LUKA KOPER

Annual Report for the Year 2007
The Luka Koper Group and Luka Koper, d.d.

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Images of the future

In 2007, we marked our 50th anniversary by celebrating the company's development milestones and the establishment of the Luka Koper logistics system.
We present the revolutionary projects which we started implementing in the jubilee year and which are transforming the development strategy into reality.

In its Images of the future, Luka Koper will:
- manage land terminals linking Koper Bay with Central and Eastern Europe;
- boost the volume of quality cargoes by introducing new capacities;
- become the driving force of development in railway cargo transport;
- contribute to the development of the passenger port in Koper; and
- provide sea protection not only along its shores, but also in the whole of the small but precious Slovenian sea.

CONTENTS

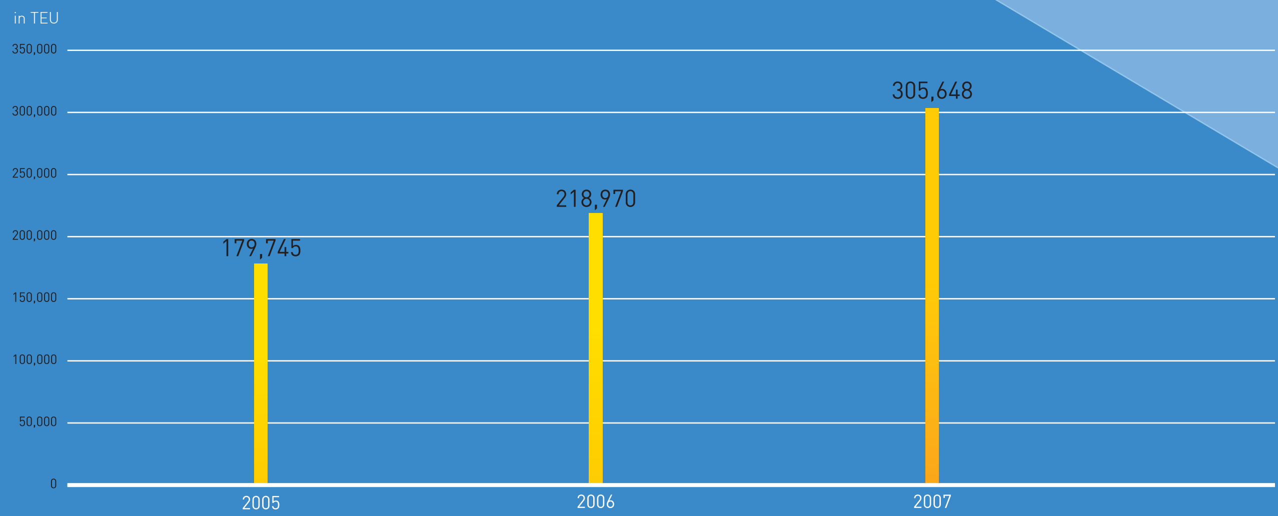

LUKA KOPER


MAERSK SEALAND
CMA CGM
MAERSK

Room for the largest container ships

Container transport at Luka Koper has been increasing sharply, achieving 40% growth in 2007. Its impetus is the ever greater goods flows between Asia and Europe and the expansion of the EU towards the east.

The extension of pier I, for which we obtained a building permit in September, represents an introductory, medium-term solution for enhancing the scope of this quality product group. Namely, by 2010 the existing container terminal will gain an additional mooring and new hinterland property for container throughput. Luka Koper will also be able to moor the largest ships with a capacity of 8,000 TEU.



QUICKLY GROWING GROUP

We are a quickly developing port and logistics group, one of the most important in the North Adriatic region. We represent an ever stronger link in the logistics chain connecting Central and Eastern Europe as well as the Far East.

In 2007, our development impetus was enhanced by exceptional growth in container and general cargo throughput, by providing one of the largest distribution centre for vehicles, by setting up inland terminals, by expanding the range of additional services, by efficient technological processes, by new modern equipment and information solutions, and by a socially accountable approach.

The impact of the operations of the parent company, which generates 90% of total operating revenue of the Luka Koper Group, is greatly reflected in the Group's performance. That is why the Annual Report refers to the operations of the parent company and the Luka Koper Group, except in cases when it specifically addresses either the parent company or the Group.

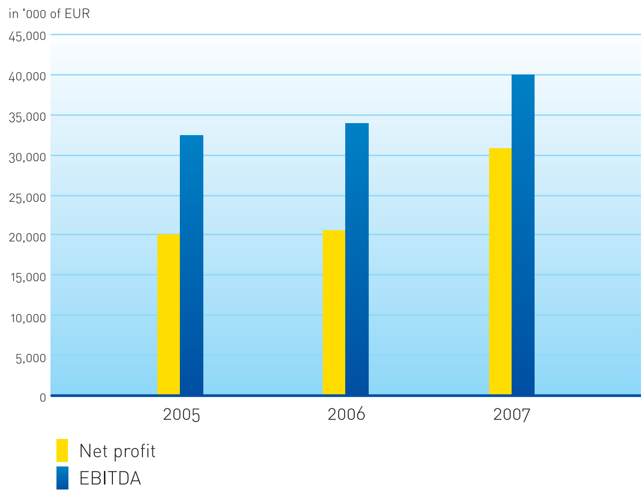
MAJOR PERFORMANCE INDICATORS OF THE LUKA KOPER GROUP

FINANCIAL INDICATORS

Operating revenue and return on sales (ROS)

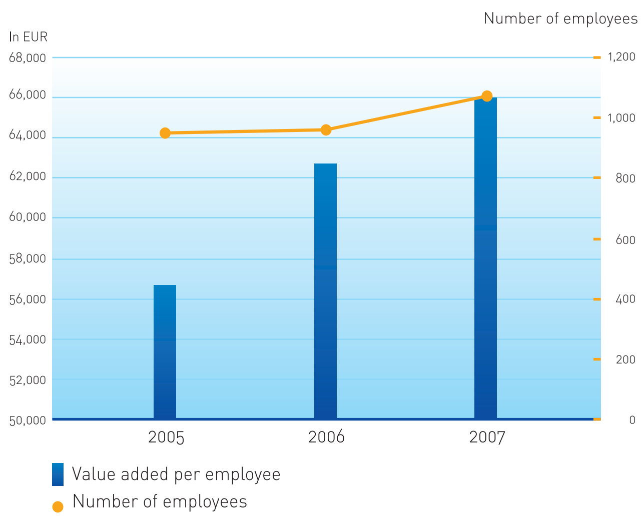
Average annual growth in operating revenue over the last three years stood at 17.4%. Operating revenue are growing faster than operating expenses, thus creating favourable conditions for healthy operations of the Luka Koper Group, which is also reflected in the rise in cash flows from operating activities (EBITDA).

Net profit and EBITDA



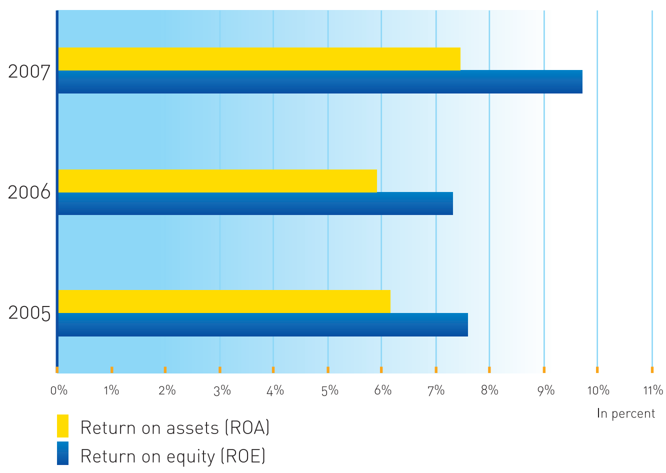
The net profit of the Luka Koper Group reflects the market situation, where we have achieved record throughput results supported by trends in the automobile and container product groups.

Added value per employee and the number of employees



The number of employees has been increasing at an average 6% rate since 2005 and the average added value per employees rose by 2 percentage points.

