, decreased by EUR 29,615,777 in 2013 as compared to the financial year 2012.

Non-current financial liabilities to banks amount to EUR 136,472,581. The amount of the principals (EUR 15,211,280) of non-current borrowings which falls due in 2014 was re-classified to current liabilities.

In 2013, Luka Koper, d. d., raised a non-current borrowing of EUR 20 million in order to restructure a portion of its current borrowings raised in the past.

All bank loans are tied to a variable interest rate. As at 31 December 2013, variable interest rate, calculated as annual nominal interest rate, ranges between 0.93 and 3.525 percent.

Interest rate agreed on these loans is tax recognised rate for transactions with related parties.

All non-current loans are repaid according to a predetermined schedule. For some of the loans the Company was granted a moratorium on the payment of the principal. All liabilities from non-current borrowings from banks are collateralised with blank bills of exchange and financial covenants. The Company complies with all financial covenants under the loan agreements.

Scheduled payments of non-current borrowings from banks are presented in the table below.

In addition to bank borrowings, the Company has agreed EUR 12 million of borrowings from subsidiaries and associated companies. Of the total amount borrowed, only EUR 10,750,580 (2012: EUR 10,733,575 was drawn; the long-term contracts for borrowings were agreed as non-current revolving credits maturing in 2016.

All non-current borrowings are repaid according to a predetermined schedule.

Other non-current financial liabilities include the fair value of interest rate swap, which is explained in detail in Note 33.

Balance of non-current and current borrowings from banks and their maturity

FY 2013

(in EUR)	Principal at 31.12.2013	Year 2014	Year 2015	Year 2016	Year 2017	Year 2018	Period 2019–2031
Principal amount of borrowings from banks by maturity	151,909,053	15,211,280	19,235,780	16,164,857	17,312,399	23,310,399	60,674,338
Expected interest	16,922,782	3,363,165	2,959,000	2,504,438	2,072,681	1,578,115	4,445,383
Total	**168,831,835**	**18,574,445**	**22,194,780**	**18,669,295**	**19,385,080**	**24,888,514**	**65,119,721**

FY 2012

(in EUR)	Principal at 31.12.2012	2013	Year 2014	Year 2015	Year 2016	Year 2017	Period 2018–2031
Principal amount of borrowings from banks by maturity	181,570,913	46,586,860	14,051,860	17,686,939	14,616,017	15,763,558	72,865,679
Expected interest		3,711,261	2,883,637	2,516,056	2,100,092	1,719,799	5,265,623
Total	**181,570,913**	**50,298,121**	**16,935,497**	**20,202,995**	**16,716,109**	**17,483,357**	**78,131,302**

Note 28. Non-current operating liabilities

(in EUR)	31.12.2013	31.12.2012

Non-current advances and securities received	60,090	164,000
Total	**60,090**	**164,000**

Non-current operating liabilities include long-term guarantees received for leased business premises.

Note 29. Current financial liabilities – borrowings and other financial liabilities

(in EUR)	31.12.2013	31.12.2012
Current liabilities related to the distribution of the profit	65,000	112,559
Other current financial liabilities	401,845	230,382
Current amounts of non-current financial liabilities	15,211,280	46,586,860
Total	**15,678,125**	**46,929,801**

Current financial liabilities from bank borrowings at 31 December 2013 totalled EUR 15,613,125 (2012: EUR 46,817,242). They represent the current amount of non-current principals, which are due in 2014 in accordance with the amortisation plans, and other financial liabilities. In accordance with the Company's financial policy, a large proportion of current financial liabilities were restructured as non-current.

Current borrowings include a revolving loan of EUR 7 million granted by commercial banks, which was not drawn as at 31 December 2013. The total current borrowings drawn and repaid in 2013 are presented in the table below. The withdrawals refer only to withdrawals of revolving loans in the year, whereas repayments represent repayment of current amounts of non-current borrowings and repayment of revolving credits during the year.

Other non-current financial liabilities include interest payable and liability relating to the interest rate swap established in accordance with the interest rate risk management strategy.

The total interest expense in 2013 using the actual interest method is EUR 4,542,225 (2012: EUR 6,272,503).

At 31 December 2013, none of the Company's liabilities were past due and outstanding.

Changes in current financial liabilities – borrowings and other financial liabilities

FY 2013

(in EUR)	Lender: Group companies	Associates	Banks	Others	Total
Principal amount at 1 January 2013	-	-	46,586,860	504,315	47,091,175
New borrowings	2,365,000	500,000	10,625,000	4,961,803	18,451,803
Repayments	-2,365,000	-500,000	-57,211,860	-7,322,407	-67,399,267
Transfer from non-current borrowings - maturing in 2014	-	-	15,211,280	-	15,211,280
Reclassification	-	-	-	2,380,000	2,380,000
Write-off	-	-	-	-56,866	-56,866
Principal amount at 31 December 2013	**-**	**-**	**15,211,280**	**466,845**	**15,678,125**

FY 2012

(in EUR)	Lender: Associates	Banks	Others	Total
Principal amount at 1 January 2012	45,000	48,777,193	112,572	48,934,765
New borrowings	-	30,807,000	230,369	31,037,369
Repayments	-45,000	-79,584,193	-	-79,629,193
Transfer from non-current borrowings - maturing in 2013	-	46,586,860	-	46,586,860
Principal amount at 31 December 2012	**-**	**46,586,860**	**342,941**	**46,929,801**

The difference between the end balance of other current financial liabilities and the balance at 1 January 2013 is due to changes in data presentation. The 2013 data also includes interest payable, whereas in 2012 they were disclosed as an item of current operating liabilities.

Note 30. Other current liabilities

(in EUR)	31.12.2013	31.12.2012
Current liabilities to suppliers		
On domestic market	8,690,009	8,797,876
On foreign markets	680,755	297,633
Current liabilities to Group companies	561,088	407,272
Current liabilities to associates	68,064	51,917
Current liabilities from advances	47,632	29,642
Current liabilities to employees	1,401,194	1,485,237
Current liabilities to the state and other institutions	1,161,271	1,451,878
Other current liabilities	141,468	1,073,403
Total	**12,751,481**	**13,594,858**

At the year-end, the amount of current liabilities was lower compared to the balance at 31 December 2012 by EUR 843,377. This reduction is mainly due to the decrease in liabilities to state institutions on account of income tax (no income tax is payable for financial year 2013 compared to EUR 361,684 of income tax liabilities in 2012) and lower amount of other current financial liabilities.

Note 31. Short-term accrued cost and deferred revenue

(in EUR)	31.12.2013	31.12.2012
Accrued cost/expenditure	1,816,194	1,592,278
Short-term deferred revenue	17,619	77,805
Total	**1,833,813**	**1,670,083**

The major items of accrued costs and deferred revenue include accrued costs of bonuses for collective performance, accrued costs of interest on borrowings, accrued costs of bonuses to employees with individual employment contracts, and accrued costs of holidays not utilised.

Note 32. Related party transactions

Remuneration of Members of the Management Board in 2013

Name and surname	Gross salary (fixed part)	Gross salary (variable part)	Annual holiday pay and jubilee awards	Benefits and other receipts	Managerial and other contracts	Total receipts
Gregor Veselko, President until 7.9.2012	-	1,742	-	-	-	1,742
Bojan Brank, President until 6.9.2013	-	-	-	3,401	106,465	109,866
Gašpar Gašpar-Mišič, President from 7.9.2013	31,638	-	-	39	-	31,677
Tomaž Martin Jamnik, Vice-President until 31.05.2012	-	3,379	-	-	-	3,379
Marko Rems, Member of the Management Board	124,254	9,318	788	6,202	-	140,562
Matjaž Stare, Workers Director	124,176	1,731	788	2,364	-	129,059
Total	**280,068**	**16,170**	**1,576**	**12,006**	**106,465**	**416,285**

Name and surname	Gross salary (fixed and variable part)	Annual holiday pay and jubilee awards (net)	Other receipts (net)	Managerial and other contracts (net)	Total net receipts
Gregor Veselko, President until 7.9.2012	1,018	-	-	-	1,018
Bojan Brank, President until 6.9.2013	-	-	-	82,399	82,399
Gašpar Gašpar-Mišič, President from 7.9.2013	16,171	-	-	-	16,171
Tomaž Martin Jamnik, Vice-President until 31.05.2012	1,421	-	-	-	1,421
Marko Rems, Member of the Management Board	62,829	478	-	-	63,307
Matjaž Stare, Workers Director	49,287	476	-	-	49,763
Total	**130,726**	**954**	**-**	**82,399**	**214,079**

To determine the variable income, i.e. remuneration for the Management Board, the Company applied several quantitative indicators, which contribute to the long-term interests of the Company. The indicators used are the return on operating revenue and net return on equity. Besides quantitative criteria, the Company uses also qualitative criteria.

A Member of the Management Board is remunerated in accordance with the 4th bullet of Article 4 (§1) of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Accordingly, one half of the remuneration is paid on the basis of the decision of the Supervisory Board, after two years of the individual Annual Report consideration. A Member of the Management Board has a duty to return the variable income provided that all conditions for the return of the remuneration for performance have been fulfilled pursuant to the Companies Act.

Different rules apply to severance payment of members of the Management Board upon their dismissal. The Management Board members who took up their positions before 7 September 2013, are entitled to severance pay in the amount of six average monthly salaries received while performing the function of a Member of the Management Board, provided that such Member leaves the Company. The Management Board members who took up their positions after the aforementioned date, expressly and unconditionally waives their right to claim severance pay or any other compensation in the event of untimely dismissal or resignation and employment termination with the Company for any reason whatsoever. An average monthly salary is calculated only on the basis of the fixed monthly salary less any benefits.

The contracts of the Members of the Management Board do not include the variable income or remuneration determined in the form of shares.

Receipts of groups of persons in 2013

Groups of persons	Gross salary (fixed and variable part)	Annual holiday pay and jubilee awards	Benefits and other receipts	Managerial and other contracts	Total receipts
Members of the Management Board	296,238	1,576	12,006	106,465	416,285
Members of the Supervisory Board (nine members)	-	-	206,762	-	206,762
Employees with individual employment contracts	2,168,938	22,890	45,179	-	2,237,007
Employed under corporate collective agreement	23,070,448	735,262	38,565	-	23,844,275
Total	**25,535,624**	**759,728**	**302,512**	**106,465**	**26,704,329**

Gross remuneration of members of the Supervisory Board and its Commissions in 2013 (gross)

Name and surname	Attendance fees and reimbursement of costs	Insurance premium benefits	Performance of function	Total gross payments
Janez Požar, Member until 14.7.2013	3,182	98	9,625	12,905
Tomaž Može, Member until 14.7.2013	2,475	99	8,560	11,134
Marko Simoneti, Member until 14.7.2013	2,446	98	9,625	12,169
Jordan Kocjančič, Member until 6.10.2013	4,780	137	12,279	17,196
Dino Klobas, Member from 15.7.2013 until 6.9.2013	1,054	42	2,404	3,500
Nikolaj Abrahamsberg, Member from 15.7.2013 until 6.10.2013	1,553	45	3,186	4,784
Vinko Može, Member from 15.7.2013 until 6.10.2013	1,929	45	3,356	5,330
Andrej Godec, Member from 15.7.2013 until 6.10.2013	1,675	45	3,145	4,865
Alenka Žnidaršič Kranjc, Member from 7.10.2013	2,840	39	3,859	6,738
Elen Twrdy, Member from 7.10.2013	1,233	39	3,695	4,967
Rado Antolovič, Member from 7.10.2013	11,970	39	3,726	15,735
Andrej Šercer, Member from 7.10.2013	1,996	39	3,149	5,184
Žiga Škerjanec, Member from 7.10.2013	2,206	39	3,438	5,683
Stojan Čepar, Member from 18.3.2013	6,078	176	12,153	18,407
Mladen Jovičič, Member from 18.3.2013	5,610	176	13,750	19,536
Nebojša Topič, Member from 28.7.2008	5,060	176	15,923	21,159
Sabina Mozetič, Member from 12.7.2011	5,320	176	13,994	19,490
Irena Prijović, Member of the Appointments Commission from 21.5.2013 until 14.7.2013	328	-	1,656	1,984
Roman Dobnikar, Member of the Appointments Commission from 21.5.2013 until 14.7.2013	337	-	1,656	1,993
Blanka Vezjak, Member of the Audit Committee from 11.9.2009	3,003	-	11,000	14,003
TOTAL	**65,075**	**1,508**	**140,179**	**206,762**

Name and surname	Net attendance fees and reimbursement of costs*	Net performance of SB function and SB's Commission function*	Total net payments*
Janez Požar, Member until 14.7.2013	2,542	7,459	10,001
Tomaž Može, Member until 14.7.2013	1,994	6,634	8,628
Marko Simoneti, Member until 14.7.2013	1,972	7,459	9,431
Jordan Kocjančič, Member until 6.10.2013	3,811	9,516	13,327
Dino Klobas, Member from 15.7.2013 until 6.9.2013	849	1,863	2,712
Nikolaj Abrahamsberg, Member from 15.7.2013 until 6.10.2013	1,239	2,469	3,708
Vinko Može, Member from 15.7.2013 until 6.10.2013	1,531	2,601	4,132
Andrej Godec, Member from 15.7.2013 until 6.10.2013	1,333	2,438	3,771
Alenka Žnidaršič Kranjc, M ember from 7.10.2013	2,231	2,991	5,222
Elen Twrdy, Member from 7.10.2013	986	2,863	3,849
Rado Antolovič, Member from 7.10.2013	9,307	2,888	12,195
Andrej Šercer, Member from 7.10.2013	1,853	2,664	4,517
Žiga Škerjanec, Member from 7.10.2013	1,465	2,441	3,906
Stojan Čepar, Member from 18.3.2013	4,846	9,419	14,265
Mladen Jovičič, Member from 18.3.2013	4,484	10,656	15,140
Nebojša Topič, Member from 28.7.2008	4,057	12,341	16,398
Sabina Mozetič, Member from 12.7.2011	4,259	10,845	15,104
Irena Prijović, Member of the Appointments Commission from 21.5.2013 until 14.7.2013	254	1,283	1,537
Roman Dobnikar, Member of the Appointments Commission from 21.5.2013 until 14.7.2013	261	1,284	1,545
Blanka Vezjak, Member of the Audit Committee from 11.9.2009	2,327	8,525	10,852
TOTAL	**51,601**	**108,639**	**160,240**

*net amount represents payment less personal income tax.

On the basis of the provisions of Article 25 of the Articles of Association of Luka Koper, d. d., the General Meeting adopted on 8 July 2013 a decision on determining the payment for performance of functions and attendance fees to the Members of the Supervisory Board and Members of Committees of the Supervisory Board for the period of the next twelve (12) months.

For attending a session, Members of the Supervisory Board receive attendance fee of EUR 275 gross each. For attending a session of the Committee, Members of the Committee of the Supervisory Board receive a fee amounting to 80 percent of the fee for the attendance at a session of the Supervisory Board. The fee for a correspondence session is 80 percent of the fee for an ordinary session.

Irrespective of the aforementioned, i.e. regardless of the number of attendances at sessions, an individual Member of the Supervisory Board is entitled to the payment of attendance fees in an individual year until the total amount of such fees (either from sessions of the Supervisory Board or sessions of the Committees of the Supervisory Board) reaches the value of 50 percent of the basic payment for performing the function of an individual Member of the Supervisory Board.

Besides attendance fees, Members of the Supervisory Board each receive the basic payment for carrying out their functions in the amount of EUR 11,000 gross annually. The Chairman of the Supervisory Board is entitled to the supplement of 50 percent of the basic payment for carrying out the function of a Member of the Supervisory Board, whereas his deputy is entitled to 10 percent of the basic payment for carrying out the function of a Member of the Supervisory Board. The Chairman of the Committee is also entitled to an additional supplement of 50 percent for carrying out the function of a Member of the Supervisory Board.

Members of the Committee of the Supervisory Board each receive a supplement for carrying out their functions, amounting to 25 percent of the basic payment for carrying out the function of a Member of the Supervisory Board.

An external member of a Supervisory Board's Committee, who is not a Member of the Supervisory Board, receives payment for carrying out the function in the annual amount of EUR 11,000 gross.

Members of the Supervisory Board and the Committees of the Supervisory Board receive basic salary and an additional fee for carrying out the function in proportionate monthly payments, which they are entitled to while carrying out their function. A monthly payment is equal to one twelfth of the aforementioned annual sums. If they have carried out their function for less than a month, they are entitled to a pro rata payment considering the number of working days.

Irrespective of the aforementioned, i.e. regardless of the number of Committees an individual Member of the Committee of the Supervisory Board is involved in either as a Member or a Chairman, such a Member is entitled to the payment of additional fees until the total amount of such fees reaches the value of 50 percent of the basic payment for performing the function of an individual Member of the Supervisory Board.