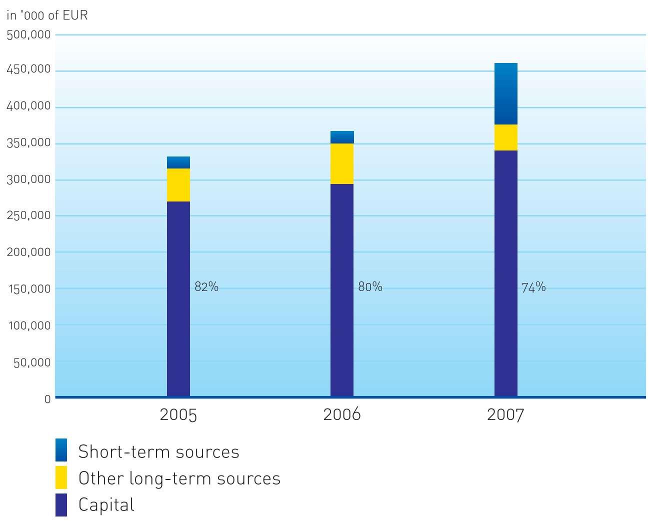
Return on equity (ROE) and return on assets (ROA)



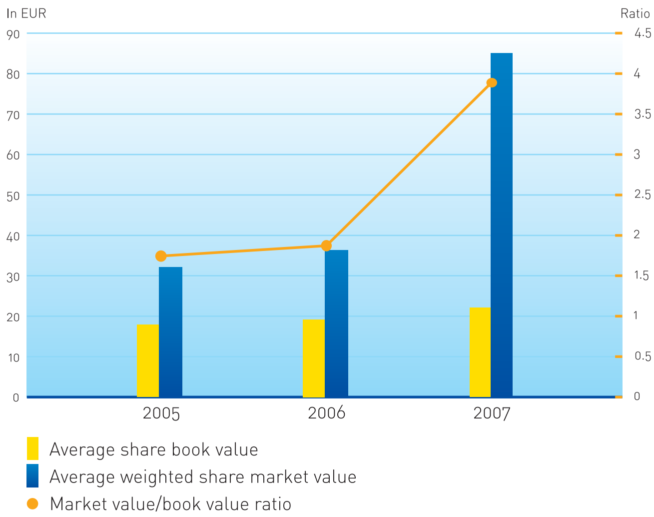
Operating results also improved owing to heavy investments in assets needed for managing the ever greater volume of port throughput. In order to finance investment activities, we sold a portion of our financial investments, in addition to arranging credit sources, which was reflected in the higher net profit for the period. The increase in net profit grew faster than total assets and capital, which influenced the rise in ROA and ROE.

SHARE

Capital and share of capital in total assets



Share details

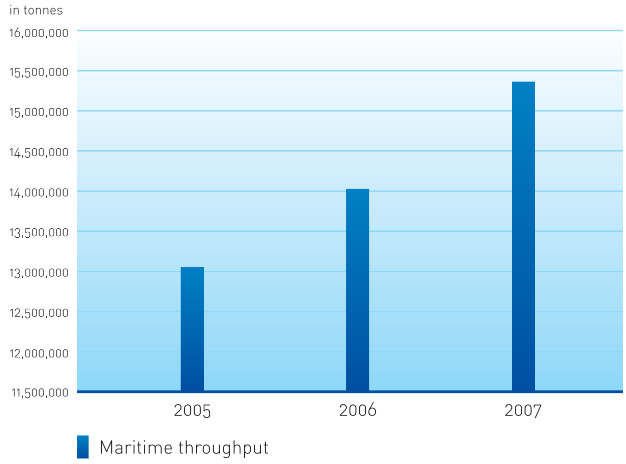


The capital of the Luka Koper Group, amounting to EUR 341 million, accounts for 74 percent of total liabilities, thus preserving financial security. The share of capital in total assets dropped owing to a changed liability structure in favour of cheaper debt equity. The latter is important for investments in port infrastructure, technological upgrades of equipment, and the future development of the activity.

The share of Luka Koper, d.d. reached EUR 113.66 on 9 August, which represents the peak value since being listed on the Ljubljana Stock Exchange.

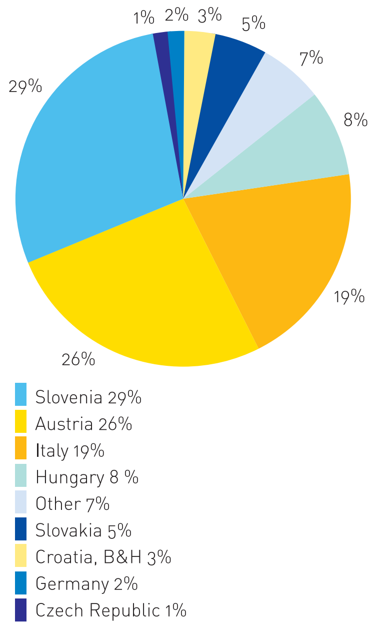
THROUGHPUT AND MARKETS

Maritime throughput



In the last three years, maritime throughput increased by 8.4% on average. This is mainly due to the higher throughput of containers, general cargo and cars. These are strategic cargoes, among the most acceptable environmentally. General cargoes especially included perishable goods.

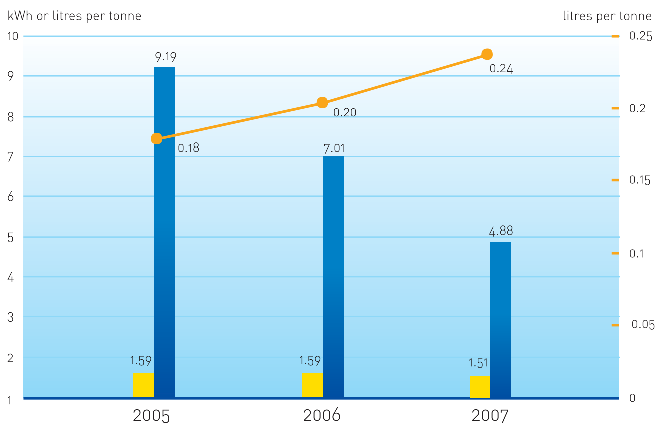
Structure of throughput by market in 2007



The bulk of throughput is accounted for by the strategic markets of the neighbouring countries and Central Europe.

NATURAL ENVIRONMENT

Consumption of energy sources (electricity, fuel and water) and water per tonne of throughput



Electricity (kWh/tonne)
Water consumption (l/tonne)
Fuel consumption (l/tonne)

Luka Koper is the only port in the Northern Adriatic to operate according to the ISO 9001 and ISO 14001 standards. We develop new methods and models for efficient environmental protection and management. We solve environmental issues in close co-operation with the local communities.

Since 2001, the Primorska Institute of Natural Sciences has been conducting continuous measurements of inhalable dust particle (PM10) emissions. The last average PM10 concentration measured was 35 µg/m^3, which is below the legally prescribed limit (40 µg/m^3).

The measurements of noise emissions in the natural and living environment have been carried out since 1998 at three measurement sites, where measuring devices were installed in 2007 for continuous noise measurement. The night noise level has been successfully reduced, whereas a small rise in the daily levels is merely temporary and due to the construction of new capacities.

We are striving to decrease the consumption of energy, energy sources and water. We are considering methods of using alternative energy sources. We are reducing the loss of water from the distribution network by prompt discovery of water loss and computer control. Fuel consumption is limited by the use of more electrically powered machinery, however this machinery is not always powerful enough. Since we have been increasing our service range related to a specific type of goods and thus boosting added value, fuel consumption per tonne of throughput rose slightly.

EMPLOYEES

Employee educational structure as at the last day of the year

31. 12. 2005
31. 12. 2006
31. 12. 2007

The development of logistics services, keeping up with the novelties in throughput technologies and their introduction in technological processes requires ever more employees with higher and university education.

WE ARE PROGRESSING IN ALL STRATEGIC ORIENTATIONS

Successful implementation of the strategic goals and orientations of the Luka Koper Group, set out in the Business Development Strategy for the 2006-2015 period, is proven by the numerous achievements that will be upgraded and complemented in 2008. By realising ambitious goals we boost our competitive advantages.

VISION, MISSION, STRATEGIC ORIENTATIONS

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

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

STRATEGIC ORIENTATIONS

Visible logistics service provider	Efficient port system and distribution centre	Group of companies successful in the long run	Ensuring sustainable development
We manage the links in the transport chain.	We generate added value through technologically optimised processes and diverse product groups.	We develop modern and harmonised operations boosting return and guaranteeing the growth of asset value.	We maintain balance in relations with the corporate, natural and institutional environments and other stakeholders.

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

Marketing and development of the product range	Organisational and human resources management	Infrastructural and technological development	Financial asset management	Attitude towards the general public

IMPLEMENTATION OF THE DEVELOPMENT STRATEGY AND PLANS FOR 2008

1st strategic orientation:

Remain a visible logistics service provider

Achievements in 2007:

- We founded the **company Adria Terminali, d.o.o. and carried out the first services** at the Sežana inland terminal.
- **The activities for setting up land terminals** in Romania, Hungary and Slovenia were carried out.
- We became the **point of entry and a distribution centre** for supplying steel products from the Far East to car factories in Central Europe.
- We co-founded a company for the distribution of steel products, **POS-EDSC, d.o.o**.
- We opened the **Far East Representative Office**, the **Bulgaria and Romania Representative Office** and the **South America Representative Office** in Argentina.
- **The Passenger Port of Koper** received 53 ships and an award for the most creative and innovative tourist project.
- **A 36% increase in general cargo**, mainly due to steel products for the car industry and wood.
- **A 40% increase in the number of container units handled.**
- **Preparations for the projected growth in the throughput** of fruit and other perishable food products.

Plans for 2008:

- **The expansion of activities at the inland terminal** in Sežana and the construction of a terminal in Divača.
- Preparations for setting up the **Pomurje and Podravje logistics terminals**.
- Establishment of a **land container terminal in Arad, Romania.**
- **Further activities** to set up land terminals and distribution centres **in Hungary**.
- **Improved structure of throughput by increasing** container, fruit, vegetable and car **throughput**.
- **Launching a distribution centre for steel products.**
- **More than 70 calls by passenger ships.**
- **Events for customers and promotion in key markets, especially in the Far East**, to heighten the visibility of the transport route and logistics connection via Koper.