No liabilities are outstanding to members of the Supervisory Board or the Management Board.

Transactions with the Government of the Republic of Slovenia

No significant transactions were undertaken with the government outside the framework of the Concession Agreement. All transactions relating to the Concession Agreement are disclosed in the appendix to the Annual Report.

The Government of the Republic of Slovenia has no direct impact on the governance of the Company, unlike the parent Company SOD, who is in majority ownership of the state.

Transactions with Group companies and associates

(in EUR)	2013	2012
Sale to subsidiaries and associates:		
Luka Koper INPO, d. o. o.	304,121	261,852
Luka Koper Pristan, d. o. o.	95,026	82,622
Adria Terminali, d. o. o.	424,686	388,012
TOC, d. o. o.	1,750	-
Adria Transport, d. o. o.	203,195	239,052
Adria-Tow, d. o. o.	163,117	223,053
Avtoservis, d. o. o.	174,955	149,500
Adriafin, d. o. o.	13,440	13,440
Adria Investicije, d. o. o.	4,295	3,307
Total	**1,384,585**	**1,360,838**

All transactions with related parties were agreed under market terms.

Major amount of revenue from the sale to subsidiaries and associates refers to the toll charged to Luka Koper INPO, d. o. o., in the amount of EUR 799,265 in 2013.

Other major amounts of revenue were earned from rent (EUR 651,240 in total). Of that, EUR 369,543 of rent was charged to Adria Terminali, d. o. o., EUR 126,558 was charged to Luka Koper INPO, d. o. o., EUR 83,935 of rent was paid by Luka Koper Pristan, d. o. o., EUR 60,635 by Adria Transport d. o. o., and EUR 10,569 of rent was charged to Adria-Tow, d. o. o.

(in EUR)	2013	2012
Purchase from subsidiaries and associates:		
Luka Koper INPO, d. o. o.	3,156,628	3,145,456
Luka Koper Pristan, d. o. o.	16,686	25,930
Adria Terminali, d. o. o.	459	1,813
TOC, d. o. o.	8,481	11,304
Adria Transport, d. o. o.	102,164	113,580
Adria-Tow, d. o. o.	16,958	13,822
Avtoservis, d. o. o.	350,081	130,390
Adria Investicije, d. o. o.	35,674	39,936
Total	**3,687,131**	**3,482,231**

The Company made most of its purchases from the subsidiary Luka Koper INPO, d. o. o., which carries out maintenance work on the port infrastructure and electrical installation work for Luka Koper, d. d.

(in EUR)	2013	2012
Operating receivables due from subsidiaries and associates:		
Luka Koper INPO, d. o. o.	10,496	18,558
Luka Koper Pristan, d. o. o.	981	1,074
Adria Terminali, d. o. o.	39,592	40,540
TOC, d. o. o.	427	-
Adria Transport, d. o. o.	14,140	16,686
Adria-Tow, d. o. o.	7,824	11,889
Avtoservis, d. o. o.	6,140	43,010
Adriafin, d. o. o.	201,367	201,344
Total	**280,967**	**333,101**

(in EUR)	2013	2012
Payables to subsidiaries and associates:		
Luka Koper INPO, d. o. o.	558,520	401,823
Luka Koper Pristan, d. o. o.	465	2,673
Adria Terminali, d. o. o.	222	-
TOC, d. o. o.	1,881	2,776
Adria Transport, d. o. o.	8,418	11,232
Avtoservis, d. o. o.	59,646	40,685
Total	**629,152**	**459,189**

(in EUR)	2013	2012
Loans to subsidiaries and associates:		
Adria Terminali, d. o. o.	422,819	424,068
Total	**422,819**	**424,068**

(in EUR)	2013	2012
Borrowings from subsidiaries and associates:		
Luka Koper INPO, d. o. o.	10,000,000	9,957,995
Luka Koper Pristan, d. o. o.	250,580	225,580
Adria Transport, d. o. o.	-	215,000
Adria-Tow, d. o. o.	500,000	335,000
Total	**10,750,580**	**10,733,575**

Note 33. Financial instruments and financial risk management

The most significant financial risks which Luka Koper, d. d., is exposed to, 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 currency rates
5. Credit risk, and
6. The risk of adequate capital structure

The management of financial risks has been organised within the parent Company's finance department. The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of unpredictability and, consequently, higher level of risk. The Company has consequently tightened the control over individual financial categories. Other, mainly non-financial risks are described in detail in section Risk Management of the Business Report.

1. Managing the risk of fair value changes

Luka Koper, d. d., has invested 6.3 percent of its assets (5.1 percent in the previous year) in investments at fair value. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal. This type of risk was identified in association with investments in market securities of successful Slovene companies. As at the last day of 2013, the value of current available-for-sale investments at fair value through equity amounted to EUR 27,673,511. This value comprises shares of Slovene companies and units of mutual fund assets.

In given conditions on capital markets it is difficult to forecast any future changes. The Company estimates that in a few years the value of all investments carried at fair value will stabilise at higher levels.

The sensitivity analysis of investments at fair value is made under the assumption that past fair value changes (the SBI TOP is used) will be reflected in future periods. The average variability of the class was assessed for the period of the past five years by calculating the average deviation of daily values (both in terms of increases and decreases) from the annual trend of the SBI TOP index. According to the above analysis, we can assume that in 2014 the fair value of investment portfolio carried at fair value could decrease by a good 5 percent or increase by around 4 percent. When considering the highest annual increase in the level of the index in the past five-year period, in 2014 we can expect the risk item to increase by 15 percent or decrease by a good 30 percent. If we further simplify our expectations by assuming a 10 percent increase in the value of the index, such growth would result in an increase in the fair value of the market securities portfolio by EUR 2,738,259. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by that same amount.

If this was the case, the amount of the difference would be recognised as either an increase or decrease in equity.

Fair value hierarchy

(in EUR)	Carrying amount at 31.12.2013	Fair value Direct stock market quotation (level 1)	Value based on comparable market inputs (level 2)	No observable inputs (level 3)
Asset at fair value				
Securities and other interests at fair value	27,673,511	27,673,511	-	-
Assets at cost including fair value disclosure				
Investment property	23,638,779	-	-	28,768,029
Loans	1,919,546	-	-	1,919,546
Assets of disposal groups held for sale	3,526,933	591,705	-	2,935,228
Operating receivables	24,093,394	-	-	24,093,394
Assets at cost including fair value disclosure				
Borrowings	162,434,441	-	-	162,434,441
Operating liabilities	12,751,481	-	-	12,751,481

The management estimates that fair values of financial assets and financial liabilities do not differ significantly from the book values.

2. Management of the risk of changes in interest rates

With the increased volume of foreign financial resources, the risk of changes in interest rates is increasingly more important as unexpected growth in variable interest rates can jeopardize the planned results. In 2013, the Company reduced its financial liabilities by 15.5 percent compared to the previous financial year, to EUR 163,889,773 as at the last day of 2013. The share of financial liabilities in the overall structure of liabilities decreased from 43 percent in 2012 to 38 percent in 2013. Detailed information concerning non-current financial liabilities is provided in the Business Report in chapters "Analysis of operations of the Luka Koper Group in 2013" and "Financial management". The effect of potential changes in variable interest rates on future results of the Company is presented in the table below.

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

(in EUR)	Liabilities at 31.12.2013	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
1M EURIBOR	-	-	-	-
3M EURIBOR	95,909,053	41,289	137,629	275,259
6M EURIBOR	56,000,000	32,676	108,920	217,840
Total effect	**151,909,053**	**73,965**	**246,549**	**493,099**

(in EUR)	Liabilities at 31.12.2012	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
1M EURIBOR	-	-	-	-
3M EURIBOR	118,770,912	33,315	111,051	222,102
6M EURIBOR	62,800,000	30,144	100,480	200,960
Total effect	**181,570,912**	**63,459**	**211,531**	**423,062**

The analysis of financial liabilities' sensitivity to changes in variable interest rates is based on the assumption of potential growth in interest rates of 15, 50 and 100 percent.

If variable interest rates increase in 2014 by 15 percent, the Company would incur interest expenses of EUR 73,965 (taking into account the level of financial liabilities as at 31 December 2013). If variable interest rates rose by 50 percent or 100 percent, the negative effect of the increase in variable interest rates would result in the interest expense increase by EUR 246,549 or EUR 493,099, respectively. Potential drop in interest rates by the same percentage would result in a decrease of interest expense by the same amounts.

To reduce exposure to the risk of interest rate changes, on 19 April 2013 the Company entered into the second interest rate swap to the amount of EUR 35 million for a period of five years in respect of selected non-current borrowings. Together with the first interest rate swap agreed in 2011 of EUR 30 million, non-current financial liabilities that are hedged account for nearly 44 percent of total non-current financial liabilities of the Company. The two interest rate swaps are carried in the books of account under the principle of *hedge accounting*. Since the hedging instruments are tailored to the loan, we can justifiably expect that the interest rate hedge will be successful. At 31 December 2013, the fair value of the swap instruments was EUR −697.563 and was recognised as a non-current financial liability of the Company.

In addition, the Company has also two investments tied to a variable rate of interest. The loan whose outstanding amount at 31 December 2013 amounts to EUR 5,898, bears variable rate of interest TOM, whereas bonds of one of Slovenian's commercial banks of total EUR 625,000 bear variable rate of interest Euribor 6m. Due to insignificant amount of financial assets, the risk of changes in variable interest rates affecting interest income, is negligible.

Regardless of the sensitivity analysis, the Management Board believes that no significant increase in variable interest rates will occur in 2014. The Company decreased the exposure to this risk for the period of the next five years by setting up an additional interest risk hedge on financial liabilities in the amount of EUR 35 million, resulting in interest rate hedge of nearly 44-percent of non-current financial liabilities.

3. Management of liquidity risk

Luka Koper, d. d., manages liquidity risk by regular planning of cash flows required to settle liabilities with various maturity. By careful planning of all liabilities the Company ensures consistent compliance with the agreed deadlines. Additional measures for preventing delays in receivable collection include regular monitoring of payments and immediate response to any delays and charging penalty interest in accordance with the Company's uniform policy of receivable management. In 2013, the Company continued its process of converting current financial liabilities to non-current liabilities by raising additional loans with longer term, which has additionally reduced its exposure to liquidity risk.

(in thousand EUR)	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2013					
Borrowings*	3,123	12,088	86,774	60,675	**162,660**
Accrued interest maturing in the next calendar year	117	-	-	-	**117**
Anticipated interest on all borrowings	554	2,979	9,453	4,445	**17,431**
Other financial liabilities	349	-	989	-	**1,338**
Supplier payables	10,048	-	60	-	**10,108**
Other operating liabilities	2,704	-	-	-	**2,704**
2012					
Borrowings*	8,218	38,369	94,609	51,109	**192,305**
Accrued interest maturing in the next calendar year	161	-	-	-	**161**
Anticipated interest on all borrowings	693	3,300	10,085	5,158	**19,236**
Other financial liabilities	343	-	1,496	-	**1,839**
Supplier payables	9,584	-	164	-	**9,748**
Other operating liabilities	3,849	-	-	-	**3,849**

*The item includes borrowings from subsidiaries and associates

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

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars. The average monthly invoiced sales in USD in 2013 totalled US$ 819 thousand. As at 31 December 2013, outstanding receivables denominated in US dollars amount to only 2.65 percent (in 2012: 3.5 percent) of total outstanding trade receivables. According to the Company's estimates, the share of receivables denominated in US dollars is insignificant and for this reason it was decided not to continue hedging the risk item by internal hedging methods.

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

5. Management of credit risk

In view of the global recession in recent years, the management of counterparty risk, i.e. credit risk has gained in importance. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduces the assessed probability of timely inflows and increases additional costs of financing the operation. The accelerated debt collection contributes to minimising negative effects of wide-spread insolvency. The specific structure of our customers (the Company predominantly does business with a limited number of major companies i.e. freight forwarders and agents), has a positive effect in terms of credit risk as it considerably reduces exposure to credit risk.

Another distinctive feature of the Company's business is the use of liens on stored goods, which may be exercised in order to collect debt or receive payment for obligations that are not voluntarily settled by customers. Some receivables have been secured with collaterals which are returned to the customers once all obligations have been settled. Investments include loans which are secured with blank bills of exchange and other movable and immovable property. The credit risk management policy as outlined above is reflected in a relatively low share of bad debt impairment which in 2013 reached 0.33 percent compared to 2.02 percent in 2012.

Assets exposed to credit risk:

(in EUR)	Notes	**31.12.2013**	**31.12.2012**
Non-current loans	17	1,384,563	1,517,396
Non-current operating receivables	18	6,088	5,243
Assets of disposal groups held for sale	20	3,526,933	4,716,519
Current deposits	21	-	2,971,523
Current loans	21	534,983	554,287
Current trade receivables	22	21,221,502	18,520,744
Other current receivables	22	192,435	128,301
Cash and cash equivalents	23	895,323	629,077
Total		**27,761,827**	**29,043,090**

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

6. Management of the risk of adequate capital structure

Equity is the most expensive source of financing, therefore it is vital for successful companies to identify optimal capital structure and align their existing capital structure with it. In recent years, the Company has been increasing the share of liabilities primarily to finance its further development. In

2013, Luka Koper, d. d., again reduced its overall debt by 15 percent compared to the previous year to EUR 163,889,773. This has had a positive impact on the risk of adequate capital structure. In future years, the Company will, in line with its long-term policy, try to gradually decrease its share of liabilities.

(in EUR)	31.12.2013	31.12.2012
Total liabilities	176,701,343	207,631,488
Cash and cash equivalents and current deposits	-895,323	-3,600,600
Net debt	**175,806,020**	**204,030,888**
Equity	**242,020,716**	**235,290,249**
Net debt / equity	**0.73**	**0.87**

The management estimates that the Company's exposure to the risk of adequate capital structure is moderate, and as a result of the effective system designed to manage this risk, the likelihood of an adverse effect is also considered as moderate.

Note 34. Contingencies

Off-balance sheet accounts include items that do not qualify for balance sheet recognition.

(in EUR)	31.12.2013	31.12.2012
Sureties received	6,309,256	6,168,443
Guarantees received	8,816,473	6,678,059
Contingent receivables from lawsuits	37,306,115	-
Other contingent receivables	126,676	70,015
Total contingent assets	**52,558,520**	**12,916,517**
Letters of credit	-	546,728
Guarantees	1,515,000	1,260,000
Sureties	18,097,291	12,263,937
Contingent liabilities from lawsuits	8,330,213	8,534,839
Total contingent liabilities	**27,942,504**	**22,605,504**
Interest swap hedge	**65,000,000**	**30,000,000**
Total	**145,501,024**	**65,522,021**

Majority of guarantees were granted in respect of transactions with the customs authorities. At 31 December 2013 they amounted to EUR 1,515,000

The following sureties have been given by the Company:

- Assignment of receivables in the amount of EUR 7,700,000 as surety given for borrowings
- EUR 6,397,291 guaranteed by Luka Koper, d. d., to Adria Transport, d. o. o., for financial lease of train engines
- Luka Koper, d. d., guarantees borrowings drawn by Adria-Tow, d. o. o., in the amount of EUR 3,000,000 and has received a guarantee for the same amount
- EUR 750,000 (the same as in 2012) guaranteed by Luka Koper, d. d., for borrowings raised by Railport Arad, s. r. l.

- Adria Terminali, d. o. o., received a bank guarantee for payment of customs duty in the amount of EUR 250,000, which is secured with surety given by Luka Koper, d. d.

Interest rate swap hedge was in 2013 increased by additional EUR 35,000,000 to total EUR 65,000,000.

Contingent assets include all contingent receivables for lawsuits, whereas contingent liabilities include all legal disputes, which failed to comply with the criterion for recognition as provisions for legal disputes. As at the end of 2013, contingent receivables totalled EUR 37,306,115, whereas contingent liabilities stood at EUR 8,330,213.

10 APPENDIX TO THE ANNUAL REPORT

10.1 Report based on the CONCESSION AGREEMENT FOR THE PROVISION OF PORT ACTIVITIES, AS WELL AS MANAGEMENT, DEVELOPMENT AND ORDINARY MAINTENANCE OF THE PORT INFRASTRUCTURE AT KOPER CARGO TERMINAL FOR THE YEARS ENDED 31 December 2013 and 31 December 2012

The implementation of the Regulation on the management of the cargo port of Koper, performance of port activities, granting of concession in September 2008 for the management, administration, development and ordinary maintenance of certain port infrastructure, laid down the basis for the final regulation of the relationship between the Republic of Slovenia and Luka Koper d. d. in accordance with the Maritime Code of the Republic of Slovenia.

The concession was awarded in 2008 for a period of 35 years from the date the contract was concluded.