2nd strategic orientation:

Efficient port system and distribution centre

Achievements in 2007:

- **Putting into operation an information system** supporting operational and marketing processes (TinO).
- Starting construction work to **extend pier I,** featuring a container terminal.
- Acquiring a construction permit for a **car warehouse** with a capacity of 12,000 cars.
- New **block train connections** and an **in-house railway service** to provide for greater throughput.
- **Purchasing 25 wagons** and combined locomotives giving new impetus to the organisation and provision of railway transport at Adria Transport, d.o.o.
- Preparing the **tax warehouse** project.
- **Redesigning the port intranet**, the basic tool of communication between employees of the Luka Koper Group.

Plans for 2008:

- **EUR 144 million will be allocated to investments in infrastructure and equipment.** Financing will be provided by a suitable structure of own and borrowed funds, and also by the sale of some financial investments.
- **Completing the extension of pier I** and purchasing two container lifts.
- **Constructing a new entrance to** the port and inner road connections to the motorway network.
- **Starting phase one of construction of the new car warehouse,** which will initially provide 2,750 parking places.
- **Construction and reconstruction of railway infrastructure** at the port.
- **Further pursuit of activities to solve environmental issues** related to the European energy terminal.
- **Finalising the construction of the 12th mooring with hinterland** for the distribution of steel products for the car industry in Central Europe.
- **Developing information support** with the aim of simplifying business processes, achieving "paperless" operations, and speeding up communication within the port environment.

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

3rd strategic orientation:

Group of companies successful in the long run

Achievements in 2007:

- **Operating revenue: + 15.6%** or EUR 122.2 million.
- **Net profit: + 49%** or EUR 30.9 million.
- **Added value: + 17%** or EUR 70.6 million.
- **Added value per employee: + 5.2%** or EUR 65,992.
- **Maritime throughput: + 9.4%** or 15.4 million tonnes.

Plans for 2008:

Projected income statement for 2008 (in '000 of EUR)

	Plan for 2008
Operating revenue	124,525
Operating costs	-100,833
Operating profit/loss	23,692
Finance income	21,197
Finance expenses	-6,648
Total profit or loss	38,241

- **Operating revenue** will not be significantly higher on account of utilising almost full capacity and the initial investment stage to boost them in 2008.
- The goal is to **increase return on sales (ROS)**, which at moderate revenue growth requires efficient cost control. ROS will equal 19%.
- The relative **EBITDA and operating revenue ratio** will be 35%.
- **Added value** will increase by 8%, reaching EUR 76.3 million.
- **Maritime throughput** will rise by 2% due to the same reasons as revenue.

4th strategic orientation:

Ensuring sustainable development

Achievements in 2007:

- **By providing systematic care for employees, suitable organisation, new knowledge, and by increasing the number of employees to 1,070**, we have successfully supported the realisation of the Group's plans.
- **We closed the third pool with protective booms** to prevent any pollution from spreading into the open sea.
- **The average annual concentration of inhalable dust** was below the prescribed limit.
- A public tender was organised **for a comprehensive spatial plan of the port**.
- Our Sea Protection Department acquired its **first ecological intervention vessel** in case of sea pollution.
- **Co-operation with the social environment** was strengthened through sports, culture, and social donations and sponsorships.
- The 50th anniversary of Luka Koper was accompanied by sports, cultural and social **events for the general public**.

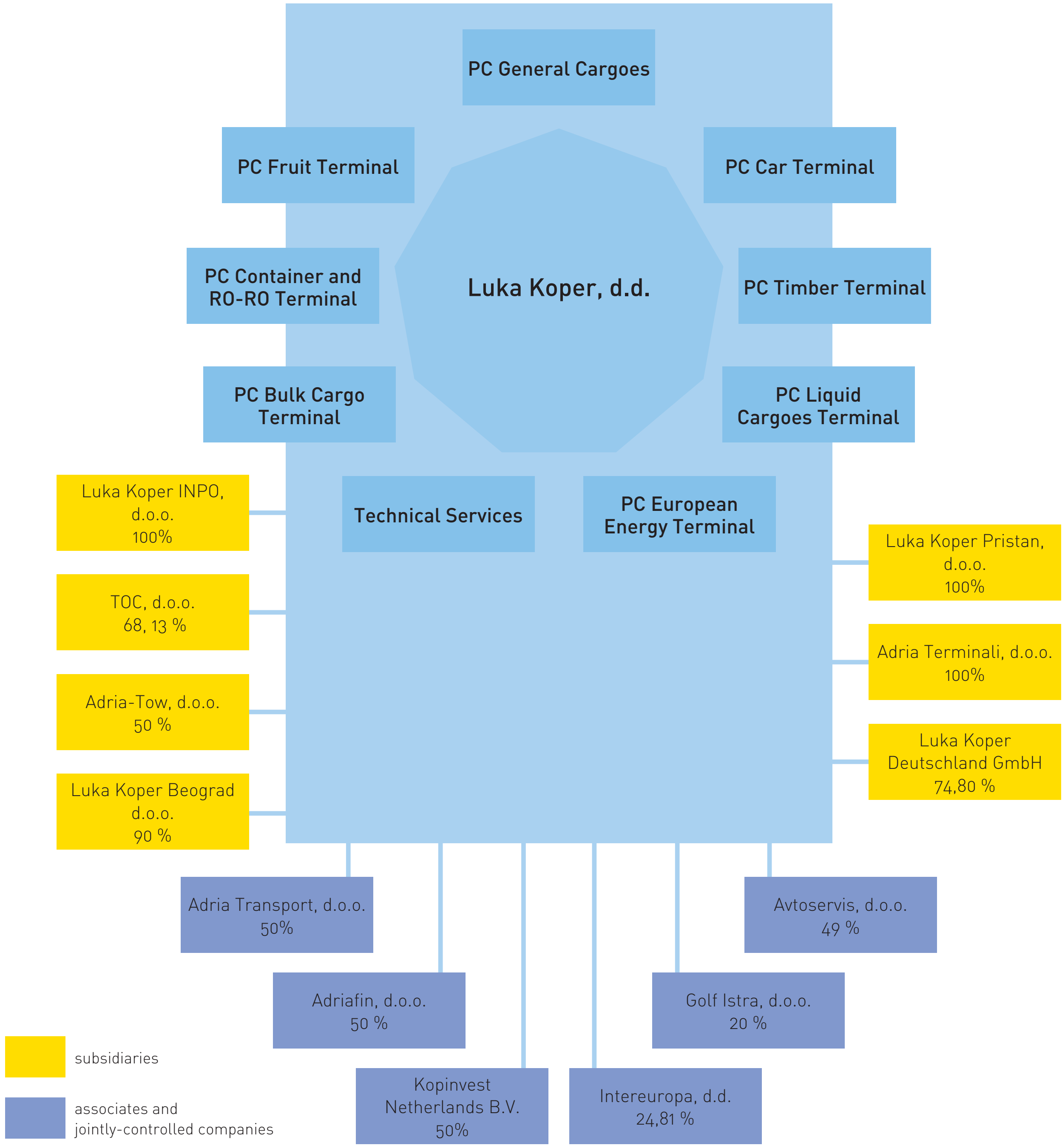
Plans for 2008:

- **We will provide a suitable personnel structure and employee training** to enable optimal implementation of the Company's goals.
- At the end of 2008 the Group will have **1,137 employees.**
- **The average annual concentration** of inhalable dust will not exceed 25 µg/m.
- Procedures will continue for obtaining the **EMAS environmental certificate,** as a result of which the public will be even better informed about the constant improvements in environmental management.
- **Reduced noise emissions** into the environment at no less than one measurement point.
- **Obtaining a concession** for performing the public utility service of sea protection in the entire area of the Slovenian sea.
- **Supporting research, educational and other social activities** in the local environment and wider region. One million euros will go for donations and sponsorships.

More information about our sustainable development plans is available in the chapter Sustainable Development.

COMPANY PROFILE

ORGANISATION OF THE LUKA KOPER GROUP AS AT 31 DECEMBER 2007



The changes related to subsidiaries, associates and jointly-controlled companies are reported in greater detail in the chapters Composition of the Luka Koper Group and Events subsequent to financial year end in the consolidated Financial Report of the Luka Koper Group in 2007.

PORTFOLIO OF OUR ACTIVITIES

Port and logistics system

Our **port activity** is closely connected with increasingly extensive **logistics activity**. In this way we provide efficient support to our customers throughout the logistics chain.

In addition to throughput and warehousing services in the Port of Koper, we supply a series **of additional goods services and supplementary services**, and we are becoming **an ever stronger distribution centre** for various goods - from fruit and vegetables to cars. We **provide transport services** and **are expanding the network of land logistics terminals**. This service range was upgraded by the purchase of railway wagons at the end of 2007. The entire activity is described in more detail on the website www.luka-kp.si.

We manage **an economic zone** comprising the entire port area, and provide for the development and maintenance of port infrastructure.

On 255 hectares of land area we dispose with:

- 30 hectares of indoor warehouses,
- 95 hectares of outdoor warehouses, and
- 26 ship moorings on 3,134 metres of shore alongside 173 hectares of sea area.

Luka Koper, d.d. manages **11 specialised terminals with modern equipment** for various types of cargo.