10.2 Basis of the appendix

Pursuant to item 7.3. of the Concession Agreement, a committee composed of six members from both contractual parties is appointed each year to perform physical stock count of the port's infrastructure**.**

Pursuant to item 7.9.6. of the Concession Agreement Luka Koper d. d. must in its book of accounts keep separate records of capital investments in individual assets of the port's infrastructure that show at a minimum the asset invested in, the amount of investment, depreciation period and the remaining depreciable value of investments.

In accordance with the method described in the preceding paragraph, Luka Koper d. d. is required to disclose its capital investments in a special appendix to the Annual Report, which must be reviewed and approved by a certified auditor.

Pursuant to item 9.3. of the Concession Agreement, the cost of regular maintenance of the port's infrastructure and revenue from port dues in an individual financial year must be disclosed in the special appendix to the Annual Report, which must be reviewed and approved by a certified auditor. Any surplus of revenue from port dues over the costs of the public commercial services of regular maintenance of the port's infrastructure in individual financial year must be retained as provisions for the cost of public commercial services of regular maintenance of the port's infrastructure in future periods. The amount of provisions set aside must be reported in the appendix to the Annual Report.

Pursuant to item 10.1., in respect **of this Concession Agreement,** Luka Koper d. d., pays annual concession fee of 3.5 percent of the annual operating revenue reduced by the amount of maritime port dues collected in the financial year (MPD) as referred to in item 9.2. of the Concession Agreement.

The basis for the annual concession charge is the audited data for the previous calendar year, and the special appendix to the Annual Report referred to paragraph 3, item 9.3. of the Concession Agreement.

The basis for the assessed charge is the audited income statement and special appendix to the Annual Report, according to paragraph 9.3 of the Agreement. The annual concession charge is paid in monthly prepayments calculated on the basis of audited data of the previous calendar year by no later than 30 July.

10.3 Physical stock count of the port's infrastructure in accordance with item 7.3. of the Concession Agreement

The six-member committee appointed from representatives of both contractual parties performed the physical stock count of the port's infrastructure for the financial year 2012. While the schedule A was completed up to the financial year 2012 (recording of the total infrastructure), activities relating to schedule B (remaining depreciable amounts of fixed assets) are currently ongoing in accordance with the Concession Agreement.

10.4 Report on capital investments in the port's infrastructure in accordance with item 7.9.6

In accordance with the Concession Agreement, the following investments in the port's infrastructure were made:

1. Regular maintenance of the port infrastructure for public transport
2. Investments in the development of the port infrastructure for public transport
3. Investments in the development of the port infrastructure not for public transport

The assets (substance), investments, the amounts, depreciable period of the assets transferred to use in 2013 and remaining depreciable amount of these assets are indicated.

10.4.1 Investments in the development of port infrastructure for public transport

Pursuant to the Concession Agreement, Luka Koper is required to provide repair and overhaul of the port infrastructure for public transport. EUR 157,914 was invested to this aim in 2013. The assets acquired in 2013 are indicated in the attached schedules.

The costs of major maintenance and repair of the port's infrastructure for public transport are transferred to depreciation expenses as the annual amount of depreciation costs incurred in individual financial year. In 2013, it amounted to EUR 241,226.

Investments in the development of port infrastructure for public transport in 2013

2013				
Investment no.	**Assets acquired**	**Investment in EUR**	**Useful life**	**Non-depreciable value at 31.12.2013**
I6412108	RENOVATION OF SUPPORTING CONSTRUCTION OF BERTH 7A	10,600		10,600
I6412143	TRACK REPLACEMENT ON RAIL 55 C	55,836		55,836
I6413004	ACQUISITION OF 6 RAILROAD SWITCHES	2		2
I6413103	CONSTRUCTION SANATION OF BERTH 7 B	4,464		4,464
I6413110	ADDITIONAL BOLLARDS ON BERTH 11	12,900		12,900
I6413111	REPLACEMENT OF TWO BOLLARDS ON BERTH 7A	2,750		2,750
I6413126	REMOVAL OF BOLLARDS ON BERTH 1	3,263		3,263
I6413134	STONE SETTING OF RAIL 42 D	68,099		68,099
	TOTAL	**157,914**		**157,914**

10.4.2 Investments in the development of port infrastructure for public transport

Investments in the development of the port infrastructure were made to increase the capacity of existing facilities and construction of new assets of the port infrastructure.

These investments are carried out on behalf and for the account of the Company. The amount of investments is presented in the following tables.

Investments in the development of port infrastructure for public transport in 2013

2013				
Investment No.	**Assets acquired**	**Investment in EUR**	**Useful life**	**Undepreciated amount at 31.12.2013**
I6411010	DEEPENING OF THE SEABED AND THE NORTH AREA	121,940		121,940
I6411030	CONSTRUCTION OF DUMPING GROUND FOR TIPPING OF DREDGED MATERIALS	409,522		409,522
I6411030-1	CONSTRUCTION OF DUMPING GROUND 799/29 FOR TIPPING OF DREDGED MATERIALS	340,250		340,250
I6411050	NEW RAILS NO. 21 A, B, C, ON CONTAINER TERMINAL	67,466		67,466
I6413127	PREPARATION OF RMG ON KT ALONG RAILWAY TRACKS ON PIER I	36,528		36,528
I6413141	CONSTRUCTION OF ADDITIONAL ENTRANCE NEAR CČN	1,300		1,300
	TOTAL	**977,006**		**977,006**

10.4.3 Investments in the development of port infrastructure not for public transport

Investments in the development of the port infrastructure not for public transport are carried out on behalf and for the account of Luka Koper d. d. In 2013, the Company invested a total EUR 7,033,326 in the development of the port infrastructure not for public transport.

Investments in the development of port infrastructure not for public transport in 2013

Investment No.	Assets acquired	Investment in EUR	Useful life	Undepreciated amount at 31.12.2013
30505-25	LOADING RAMP ALONG RAILS, PLOT NO. 356 K.O. ANKARAN	237,201	20 YEARS	232,041
30505-26	GROUND PREPARATION WORK ON DISPOSAL FACILITY DES 4 (6,600 M2) PLOT NO. 356	251,404	20 YEARS	245,059
30505-27	GROUND PREPARATION AND LAYING ASPHALT ON RESERVE DISPOSAL FACILITY PLOT NO. 357 K.O. ANKARAN	255,648	20 YEARS	251,661
30525-1	REINFORCEMENT OF FOUNDATIONS FOR WIND PROTECTION ON EET	3,828	20 YEARS	3,828
30536-2	REPAIR OF MANIPULATION AREAS AT SADJE PLOT NO. 1566/3,1566/2,	22,938	33 YEARS, 4 MONTHS	22,884
30536-3	PROTECTION OF CONTAINER BRACKETS ALONG WAREHOUSES 5 AND 15	8,106	33 YEARS, 4 MONTHS	8,053
42021-3	REINFORCEMENT OF CANAL 8-8 BANK PLOT NO. 851,879/1,359/1	22,882	33 YEARS, 4 MONTHS	22,656
42033	FRONTAL AREA OF PIER I PLOT NO. 1608/4, 1608/1 K.O. KOPER	104,236	33 YEARS, 4 MONTHS	103,194
44004-1	LES 3 ALONG MAIN OFFICE BUILDING PLOT NO. 1569/112 K.O. KOPER	1,500	33 YEARS, 4 MONTHS	1,462
44010-1	GROUNDWORK AND LAYING ASPHALT AT WOOD CUTTING FACILITY ON PIER II	39,963	20 YEARS	39,317
45018-1	RENOVATION WORK ON LIGHTING IN FRONT OF THE MAIN OFFICE BUILDING	7,409	20 YEARS	7,131
51005-1	PROTECTION AGAINST PIGEONS IN HAY STORAGE	6,318	20 YEARS	6,262
61161-6	AUTOMATED DOORS BETWEEN WAREHOUSES 13 AND 16	2,550	16 YEARS, 7 MONTHS	2,493
61171-2	OFFICES FOR CUSTOMS ADMINISTRATION	134,655	20 YEARS	133,253
61261-2	ELECTRICAL INSTALLATION REWIRING IN WAREHOUSE 26A	61,199	20 YEARS	61,182
61292-2	REPLACEMENT OF SIDE TRANSLUSCENTS IN WAREHOUSE 29 B	9,880	20 YEARS	9,118
061031-11	WORK ON AREA USED BY CUSTOMS AUTHORITY AND SANATION OF CESSPIT	37,097	33 YEARS, 4 MONTHS	36,859
61301-1	PROTECTION OF DOUBLE DRAIN ON WAREHOUSE 30C-31A, 30B-C	9,272	20 YEARS	8,949
61311-1	REPLACEMENT OF LIGHTS ON WAREHOUSE ROOF 31A, B, C	9,702	20 YEARS	9,500
61312-2	GROUNDWORK FOR LAYING CABLE AND AREA IN FRONT OF WAREHOUSE 30,31	13,561	20 YEARS	13,388
61314-12	RENOVATION OF BATHROOM FACILITIES, CLOAKROOM AND OFFICES	15,026	20 YEARS	14,407
61334-3	REPLACEMENT OF DRAINS ON WAREHOUSE 33	8,439	20 YEARS	8,119
061511-5	RENOVATION OF DRAINAGE ON WAREHOUSE 23B,51A,B,C,F,6E	16,890	20 YEARS	16,678
61516-1	WAREHOUSE 51 E/F RENOVATION DUE TO SUBSIDENCE	32,500	20 YEARS	31,281
81518-4	BREAKING THROUGH THE WALL BETWEEN CELL 16 AND 18	3,220	33 YEARS, 4 MONTHS	3,148
81521-1	INSTALLATION OF FAST ROLLING SHUTTER DOORS - LINEN CURTAINS	22,958	20 YEARS	22,574
85002-8	RENOVATION OF ELECTRICAL CABLES	9,121	33 YEARS, 4 MONTHS	8,925
FROM 86221-2 TO 86223-3	FACILITY FOR SIPHONING OF VEGETABLE OILS FROM CARRIAGES INTO RESERVOIRS	72,800	33 YEARS, 4 MONTHS	72,608
86225-2	NEW R-304 UNDERFRAME	4,593	33 YEARS, 4 MONTHS	4,547
86228-1	NEW R-305 UNDERFRAME	22,233	33 YEARS, 4 MONTHS	22,045

Investment No.	Assets acquired	Investment in EUR	Useful life	Undepreciated amount at 31.12.2013
86303-5	FIRE STUDY AND TECHNICAL DESIGN FOR R100 AND R200	16,617	25 YEARS	16,171
86340-1	PROJECT DOCUMENTATION FOR CHANGE IN USE RF-11	2,674	33 YEARS, 4 MONTHS	2,614
86344	BIO DIESEL PUMP	16,485	33 YEARS, 4 MONTHS	16,032
863456	SANATION OF PIPELINE TTT	19,700	33 YEARS, 4 MONTHS	19,248
88506-5	REPLACEMENT OF FLASHING AND PART OF ROOF TILES ON WAREHOUSE 5	13,946	66 YEARS, 8 MONTHS	13,865
110051-2	GROUNDWORK AND LAYING ASPHALT R01-10 FOR WOODSTORE	9,991	33 YEARS, 4 MONTHS	9,894
110052-1	DRIVEWAY ON THE GROUND FLOOR OF THE GARAGE	168,059	33 YEARS, 4 MONTHS	166,402
120110	CONNECTIONS FOR FRIGO CONTAINERS IN FRONT OF WAREHOUSE 16	4,374	33 YEARS, 4 MONTHS	4,254
120111	LIGHTING OF THE WAREHOUSE FLOOR RR3-4-5 ON TA	71,910	33 YEARS, 4 MONTHS	70,421
120112	LIGHTING OF EXTERNAL PLATFORM ALONG WAREHOUSE 27 TO WAREHOUSE 24	7,474	33 YEARS, 4 MONTHS	7,345
120113	CONNECTION POINT FOR TURNTABLE FOR SHEET METAL ROLLS	13,563	33 YEARS, 4 MONTHS	13,422
120114	INSTALLATION OF LIGHTING RODS ON FACILITIES TL	10,979	33 YEARS, 4 MONTHS	10,872
130072	CONTINUOUS POWER SUPPLY TO RIŽANA HUB	990	33 YEARS, 4 MONTHS	968
130073	REPLACEMENT OF FIRE NETWORK OPTICAL CONVERTERS	4,528	33 YEARS, 4 MONTHS	4,426
130074	WIRELESS NETWORK IN WAREHOUSE 16	8,650	33 YEARS, 4 MONTHS	8,455
130075	CONTINUOUS POWER SUPPLY TO WAREHOUSE 24	5,898	33 YEARS, 4 MONTHS	4,426
170003-14	TRAFFIC LIGHTS FOR TA	2,570	33 YEARS, 4 MONTHS	2,531
639001-17	RENOVATION OF CATODIC PROTECTION OF STEEL PILOTS	283,648	33 YEARS, 4 MONTHS	280,102
164003-2	RENOVATION OF AIR CONDITIONING	9,273	20 YEARS	8,937
180015-16	EXTENSION OF BATHROOM FACILITIES IN CLOAKROOMS KT	34,470	20 YEARS	33,308
180015-17	CONSTRUCTION OF LADIES CLOCKROOM AND AIR CONDITIONING	58,786	20 YEARS	58,544
186186	RESIDENTIAL CONTAINERS	8,011	33 YEARS, 4 MONTHS	7,867
186188-194	RESIDENTIAL CONTAINERS	63,612	33 YEARS, 4 MONTHS	63,097
I2011120	CONSTRUCTION OF PORCH ALONG WAREHOUSE 30 AND 31	187,823		187,823
I2012016	GARAGE FOR GENERAL CARGO ON PIER II	358,708		358,708
I2012101-7	SANATION OF LEAKAGE IN WAREHOUSE 30 AND 31	14,658		14,658
I2012102-8	DRAINAGE TO PREVENT CARGO LEAKAGE	7,861		7,861
I2012104-1	LIGHTNING RODS INSTALLATION ON GT	2,910		2,910
I2013103	REPLACEMENT OF ROOF TILES ON WAREHOUSE 16	6,424		6,424
I2013112	RENOVATION OF OFFICES IN WAREHOUSE 22	8,892		8,892
I2013123-1	RENOVATION OF PLATFORMS	900		900
I2013129-1	SOFTWARE APPLICATION UPGRADE FOR COOLING DEVICES	12,468		12,468
I2812103	SANATION OF SUBSIDENCE OF CELL 31 ALONG BERTH 5	3,900		3,900
I2812105	AKZ PROTECTION OF PORCH 1B	22,264		22,264
I2813103-2	CONSTRUCTION OF PROTECTION ARCHES AND WRAPPING OF PILLARS	8,000		8,000
I2813108	RENOVATION OF CLOAKROOMS IN WAREHOUSE 5	12,683		12,683
I3112111	RENOVATION OF HORIZONTAL SIGNALIZATION ON PC KT	46,973		46,973
I3112111	REAR AREA OF BERTH 7 C	236,080		236,080
I3113136	WAREHOUSE AREA ALONG RO-RO	3,600		3,600
I3913102	REMOVAL OF FENCING AT SERMIN	13,700		13,700
I3913104	INSTALLATION OF LIGHTING ON VNT	8,100		8,100

Investment No.	Assets acquired	Investment in EUR	Useful life	Undepreciated amount at 31.12.2013
I3913107	REMOVAL OF STONE CHIPPINGS FROM CAR WAREHOUSE	72,791		72,791
I3913109	RENOVATION OF GARAGE BLINDS	3,321		3,321
I4113102	RENOVATION OF TRANSVERSE ROOF DRAINS	8,660		8,660
I5113001	SANATION OF SUBSIDENCE	28,936		28,936
I5113106	AKZ PROTECTION OF PHOSPHOROUS ACID RESERVOIRS RF5-10	18,211		18,211
I5113109	JET AND D2 LORRY FILLING STATION ON PIER II	5,680		5,680
I5113113	WINNING AREA A AND C ON TTT	21,681		21,681
I5113121	RECONSTRUCTION OF FIRE PROTECTION ON R100 AND R200	328,872		328,872
I5113122	RECONSTRUCTION OF TUBULAR SUPPORTS ON JET RESERVOIRS	114,290		114,290
I51401021-1	CHANGE OF USE RF-11 FOR ETHANOL INCLUDING TECHNICAL BERTHS	13,524		13,524
I5212105	LEVELLING OF CRANE ROUTES ON EET	310,554		310,554
I5212107	AKZ OF WORK ASSETS ON EET	52,904		52,904
I5212113	GLYCOL SPRAYING SYSTEM	63,186		63,186
I5212117	DRAINAGE - CONSTRUCTION OF TWO SUBSIDENCE SHAFTS FOR EET	8,851		8,851
I5212120	TRANSPORT ROUTE CONSTRUCTION BETWEEN RP1 AND VNP	3,170		3,170
I5213122	EXTENSION OF ANTI-DUST WALL ON EET	9,900		9,900
I5412103	RENOVATION OF WAREHOUSE AREA FOR SCRAP METAL	2,613		2,613
I5412105-1	RENOVATION OF WAREHOUSE 51A-F WALLS	64,648		64,648
I5413002	EXTENSION OF DUMPING GROUND FOR IRON ORE ON EET	9,975		9,975
I5413104	INSTALLATION OF FLOOR GRATINGS IN WAREHOUSE 23 G AND 23 K	3,781		3,781
I5413105	CLOAKROOM FOR EMPLOYEES IN WAREHOUSE 22 ON TST	25,359		25,359
I5513101	CONSTRUCTION OF PAVEMENT IN FRONT OF GLINICA OFFICE	2,428		2,428
I5613102	RECONSTRUCTION OF SILOS ELEVATOR	3,460		3,460
I6413008	INSTALLATION OF MEASURING AND COMMUNICATION EQUIPMENT	4,365		4,365
I6413120	OPTICAL READING OF ELECTRICITY SUPPLY	25,969		25,969
I6413131	NEW PORTER'S LODGE	16,450		16,450
I6513102	NETWORK SWITCH FOR TROPLES FACILITY	5,616		5,616
I6513107	FIRE PROTECTION OF SECONDARY WAREHOUSES	3,287		3,287
I6713107	BOILER ROOM IN THE CENTRAL CLOAKROOMS	18,440		18,440
I6813101	PORCH ON PASSENGER TERMINAL	5,174		5,174
I691201	COLLECTION OF BILGE WATER	4,336		4,336
I6912101	MECHANICAL WORKSHOP AT TROPLES	2,530,793		2,530,793
I6913002	WASTE DISPOSAL CENTRE	2,026		2,026
I2012101-7	PORCH BETWEEN WAREHOUSES 27/39/31 AND 24/32 INCLUDING LOADING RAMP	794		794
	TOTAL	**7,033,326**		**6,995,812**