In 2007, we started establishing and managing **the Sežana land logistics centre**. It comprises almost 50,000 m^2 of warehouses and boasts state-of-the-art equipment for throughput and goods movement.

Other activities

Through a specialised company we also provide **hotel and accommodation services and high-end restaurant services**.

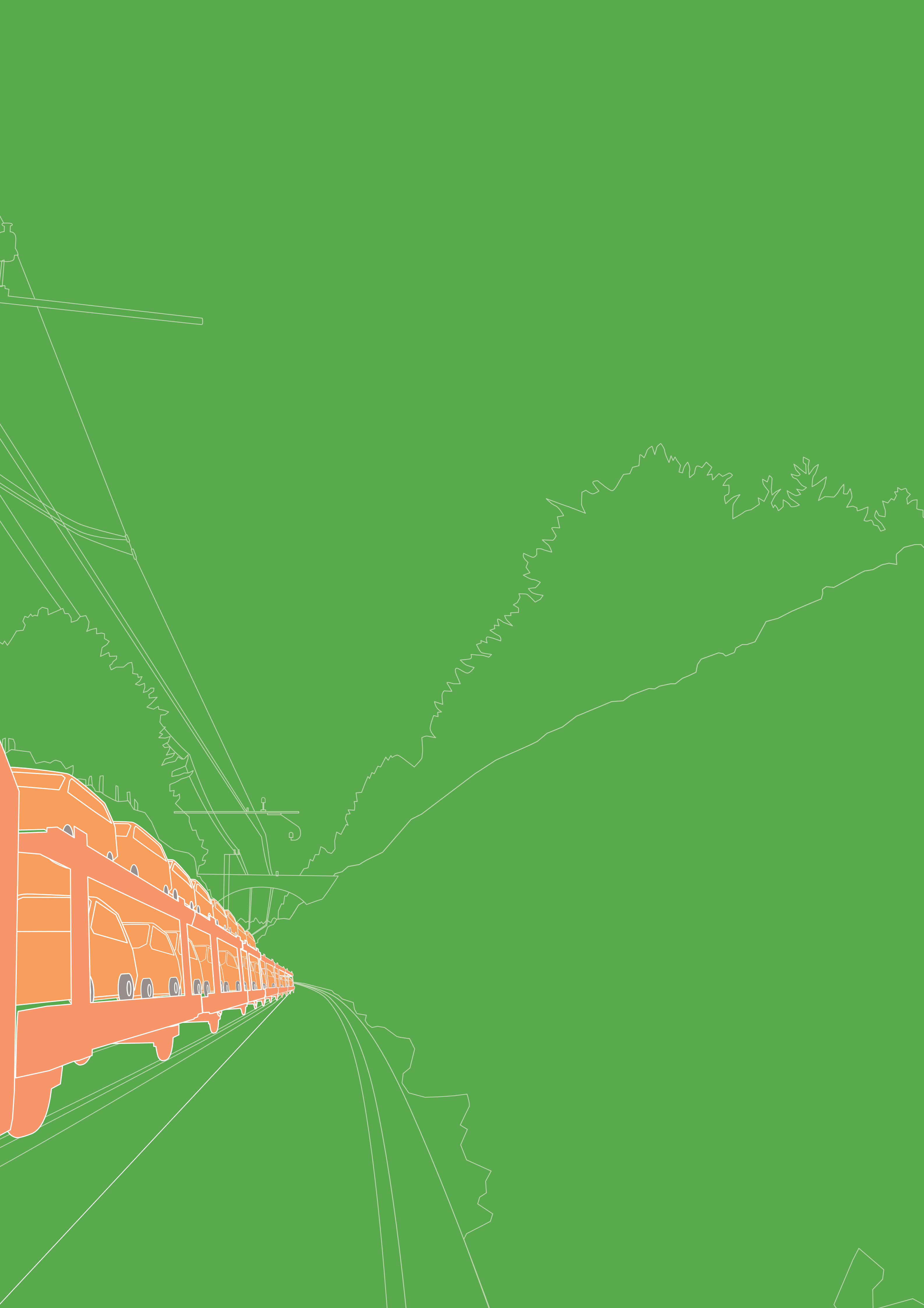
Vessel towing services are performed by modern tugs. In addition, we provide ship supply services as well as sea rescue and assistance to vessels in the Port of Koper and Izola Shipyard.

The operations of the disability company include diversified and complex support services, maintenance services, maritime services, and utility activity. In 2007, preparations were underway for operational sea protection. The Company also provides efficient training and employment for disabled persons.

We take part in the operations **of the passenger terminal**

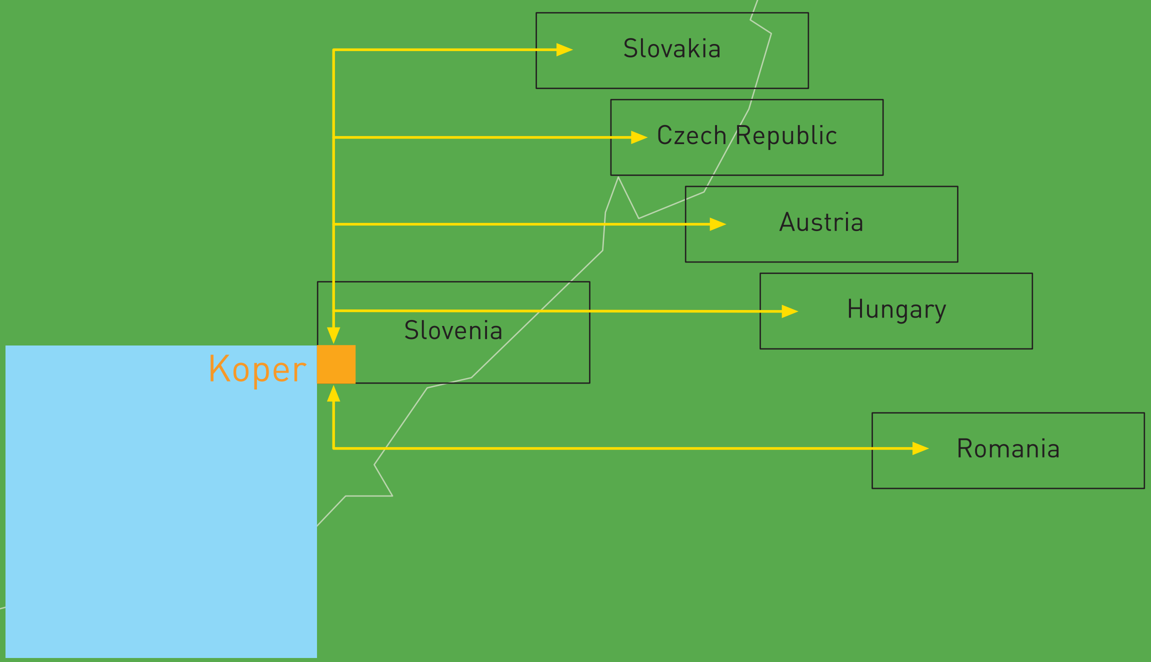
COMPANY PROFILE OF THE PARENT COMPANY LUKA KOPER, D.D.

Company name	**Luka Koper, port and logistics system, public limited company**
Abbreviated company name	**Luka Koper, d.d.**
Registered office	**Vojkovo nabrežje 38, Koper**
	Telephone: 05 66 56 100
	Fax: 05 63 95 020
	E-mail: portkoper@luka-kp.si
	Website: www.luka-kp.si
Entered in the register of	**District Court of Koper, entry number 066/10032200**
Company registration number	**5144353**
Tax number	**SI 89190033**
Share capital	**EUR 58,420,964.78**
Number of shares	**14,000,000 ordinary no-par value shares**
Quotation of shares	**Ljubljana Stock Exchange, first quotation**
Share symbol	**LKPG**
President of the Management Board	**Robert Časar**
Chairman of the Supervisory Board	**Boris Popovič**
Number of companies in the Luka Koper Group	**8**
Principal activity of Luka Koper, d.d.	**Service company, port and logistics system**
Activities performed in the Luka Koper Group	**Various service activities**



From the Northern Adriatic to the east and back

Due to the faster forwarding of goods, the available port capacities are greater. Forty years ago, we financed the building of a railway line which connected the Port of Koper with the hinterland. In 2005, we founded the company Adria Transport, d.o.o. (mixed ownership) to organise and provide railway transport. Now we are becoming the first private railway carrier in Slovenia. In the jubilee year, we acquired a train composition of 25 wagons, which will be followed by 50 more new ones in 2008. They will be used for transporting containers, cars and steel products.
We play an active role in railway transport to promote goods flows from Koper Bay towards the eastern part of Europe. In addition, we connect the network of logistics and distribution centres.



STATEMENT OF THE PRESIDENT OF THE MANAGEMENT BOARD

Dear respected shareholders and esteemed business partners,

Excellent performance and achievements in 2007 represent significant progress in the implementation of our set strategic policies. We have been successfully realising our vision to become the leading port and logistics system servicing the countries of Central Europe.

We increased goods throughput in all key markets. In the Hungarian market, container transport rose and throughput climbed to a record 1.3 million tonnes. The higher throughput for Slovakia, where we are successfully integrating into goods flows connected with the car industry, is promising. New market opportunities are opening up in Germany and in the Czech Republic. We penetrated the markets of Romania and Bulgaria and opened a representative office for the two countries. Furthermore, we intensified connections with the Near and Far East, and South America. We brought our service range even closer to our customers by setting up a representative office for the Far East in Malaysia.

Extensive strategic projects in the past year sped up growth in the port and logistics activities of the Luka Koper Group. The expansion of the land terminal network in Slovenia and towards the east of Europe, along with specific measures undertaken by Luka Koper to become a railway operator, guarantee optimal management of the new port capacities, which will be obtained by the extension of pier I, completion of the warehouse facility for cars, and finalisation of other investments in port infrastructure and equipment that are underway.

Successful in 2007

A major strategic jump was made when we changed the structure of maritime throughput. The latter rose by 9% in 2007, exceeding 15 million tonnes. Container, car and general cargo throughput increased by 40%, 31% and 36%, respectively. I am particularly pleased to highlight this increase. Namely, we are boosting the volume of top-quality cargo with higher added value that is also more environmentally friendly. Dry bulk cargo remained on the 2006 level, which is why the overall increase in throughput is lower. This corresponds to the adopted strategy, because owing to spatial rationalisation we will not increase the scope of this type of cargo much in the future.

The rise in cargoes with higher added value, more additional services related to goods, and greater throughput in general were also reflected in higher revenues, which totalled more than EUR 122 million. These movements were reflected in a promising 20% growth in operating profit, which is considerably more than in 2006 (6%). The increase in the net profit of the Luka Koper Group was also exceptional, i.e. 49%. In addition to the better performance of the parent company and its associates, the increase was also due to higher finance income from the disposal of shares in Banka Koper, d.d., in the amount of EUR 5.2 million, and a lower effective tax rate, which was 8.8% in 2007 and 12% in 2006. Earnings per share increased from EUR 1.42 to EUR 1.79. The dramatic increase in the Luka Koper share in mid 2007 and its depreciation in the first months of 2008 thus reflect the stock exchange movements and not successful performance. The stability and profitability of the investment is proved also by the fact that our activity of logistics and transport is intensively growing on the global level.

Launch of investment cycle

In 2007, investments set out in the Development Strategy 2006-2015 were in full swing. EUR 93.8 million was earmarked for these investments, whereas in 2008 the respective amount will be EUR 144 million.

In spite of such extensive investments, the Company's financial stability was ensured by efficient financial management. We defined clear procedures and financing methods which provide for the consistent and safe realisation of planned investment projects. The safety of the Group's financial standing is secured by a high share of own sources of financing, since capital at the end of the year accounted for 74% of total assets. We have sufficient manoeuvring space, so we will also increase the volume of borrowed funds used for financing investments. In doing so, we will make sure that financial liabilities are predominantly long-term.

Sufficient funds for financing the investment cycle will also be obtained by the sale of some existing financial investments and the directing of surplus cash.

The Luka Koper Group tomorrow

Tomorrow's image of the Luka Koper Group will to a high degree depend on the investments in new capacities and development launched in 2007.

Already at the end of 2008, some new facilities will be completed. The container terminal on the extended pier I will be prepared for welcoming giant ships. The European Distribution Centre in Sežana will intensify its role in the region and start spreading over an additional 70 hectares. In line with our partnership strategy, we will undertake additional joint ventures with successful logistics companies and expand the network of inland terminals. In December 2008, the company Rail Port Arad, one third of which is owned by Luka Koper, will set up a container terminal in Arad near the Hungarian-Romanian network. The plans for the establishment of the 'Panonija' distribution centre in the Prekmurje region, the general cargo (especially timber) terminal in Divača, and the terminals in Hungary will definitely be acted on. Through the subsidiary Adria Terminali, we will apply for a concession to manage the general cargo terminal in the Port of Trieste.

In 2008, our wagons will transport containers and steel parts for the car industry over the Central and Eastern European railway lines. In this way we will be able to utilise the greater port capacity, improve its throughput, and develop new logistics services in the framework of land terminals.

Due to the building rights granted by the state in 2007, we will be able to expand capacities and put the valuable space available in the port to better use. We expect to sign a concession agreement with the Government, which will in the long run define the relationship with the state, our largest owner. A car warehouse will be constructed, holding up to 2,750 cars in the first phase. The first three of the six new tanks for oil derivatives will be installed.

We expect the green light to be given to the establishment and management of a passenger terminal. In addition, we plan to sign the respective agreement with the Minister of Transport. The first port warehouse which will host the new passenger terminal has already been purchased. Construction is scheduled to start already in 2008.

The knowledge of our employees, the business excellence integrated into everyday operations on all levels, and a quick-response information system are firm assurance that the planned projects will be fully and usefully put into practice.

Sustainable development

Consistent efforts to restrict environmental impacts remain our basic guidance. We are aware of the fact that port and logistics activities are invasive to the environment, but we are certain that these impacts can be very much mitigated by suitable measures. That is why new investments have been designed with the aim of creating a balance between economic benefits and the benefits brought by a clean environment to us and future generations. To this end we founded a company in 2007 which will in the port area produce energy from alternative sources. Thus, we will provide ourselves with the energy we consume. The environmental aspect will also be consistently complied with at our land terminals.

The completion of the dust guard for the energy terminal and the purchase of an ecological vessel deserve special mentioning among last year's environmental investments, to which we allocated EUR 2.3 million. Last year we established the Sea Protection Department, which oversees the port aquatorium. We are applying for a concession to protect the entire Slovenian sea, in which case our many years' experience would definitely be useful.

By making donations and supporting sports, culture and social projects we strengthen co-operation with the local community and a wider social environment.

The basis of our success is our employees, which is why we provide for their satisfaction and development. The expansion of activities and new investments also bring new jobs. As a result, we recruited 108 employees last year. The Company' Management Board strives for a fruitful dialogue with the trade unions, with which an annex to the Corporate Collective Agreement was signed in early 2008.

50 years since the creation of the only Slovenian port – the anniversary was celebrated last year – the Luka Koper Group is expanding and improving its business potential in a promising manner. We are persistently following our strategic orientations and strengthening our competitive advantages. We would like to thank all the employees of the Luka Koper Group for their contribution to the achievement of the set goals and their successful work.

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

REPORT OF THE SUPERVISORY BOARD FOR 2007

Respected shareholders!

In 2007, the Supervisory Board regularly monitored and supervised the work of the Management Board. It followed the implementation of the 2007 Business Plan and Strategic Guidelines until 2015. Its resolutions and decisions supported the realisation of set strategic and business objectives. The Supervisory Board obtained from the Management Board all the necessary and required information about the current operations of the Company.

Even though the present Chairman of the Supervisory Board assumed office only on 19 July 2007, he reports about the work of the Supervisory Board carried out over the entire year. Until taking the position of Chairman, he was a member of the Supervisory Board and is therefore fully familiar with its operations.

Composition of the Supervisory Board

In 2007, the composition of the Supervisory Board changed. At the 20th meeting, Boris Popovič was elected Chairman. The General Meeting of Shareholders appointed Olga Franca and Marjan Bezjak to the Supervisory Board as representatives of the Republic of Slovenia. Their four-year term of office started on 20 July 2007. Marjan Bezjak was elected Deputy Chairman at the 21st meeting. The Supervisory Board operated in full composition (with nine members) without interruptions.

The changes in the composition of the Supervisory Board resulted from the resolution of the Government of the Republic of Slovenia to discharge state officials from the supervisory and management boards of companies. Accordingly, the then President, Marko Starman, MSc., and his Deputy, Dr. Peter Verlič, resigned at the July meeting. The Supervisory Board thanks both of them for their valuable contribution during their term of office.

The composition of the Supervisory Board at the end of 2007 is stated in the Report on Corporate Governance. Key data about the members of the Supervisory Board are published on the website www.luka-kp.si.

The members of the Supervisory Board do not have a business relationship with the Company or its Management Board nor are they personally or in some other way closely connected with either.

Composition and Performance of the Supervisory Board's Committees

Three committees operated in 2007 and reported about their operations at the Supervisory Board's meetings. Changes in the composition of the Supervisory Board influenced the composition of the Audit Committee and the Environmental Committee.

Until 19 July 2007, the Audit Committee consisted of Dr. Peter Verlič (Chairman), Marko Starman, MSc., and Alverino Pavletič (members). When two members were replaced, the Supervisory Board appointed Marjan Bezjak and outsourced expert Aleksander Milostnik to the Committee. The Committee participated in the examining of the Annual Report for the year before, and summarised its findings in the Report on the Work of the Supervisory Board for the same year.

The Environmental Committee is composed of the Chairman, Metod Mezek, and the members Olga Franca and Tatjana Jazbec. The Committee met in April 2007, still in the former composition with Marko Starman, MSc., as member (replaced by Olga Franca). The Committee discussed the material »An Overview of Luka Koper's Ecological Balance« and presented its findings at the 20th meeting of the Supervisory

Board. The latter adopted its stance on supporting continued measures and investments aimed at restricting the environmental impacts of the port.