10.5 Report on funding the public commercial services pursuant to item 9.3. of the Concession Agreement

In accordance with paragraph 8 of the Concession Agreement, Luka Koper, d. d. is obliged to perform routine and investment maintenance of the port infrastructure as well as ordinary maintenance of the aquatorium, for which it is entitled to receive a payment out of port dues charged. Port dues must be published in the Official Gazette of the Republic of Slovenia after a prior approval of the responsible Ministry. Port dues are considered earmarked income of the concessionaire to cover the costs for the performance of public commercial services (point 9.2).

Income statement relating to the performance of public commercial services

(in EUR)	Notes	2013	2012
Operating revenue	1	5,013,323	5,299,461
Operating revenue		**6,771,791**	**6,515,006**
Costs of materials		4,288	2,788
Costs of services		2,139,981	2,404,431
Employee benefits		216,783	204,632
Write-downs		251,849	227,947
Other operating expenses		232	697
Operating expenses by primary types of direct costs	2	**2,613,133**	**2,840,495**
Operating expenses by primary types of indirect costs (criteria)	2	**2,400,190**	**2,458,966**
Net profit/loss		**-**	**-**

Note 1 – Revenue from public commercial services

Revenues of public commercial services are recorded based on business units created for this purpose with a purpose of ensuring separate accounting treatment of public commercial services (PCS) in accordance with the Concession Agreement. Revenues consist of port duties collected, as specified by the Maritime Code. (O G RS No. 120/06 – UPB-2, 88/10 and 59/11), and include port dues paid by the vessel on account of passenger embarking and disembarking and cargo loading and unloading. Charge is made for each passenger and for specified amount of each ton or other quantity unit of cargo, or depending on the vessel size, as well as demurrage, paid by the vessel for the use of the coast or the port water area for any purpose other than passenger embarking/disembarking or loading/unloading of cargo.

Table of revenue from port dues

(in EUR)	2013	2012
Revenue from port dues in the local market	3,634,781	3,667,193
Revenue from port dues in foreign markets	3,137,010	2,847,813
Other revenue	-	-
Total revenue	**6,771,791**	**6,515,006**
Provisions and long-term deferred revenue	1,758,468	1,215,545
Operating revenue	**5,013,323**	**5,299,461**

Provisions and long-term accrued and deferred items

Pursuant to the provisions of paragraph 9.3 of the Concession Agreement and approved criteria, in 2013 long-term deferred revenue was recognised on account of the surplus of revenue from port dues over the costs of the public commercial services of regular maintenance of the port infrastructure, to cover the costs of ordinary maintenance in the future years, in the amount of EUR 1,758,468. In 2012, long-term deferred revenue was increased by EUR 1,215,545.

Note 2 – Operating expenses of the public commercial services

In accordance with items 8.2.1. and 8.2.3 of the Concession Agreement, the Company obtained the consent of the granting authority, who also issued a written confirmation reference no. 3731-2/2008/90-0005306 concerning the method of recording and monitoring ordinary maintenance costs in the Company's accounting records.

The table below presents the costs of routine maintenance of the port infrastructure for public transport:

Work performed (EUR)	2013	2012
R1 – Shores, slope protection and equipment	414,007	452,050
R2 – Road infrastructure	212,879	224,980
R3 – Rail infrastructure	1,081,341	1,013,074
R4 – Securing the port boarders	53,751	68,746
R5 – Port water area	50,294	297,191
R6 - Geodesy	-	1,351
TOTAL	**1,812,272**	**2,057,392**

Criteria

With the purpose of ensuring separate accounting treatment of public commercial services in accordance with the Concession Agreement, Luka Koper, d. d. has set up two cost centres. Any expenditures relating to them are exclusively relating to the business activity of public commercial services.

Direct expenditures of public commercial services are disclosed according to their natural function based on which business processes incur them: depreciation and amortisation, labour costs, costs of services and costs of materials.

Indirect expenditures of public commercial services are recognised using the criteria for the purpose of ensuring proper separation among business activities and separate accounting treatment among these business activities. This criterion for distribution of indirect expenditure based on direct expenses and according to their natural function is used for all expenditure which resulted as a consequence of many public commercial services and market activities. The criteria was harmonised with and approved by the Ministry on 15 March 2011

Operating expenses of public commercial services of Luka Koper, d. d. in 2013

	Directs costs of PCS	Direct costs of other activities	Share of direct costs of PCS	Indirect costs of all activities	Indirect costs of PCS	Total PCS	Indirect costs not charged against PCS	Total other activities	Total Luka Koper d. d.
Operating expenses	**2,613,133**	**62,644,315**	**4,00%**	**61,837,101**	**2,400,190**	**5,013,323**	**641,489**	**114,227,125**	**127,736,038**
Costs of materials	4,288	7,323,589	0,06%	2,985,053	1,747	**6,035**	11,570	10,318,465	**10,324,500**
Costs of services	2,139,981	18,437,319	10,40%	20,272,742	2,108,308	**4,248,289**	95,785	36,697,538	**40,945,827**
Depreciation	251,849	19,709,400	1,26%	6,239,840	78,727	**330,576**	478,259	26,348,772	**26,679,348**
Employee benefits	216,783	17,174,007	1,25%	16,959,599	211,408	**428,191**	-	33,922,198	**34,350,389**
Other costs	232	-	0%*	5,737,675	-	**232**	55,875	5,793,550	**5,793,782**
Provisions	-	-	0.00%	1,146,602	-	**-**	-	1,146,602	**1,146,602**
Revaluation operating expenses	-	-	0.00%	8,495,590	-	**-**	-	-	**8,495,590**

* Other costs (EUR 697), as direct expenses PCS, are not included in the calculation of the share of direct expenses PCS.

Operating expenses of public commercial services of Luka Koper, d. d. in 2012

	Directs costs of PCS	Direct costs of other activities	Share of direct costs of PCS	Indirect costs of all activities	Indirect costs of PCS	Total PCS	Indirect costs not charged against PCS	Total other activities	Total Luka Koper d. d.
Operating expenses	**2,840,495**	**62,283,499**	**4,36%**	**50,676,227**	**2,458,966**	**5,299,461**	**2,313,895**	**110,777,622**	**118,114,116**
Costs of materials	2,788	7,872,902	0,04%	3,061,226	1,084	**3,872**	13,757	10,946,801	**10,950,673**
Costs of services	2,404,431	19,276,981	11,09%	19,707,683	2,185,548	**4,589,979**	102,772	36,901,888	**41,491,867**
Amortisation and depreciation	227,947	19,430,438	1,16%	6,217,565	72,095	**300,042**	605,748	26,181,656	**26,481,698**
Employee benefits	204,632	15,703,178	1,29%	15,566,296	200,239	**404,871**	-	31,069,235	**31,474,106**
Other costs	697	-	0%*	6,123,457	-	**697**	44,879	6,168,336	**6,169,033**
Provisions	-	-	0.00%	-	-	**-**	-490,294	-490,294	**-490,294**
Revaluation operating expenses	-	-	0.00%	-	-	**-**	2,037,033	-	**2,037,033**

10.6 CONCESSION CHARGES

Pursuant to item 10.1. of the Concession Agreement, Luka Koper d. d. is obliged to pay an annual concession charge amounting to 3.5 percent of total annual operating revenue, reduced by the total collected maritime port dues (hereinafter MPD).