The Committee for Spatial Issues (Bojan Zadel (Chairman), Marko Valentinčič and Robert Jerman (members)) operated unchanged throughout the year. It acknowledged the open questions related to the solving of spatial issues arising from the increase in the volume of the Company's activity, and supported the efforts geared towards signing the concession agreement with the Republic of Slovenia.

The members of the Committees agree that such a method of operation is efficient and will continue it in the future, naturally assisted by the relevant departments of the companies from the Luka Koper Group which provide them technical and expert support.

Co-Operation with the Management Board

The Supervisory Board constantly and actively co-operated with the Management Board and was informed about the results of its operations. The Management Board in due time notified the Supervisory Board about the business results, key plans and decisions, and regularly acquired approvals of investments in property, plant and equipment which exceeded 5% of share capital as well as of equity investments. The Supervisory Board assesses that the co-operation with the Management Board was good.

The Chairman of the Supervisory Board within his authority also co-operated with the Management Board in between Supervisory Board meetings.

Meetings and Operations of the Supervisory Board

The supervisory Board met at six regular and two correspondence meetings. The first regular meeting was held on 28 February (17th meeting), followed by meetings on 22 March, 21 May, 19 July, 6 November and 19 December 2007 (22nd meeting). The correspondence meetings were held on 6 February and 22 June (3rd and 4th meetings).

Most meetings were attended by all members of the Supervisory Board; none of them was absent often. Depending on the contents of the items on the agenda, the meetings were attended by the President and other members of the Management Board as well as expert employees of the Company, who thus provided additional explanations and information needed for adopting decisions.

The Supervisory Board's assessment of its work in 2007 is positive. All members were active and monitored the implementation of the adopted resolutions. They were well prepared for the meetings and acquired further information about the discussed topics. The composition and organisation of the Supervisory Board provided for efficient performance of the supervisory function. The new members became acquainted with the work of the Supervisory Board and underwent professional training for supervisory board members.

The Management Board informed the Supervisory Board through quarterly, semi-annual and three-quarterly reports on operations as well as provided explanations and answers to the members' questions. At the November meeting, the Management Board assessed the operations until the end of the year.

At its regular annual meeting held on 28 February, the Supervisory Board acknowledged the report of the independent auditor and approved the 2006 Annual Report along with the proposed allocation of the accumulated profit. The Audit Committee took part in the examination of the Annual Report.

The Supervisory Board focused on active monitoring and supervision of the major strategic processes of the past year, such as the start of an intensive cycle of investments in port infrastructure and equipment, establishment of a network of land terminals, entry among railway operators, and soliciting of new business in the developing car industry in Central Europe. To this end the Supervisory Board supported the decisions of the Management Board on the establishment of new companies, investments in the purchase of holdings, and new investments in property, plant and equipment.

At the first session (which was a correspondence session), the Supervisory Board approved the establishment of the company Adria Terminali, d.o.o., which is managing the European Distribution Centre in Sežana. It also issued approval of the co-founding of the company for the distribution of steel car products - POS ESDC, d.o.o., and a limited liability company in Croatia. In July it approved the co-founding of Tehnološko okoljski center, d.o.o., and in November also of the companies Adria Pro, d.o.o. and Luka Koper Deutschland GmbH as well as a company producing alternative energy. The parent company's holdings in individual established Group companies are presented in the chapter Company Profile.

In November, in the scope of the establishment of a hinterland terminal network, the Supervisory Board agreed with the acquisition of land for the terminal in Divača and for the transport logistics centre in the Prekmurje region. It supported further activities for the establishment of logistics centres in Hungary and the co-founding of Rail Port Arad S.r.l., which will establish a container terminal in Romania. In addition, it approved the capital increase of Adria Terminali, d.o.o. in the amount of EUR 1.5 million.

In February, the Supervisory Board supported the disposal of 44,279 shares of Banka Koper, d.d. and the sale of a 26% interest in Actual IT, d.o.o., and in March the acquisition of a holding in Splošna plovba, d.o.o., which did not take place. At the May meeting, the Supervisory Board also approved the increase in the capital of Golf Istra, d.o.o., as a result of which a 20% holding was preserved.

On the basis of available data, the Supervisory Board assessed that the proposed investments in property, plant and equipment were justified and consistent with the strategic development orientations. It therefore agreed with the Management Board on these investments. This also included the approval of the purchase of 25 railway wagons and the support of the Management Board's decisions on investing in the new activity of the Company, namely its own railway transport.

At its 18th meeting, the Supervisory Board set the bonus for the Management Board due to its successful performance in 2006, equalling six gross salaries.

Remuneration of the Supervisory Board

In 2007, the remuneration of the Supervisory Board changed according to the resolution passed by the General Meeting of Shareholders. This is described in more detail in the Report on Corporate Governance. Information about the receipts of the Supervisory Board members is presented in Note 3 to the Consolidated Financial Report.

Approval of the Annual Report and Opinion on the Auditor's Report

The Supervisory Board discussed the Annual Report of Luka Koper, d.d. and the Luka Koper Group for 2007, along with the proposal of the Management Board on the allocation of accumulated profit at its 23rd regular meeting, held on 9 April 2008. It also acknowledged the Auditor's Report and had no comments with regards to it.

By examining the Annual Report, the Supervisory Board established that reporting about the operations of Luka Koper, d.d. and the Luka Koper Group had been clear and transparent, and presented a true and fair view of their business position. Thus, it unanimously approved the Annual Report of Luka Koper, d.d. and the Luka Koper Group for 2007.

Proposed Allocation of Accumulated Profit in 2007

The Supervisory Board is of the opinion that the Management Board's proposal on the allocation of accumulated profit is in line with the strategic development orientations until 2015 and considers the interest of shareholders with regard to a long-term increase in share value.

It proposes to the General Meeting of Shareholders to allocate accumulated profit in the amount of EUR 25,554,194.12 as follows:

- EUR 7,700,000.00 to dividends,
- EUR 135,000.00 to participation in profit by the Supervisory Board members,
- EUR 5,185,000.00 to other revenue reserves, and
- decision on the allocation of EUR 12,534,194.12 of other accumulated profit is to be adopted in the following business years.

On the basis of the implemented strategic development steps and disclosed performance results, the Supervisory Board estimates the work carried out by the Management Board in 2007 as good.

It proposes to the General Meeting of Shareholders to grant discharge from liability to the Management Board and Supervisory Board based on the Annual Report of Luka Koper, d.d. and the Luka Koper Group as well as the Auditor's Report and this Report.

The Supervisory Board thanks the Management Board and employees of the parent company and other companies from the Luka Koper Group for very good achievements in 2007, and offers its support in the implementation of set business and strategic goals in 2008.

Boris Popovič,
Chairman of the Supervisory Board of Luka Koper, d.d.

REPORT ON CORPORATE GOVERNANCE

Efficient and transparent achievement of strategic goals

Corporate governance of Luka Koper, d.d. and the Luka Koper Group is based on best practices established in Slovenia and internationally. Of key importance are, in addition to the applicable legislation and internal organisational rules and regulations, the Corporate Governance Code for Joint Stock Companies and the recommendations of the Association of Supervisory Board Members.

Management system

In line with its two-tier management system, Luka Koper, d.d. is managed by the Management Board, which is supervised by the Supervisory Board appointed by the Company's General Meeting of Shareholders. The management bodies of the Company act in compliance with the Corporate Governance Code for Joint Stock Companies and the recommendations of the Association of Supervisory Board Members.

General Meeting of Shareholders

The shareholders exercise their rights set in the Companies Act at the General Meeting of Shareholders, which is the supreme body of the Company. The competences of the General Meeting of Shareholders and other matters directly related to it are defined in the Articles of Association of the Company. The Articles of Association are published in their entirety on the website www.luka-kp.si.

Convening the General Meeting of Shareholders
As a rule, the Management Board convenes a General Meeting once a year in June or July. The convening of the General Meeting of Shareholders is announced to all shareholders, who no later than three weeks earlier receive the annual newspaper for shareholders entitled ‚Luški delničar'. The convening of the General Meeting of Shareholders is published one month earlier in the Official Gazette of the Republic of Slovenia, in the newspapers ‚Delo' and ‚Dnevnik', in the electronic information system of the Ljubljana Stock Exchange (SEOnet), and on the website of the Company. The website includes material with draft resolutions, which is also available to shareholders also at the registered office of the Company.

The right to participation and voting right
Shareholders may participate in the General Meeting of Shareholders and exercise their voting right if they register in writing with the Management Board of the Company no later than three days before the General Meeting and if they are entered in the Share Register kept by the Central Securities Clearing Corporation (Klirinško depotna družba) on the day the General Meeting is convened.

Statement of Compliance with the Corporate Governance Code for Joint-Stock Companies

The Company complies with the Corporate Governance Code for Joint Stock Companies

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

The Corporate Governance Code for Joint Stock Companies is available on the website of the Ljubljana Stock Exchange (www.ljse.si).

The Management Board of the parent company Luka Koper, d.d. has adopted the following statement:

During the period from the latest publication of the Statement of Compliance with the Code, dated 5 April 2007, until the publication of the summary 2007 Annual Report, the Management Board of the Company complied with the Corporate Governance Code for Joint Stock Companies, with the exception of certain deviations relating to the following items of the Code:

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

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

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

Signatories of the Statement of Compliance with the Corporate Governance Code for Joint-Stock Companies:
The Management Board and Supervisory Board

Resolutions of the General Meeting of Shareholders

The shareholders convened once in the past year. At the 13th General Meeting (19 July 2007) they acknowledged the 2006 Annual Report and the Report of the Supervisory Board, and adopted all draft resolutions.

- They approved the proposed allocation of distributable profit for 2006.
- They granted a discharge from liability to the Management Board and the Supervisory Board for 2006.
- They set the amount of session fees and bonuses of the Chairman and members of the Supervisory Board.
- They passed a resolution on transforming 6,860,000 preference participating no-par value shares with limited voting right into ordinary no-par value shares.
- They adopted a resolution on amendments to the Company's Articles of Association referring to the changed distribution of share capital.
- Deloitte Revizija, d.o.o. was appointed auditor of the Company and the Group for 2007.
- Marjan Bezjak and Olga Franca were, on the proposal of the Republic of Slovenia, appointed to the Supervisory Board as shareholders' representatives for a four-year term of office.

A challenging action was announced at the General Meeting of Shareholders. On 13 August 2007, a lawsuit was filed to annul and contest the resolutions passed at the 13th General Meeting of Shareholders of Luka Koper, d.d. This is explained more extensively in the chapter Shareholder Value.

Supervisory Board

The key role of the Supervisory Board is to supervise the performance and conduct of the Company's operations and, in this scope, to appoint and discharge the Management Board. The powers of the Supervisory Board and other issues directly related to it and its operations are defined in the Articles of Association and Rules of Procedure of the Supervisory Board.

Composition of the Supervisory Board

The Supervisory Board of the Company is composed of nine members, of which six are representatives of the shareholders and three represent the employees. The shareholders' representatives are elected by the General Meeting of Shareholders by a simple majority and the employees' representatives by the Workers' Council. The members of the Supervisory Board are elected for a period of four years.

In the past year the composition of the Supervisory Board changed. Due to the Government's decision on state officials' discharge from the supervisory and management boards of companies, the then Chairman of the Supervisory Board, Marko Starman, MSc., and the Deputy Chairman, Dr. Peter Verlič, stepped down. That same day, the General Meeting of Shareholders appointed Olga Franca and Marjan Bezjak as shareholders' representatives to the Supervisory Board of the Company for a four-year term of office. Boris Popovič was appointed as new Chairman of the Supervisory Board and Marjan Bezjak Deputy Chairman.

The Supervisory Board is comprised of:

- **Boris Popovič**, representative of the Municipality of Koper, Chairman
  employed by: Mayor of the Municipality of Koper
  functions in other Supervisory Boards: Chairman of the Supervisory Board of the Public Housing Fund of the Municipality of Koper
- **Marjan Bezjak**, representative of the Republic of Slovenia, Deputy Chairman
  employed by: F.A. MAIK d.o.o.; Director
  functions in other Supervisory Boards: member of the Supervisory Board of the Slovene Enterprise Fund
- **Olga Franca**, representative of the Republic of Slovenia, member
  employed by: Adriatic Slovenica, d.d.; Health Insurance Director
- **Metod Mezek**, representative of other shareholders, member
  employed by: Health Centre Koper; Director
- **Marko Valentinčič**, representative of the Funds of the Republic of Slovenia, member
  pensioner
- **Bojan Zadel**, representative of the Republic of Slovenia, member
  employed by: Deputy Mayor of the Municipality of Izola
- **Tatjana Jazbec**, employees' representative, member
  function: Public Relations, independent expert
- **Robert Jerman**, employees' representative, member
  function: Profit Centre Dry Cargoes, Technical Manager
- **Alverino Pavletič**, employees' representative, member
  function: Profit Centre General Cargoes, Technical Manager

Supervisory Board committees

In order to increase the efficiency of its operations, the Supervisory Board established the Audit Committee, the Environmental Committee and the Committee for Spatial Issues.

Due to the resignation and appointment of two new members of the Supervisory Board, the management of its committees changed. Thus, the function of Chairman of the Audit Committee was taken up by Marjan Bezjak (instead of Dr. Peter Verlič). The Environmental Committee was chaired by Metod

Aldo Babič, MSc., Deputy President of the Management Board; Marjan Babič, MSc., Member of the Management Board; Robert Časar, President of the Management Board

Mezek and the Committee for Spatial Issues by Bojan Zadel. Each of the three committees held a meeting in 2007.

- Audit Committee reviewed and approved the Annual Report for 2006;
- Environmental Committee examined the material »An Overview of Luka Koper's Ecological Balance« and supported activities to reduce and restrict environmental impacts; and
- Committee for Spatial Issues acknowledged the situation at the port related to spatial issues.

Activities and resolutions of the Supervisory Board

The Supervisory Board meets when the need arises, but at least once every three months, to review the operations of the Company and check the implementation of the business plan. In 2007, the Supervisory Board met at six regular meetings and adopted decisions at two correspondence meetings.

The main resolutions passed by the Supervisory Board in 2007 were:

- review and approval of the Annual Report and a proposal for the allocation of distributable profit,
- approval of sales and purchases of equity stakes and of the founding and co-founding of companies, and
- approval of investments in tangible assets exceeding 5% of equity.

The operations of the Supervisory Board are presented in greater detail in the Report by the Supervisory Board for 2007.

Remuneration of the Supervisory Board

Payments, reimbursements and other benefits of the Supervisory Board members are fixed and independent of the Company's performance. They are detailed in the Financial Report of Luka Koper, d.d. in Note 4. Session fees and bonuses for the members of the Supervisory Board were last determined at the 13th General Meeting of Shareholders.

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

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

Management Board

The main task of the Management Board is strategic management and efficient governance of the Luka Koper Group. The method of the Management Board's operation, its decision-making procedures, and the division of areas of operations among members of the Management Board are defined in its Rules of Procedure.

Presentation of the Management Board

The Company is managed by a four-member Management Board. The five-year term of office of the current Management Board started in autumn 2005. On 31 December 2007 the Management Board operated in the following composition:

- **Robert Časar**, President of the Management Board LLB
  He represents the Company and acts on its behalf independently and without restrictions in all matters, especially as regards relations with key stakeholders and publics, infrastructure, organisational and human resources, safety and security, internal audit, and legal issues.
- **Aldo Babič,** MSc**.,** Deputy President of the Management Board
  BSc. Econ. and MSc. (soc. sciences)
  He is in charge of marketing and sales, representative offices, and market and operational co-ordination between profit centres.
- **Marjan Babič**, MSc., member of the Management Board
  BSc. Econ. and MSc. Econ.
  He covers finance and accounting, IT, controlling, and quality control.
- **Pavle Krumenaker**, member of the Management Board - employee director
  BSc. Mech. Eng., MBA in management
  His remit includes workers' rights and social issues, maintenance, purchasing, relations with contractors and suppliers, and innovations.

On the proposal of the Workers' Council, the Supervisory Board on 9 April 2008 discharged Pavle Krumenaker, which is reported in the chapter Important Events Subsequent to Financial Year End.

The Management Board is presented also on the website www.luka-kp.si.

Operations of the Management Board

The Management Board manages the Company independently and at its own responsibility, representing it and acting on its behalf against third parties. In the absence of the President of the Management Board, the Deputy President acts in his place. The Deputy President and the members of the Management Board individually represent and act on behalf of the Company in line with the Rules of Procedure of the Management Board.

Each member of the Management Board is authorised to oversee a specific area of the Company's operations. The Management Board has established direct and efficient co-operation with the executive directors.

In 2007, the Management Board successfully managed and governed the Luka Koper Group and the parent company Luka Koper, d.d.

Remuneration of the Management Board

Payments, reimbursements and other benefits of the Management Board members are stipulated in the respective fixed-term Service Contracts concluded between the Management Board members and the Supervisory Board. The receipts of the Management Board members should be composed of a fixed and a variable component. Luka Koper, d.d. has not introduced a system for remunerating Management Board members by option plans.

The amounts of payments, reimbursements and other benefits of the Management Board members are given in the Financial Report of Luka Koper, d.d. in Note 4. The number of the Company's shares owned by the Management Board members is reported in the chapter Shareholder Value. The Management Board members and their related persons report to the Company and competent institutions

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

Company	Director	Equity stake of the parent company
Luka Koper INPO, d.o.o.	Mirko Pavšič	100.00
Luka Koper Pristan, d.o.o.	Darko Grgič	100.00
Adria Terminali, d.o.o.	Viktor Orel	100.00
Luka Koper Deutschland GmbH, München	Andrej Andrijanič	74.80
TOC, d.o.o., Koper	Marko Likon	68.13
Adria-Tow, d.o.o.	Robert Gerk	50.00
Luka Kopar Beograd, d.o.o.*		90.00

* inactive company

all acquisitions and disposals of the shares of the Company or its associates. This information is published in the SEOnet electronic information system of the Ljubljana Stock Exchange.

Management and governance of subsidiaries

The successful performance of our subsidiaries is based on strategic goals and management guidelines defined on the level of the Luka Koper Group. So as to provide for the efficient co-ordination and supervision of our subsidiaries' operations, the members of the parent company's Management Board are also members of the subsidiaries' General Meetings. Major tasks of the General Meetings of subsidiaries that should be noted include the approval of the annual business plan, the adoption of resolutions on the allocation of distributable profit, and the appointment and discharge of company directors.