The basis for the assessed charge is the audited income statement and special appendix to the Annual Report, according to paragraph 9.3 of the Agreement. The annual concession charge is paid in monthly prepayments calculated on the basis of audited accounting records of the past calendar year by no later than 30 July.

Overview of the calculated and paid concession charges in 2013 and 2012

(in EUR)	Operating revenue reduced by MPD	Concession charge (3.5 %)	Prepayments made (exclusive of VAT)
2013	131,801,400	4,577,976	4,478,637
2012	128,109,809	4,483,843	4,221,276

11 STATEMENT OF DISTRIBUTABLE PROFIT

In 2013, the Company generated net profit of EUR 4,612,246. Based on the resolution of the Management Board regarding the formation of other profit reserves in the amount of a half of the net profit of 2013, Luka Koper, d. d., created additional other profit reserves of EUR 2,306,123 at the end of 2013 in accordance with Article 230 (§3) of the Companies Act. Total distributable profit for the year 2013 equals EUR 3,721,761.

(in EUR)	2013	2012
Net profit the year	**4,612,246**	**7,527,590**
Retained earnings	**1,415,638**	**-**
Increase in profit reserves	**2,306,123**	**3,763,795**
Increase in other profit reserves	2,306,123	3,763,795
Total distributable profit	**3,721,761**	**3,763,795**

The Company's dividend policy represents a harmonised combination of the wish for dividend yields of the owners, and the tendency to use the net profit for financing investment plans. Taking into account the financial result achieved in 2012 and the Company's dividend policy, EUR 2,380,000 of the 2012 distributable profit was paid as dividends, which represents a dividend of EUR 0.17 per share. The residual amount of distributable profit of EUR 1,415,638 is to remain undistributed.

Taking into account the financial result achieved in 2013 and the Company's dividend policy, proposed appropriation of distributable profit of EUR 3,721,761 as at 31 December 2013 is as follows:

- EUR 1,400,000 is to be paid as dividends in gross value of EUR 0.1 per ordinary share
- The residual amount of distributable profit of EUR 2,321,761 is to remain undistributed.

The Supervisory Board is of the opinion that the Management Board's proposal complies with the Company's dividend policy and its strategic development, taking into account also the Shareholders' interest of increasing the share value.

TABLE OF NOTES:

12 SUBSEQUENT EVENTS

JANUARY 2014

- The Supervisory Board of Luka Koper d. d., appointed Andraž Novak Member of the Management Board for operations and sales division. His mandate began on 13 January 2014.
- On 21 January 2014, the Management Board of Luka Koper, d. d., received an appeal from Slovenska Odškodninska Družba (Slovene Compensation Fund) to call for a General Meeting of Shareholders.
- In January 2014 the Slovenian Maritime Authority installed two new buoys at the entry to Basin 1. This meets condition stipulated in the Slovenian Maritime Authority's decision allowing berthing of 11.8-meter draft ships (previously 11.4m) under specific conditions. This new development will not have a significant impact on the increase in cargo handling at the Luka Koper container terminal until seabed is deepened to 14m, which is expected to be achieved in April 2014.

FEBRUARY 2014

- On 6 February 2014, Luka Koper d. d. published results of the review of position and critical measures made in the port following natural disaster that affected majority of the country.
- On 17 February 2014, the Management Board called and scheduled the 24th General Meeting of Shareholders of Luka Koper d. d. for 19 March 2014.
- In February construction work began on warehouses at rear berth 7 C at container terminal i.e. at the front of pier 1. This will provide additional 6,840 m2 of area for storing of 672 TEUR. The investment is part of the pier 1 extension project, which is expected to be finalised by 2018.
- The first phase of deepening the seabed in the first tank began; the seabed will be extended to the depth of 13 metres. Work has also intensified on construction and filling of dumping grounds. These works coincide with the plans to extend pier 1.

MARCH 2014

- The General Meeting of Shareholders of Luka Koper, d. d., on 19 March 2014, adopted amendments to the Company's Articles of Association. The Municipality of Koper has announced an appeal against the decision. Gašpar Gašpar Mišič, Chairman of the Luka Koper, d. d., Management Board, informed the shareholders of the situation regarding compensation claims filed against the former Management and Supervisory Board members.
- The first phase of deepening the seabed to the depth of 13 metres has been completed.
- The Republic of Slovenia Maritime Administration issued a decision allowing 12.5-metres draft ships to sail into the port (previously 11.8 metres).

The aforementioned events have no effect on the financial statements.

13 INDEPENDENT AUDITOR'S REPORT

Building a better working world

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Luka Koper d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Luka Koper d.d., which comprise the statement of financial position as at December 31, 2013, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 financial statements present fairly, in all material respects, the financial position of Luka Koper d.d., as of December 31, 2013, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act and Appendix to the annual report (hereafter: Appendix to the annual report) pursuant to requirements of the Concession Agreement for the provision of port activities, including management, development and ordinary maintenance of the port infrastructure at Koper cargo terminal No. 2411-08-800011.
Information provided in the Appendix to the annual report is not audited. Our responsibility is to assess whether the business report and Appendix to the annual report are consistent with the audited financial statements. Our work regarding the business report and Appendix to the annual report is performed in accordance with ISA 720, and restricted to assessing whether the business report and Appendix to the annual report are consistent with the audited financial statements and does not include reviewing other information originated from non-audited financial records.

In our opinion, the business report and Appendix to the annual report are consistent with the audited financial statements.

Ljubljana, April 1, 2014

Sanja Košir Nikašinović
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno
svetovanje d.o.o., Ljubljana 1

Lidija Šinkovec
Certified Auditor

14 STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board of Luka Koper, d. d., is responsible for the preparation of the Annual Report of the Company and the Group, including the financial statements and notes thereto, that give a true and fair view of the financial position of the Luka Koper Group and Luka Koper, d. d., as of 31 December 2013 and of their financial performance for the year ended 31 December 2013.

The Management Board confirms that accounting policies were consistently applied and that the accounting judgments were made under the principle of prudence and due diligence of a good manager.

The Management Board further confirms that the financial statements of the Group and the Company have been compiled under the assumption of a going concern of the parent and its subsidiaries and in accordance with the applicable legislation and International Financial Reporting Standards as adopted by the EU.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which tax assessment was due, carry out the audit of the Company operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that may result in a significant tax liability.

The Management Board is also responsible for the adoption of measures to secure the assets of the Luka Koper Group and Luka Koper, d. d., and to prevent and detect fraud and other irregularities and/or illegal acts.

Members of the Management Board:

Gašpar Gašpar Mišič

President of the Management Board

Andraž Novak

Member of the Management Board

Jože Jaklin

Member of the Management Board

Matjaž Stare

Member – Workers Director

Koper, 1 April 2014

CONTACT

Luka Koper, d. d., pristaniški in logistični sistem
Vojkovo nabrežje 38, 6501 Koper, Slovenia

T: 05 665 61 00

F: 05 665 50 20

e: portkoper@luka-kp.si

w: www.luka-kp.si

REPRESENTATIVE OFFICES

Austria and Germany

Representative of Luka Koper for Austria and Germany
Mr Alojz Fabjan
Opernring 1/R/4
A - 1010 Vienna

Tel.: +43 1 58 64 194 20
Fax: +43 1 58 64 194 21
Mobile phone: +43 664 400 16 41
E-mail: wien.office@luka-kp.si

Hungary

Representative for Hungary and North-Eastern Rumania
Gordan Ban
Logodi utca 34a/III
H - 1012 Budapest

Tel.: +36 1 21-20-000
Fax: +36 1 21-20-001
Mobile phone: +36 70 593 9281
E-mail: budapest@luka-kp.si

South-East Asia

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, shawnpang@infinity.com.my
Website: www.infinity.com.my

Slovakia and Czech Republic

Representative for Slovakia, Czech Republic and Poland
Borut Čok
Palackeho 20, 811 02 Bratislava
Mobile phone: +421 907 281 711
E-mail: bratislava.office@luka-kp.si