Luka Koper, d.d. also connects subsidiaries from the Group on the level of business functions, chiefly in development and marketing, accounting, financing, legal consulting, environmental protection, IT support, and human resources management.

In 2007, the Luka Koper Group gained three newly founded companies:

- Adria Terminali, d.o.o. provides warehousing and distribution activities in the emerging European regional distribution centre in Sežana.
- Tehnološko okoljski center, d.o.o. (TOC d.o.o.), co-founded by Luka Koper, supplies technological and ecological research and quality assurance services.
- Luka Koper Deutschland GmbH was founded so as to provide marketing, market and sales activities for the parent company.

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

Internal audit

Owing to staff changes and an attempt to provide for the most efficient placement of internal auditing, in 2007 it was partly and indirectly intertwined with the operations of the Controlling Department. Since 2006, internal auditing tasks within the Luka Koper Group have been carried out by an experienced internal auditor.

External audit

The financial statements of the parent company Luka Koper, d.d. and the consolidated financial statements of the Luka Koper Group were audited in 2007 by the auditing company Deloitte Revizija, d.o.o. The Company follows the provision of the Corporate Governance Code for Joint Stock Companies stipulating that the auditor-partner should be changed at least every five successive years.

50 YEARS OF LUKA KOPER

In 2007, Luka Koper celebrated its 50th anniversary. During these fifty years it experienced numerous turning points and momentous decisions. From a small port it developed into one of the most important ports and logistics systems in the Northern Adriatic and became the central distribution centre for goods of various types connecting Central and South-East Europe.

Celebrations marking the mooring of Gorica

Luka Koper started operating on **23 May 1957**, when the company Pristanišča Koper was established. In August of the same year, the first mooring started being built in the northern part of Koper, where the first transoceanic ship,

Provisional container terminal in the seventies

'Gorica', landed on 6 December **1958**.

After the first shore, the Company constructed additional ones. In addition, infrastructure and warehouses were set up in the hinterland. Turnover increased each year and in **1961** the Company was renamed Luka Koper. A year later, the port area became a duty-free zone.

In the first decade after the Company's foundation, all traffic between the port and the hinterland was routed over the road. Therefore, in **1963**, Luka Koper invested in the construction of 31 km of railway line to Prešnica, which was finalised in December **1967**. This opened up new development possibilities for Luka Koper. Turnover steadily rose and in **1968** exceeded one million tonnes.

Over the next two decades Luka Koper gradually won new markets and created new products. An important development step during this period included the establishment of the terminal for petroleum products in **1968.** A significant accomplishment was the construction of the container terminal in **1976. 1984** saw the finalisation of the bulk cargo terminal and in **1988** of the grain silo.

After **1990**, Luka Koper compensated for the loss in cargo from the former Yugoslav republics by focusing on the Central European markets. Following its ownership transformation in **1996,** the Company was entered in the Court Register as a public limited company, and that same year the Luka Koper share (with the symbol LKPG) was quoted for the first time on the Ljubljana Stock Exchange. The development of automotive logistics commenced.

In 1997, Luka Koper obtained the ISO 9002 certificate and became the first European port with comprehensive operations organised according to international quality standards. One of the priorities was environmental protection and

The first train arriving in port

First major transhipments of cars after 1990

adjustment to the EU standards. In **2000**, the Company also acquired the ISO 14001 environmental certificate and soon afterwards the ISO 9001:2000 certificate.

When Slovenia entered the European Union in **2004**, the Port of Koper became equal to other European ports, as it was assigned the status of European border inspection post.

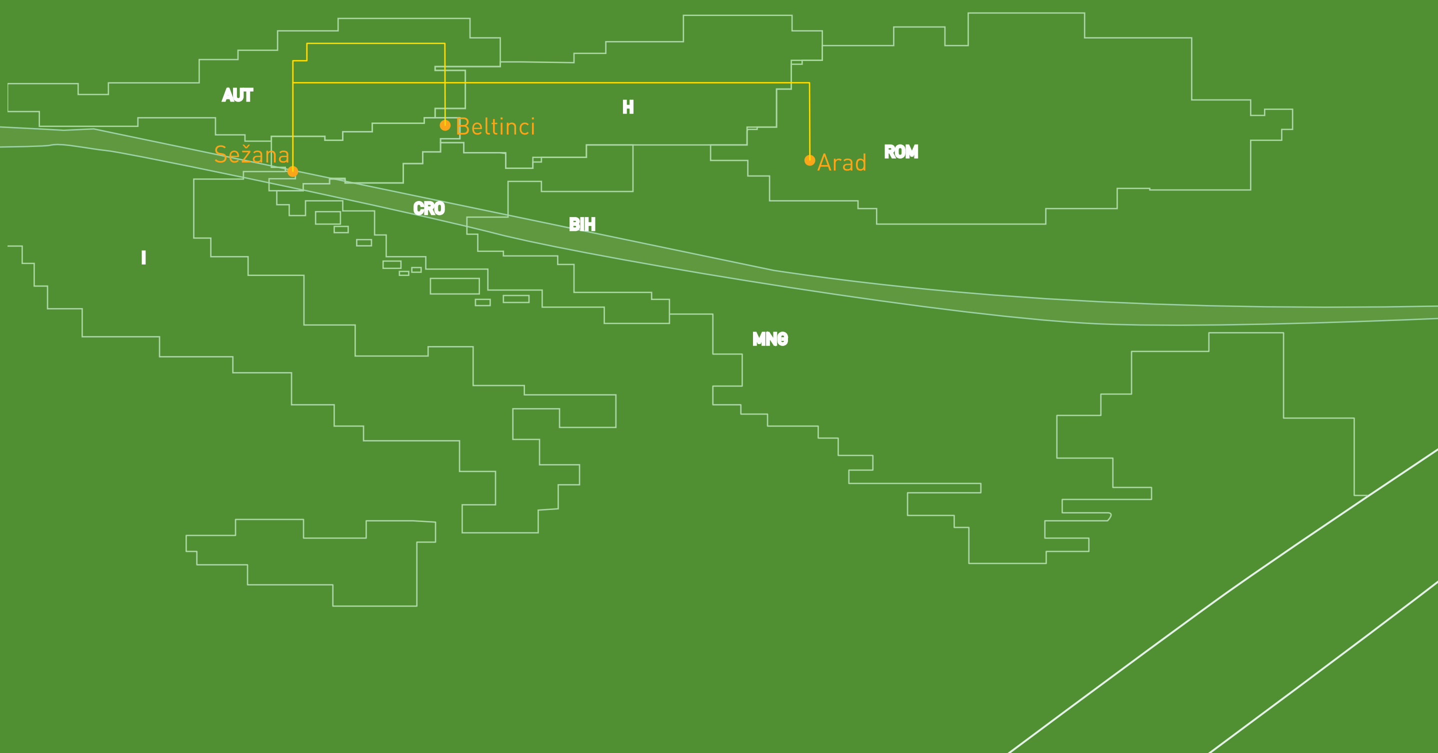
In **2006**, the Management Board set out a new development cycle within its business strategy until 2015 in order to double the Company's capacity. Luka Koper will develop an integral logistics product and set up several land terminals in its hinterland. The first step was taken in **2007**, when the Sežana terminal was built.

Sežana

Network of logistics and distribution centres

The Sežana European distribution centre, in the approximate vicinity of two Pan-European Corridors (V and X), is the first in a series of logistics and distribution centres within the logistics system of Luka Koper. We are managing approximately 120,000 m^2 of area at present. Once the centre is completed, it will cover about 650,000 m^2 in total.

The 'Panonija' distribution centre in the Prekmurje region will start operating in 2009, and the land container terminal in Arad, Romania, next to Corridor IV, will begin operations already at the end of 2008. We have also signed a letter of intent regarding the construction of terminals in Hungary.



BUSINESS REPORT

EVENTS, NOVELTIES AND ACHIEVEMENTS IN 2007

Encouraging and varied events in all business areas were reflected in a successful business year. The year was characterised in particular by successful performance in container, car and timber logistics, the first inland terminal, the opening of new representative offices, new business contacts, the launch of the new information system, environmental achievements, and the Company's 50^{th} anniversary.

January

- At the Asia Forwarders Forum logistics conference in Kuala Lumpur, we presented the advantages and opportunities of the transport route via Koper.
- The Company became an associate member of the newly founded Hungarian Logistics Cluster (Magyar Logisztikai Klaszter).

February

- The Company signed a contract with BTC Terminal Sežana, d.d. on the purchase of real estate in Sežana.
- We founded the company Adria Terminali, d.o.o. which manages and markets facilities in Sežana.
- The President of the Management Board, Robert Časar, was named the Businessman of Primorska 2006.
- We started using the first functionalities of the new information system for supporting operational and marketing processes (TinO).
- Luka Koper, d.d. received an award for being among the top ten Slovenian companies with the best credit rating in 2006.
- The Company presented itself at the largest European trade fair dedicated to perishable goods logistics - Fruitlogistica in Berlin.
- In the scope of Slovenian governmental and ministerial visits, we presented ourselves to business people in Israel, Bosnia and Herzegovina, and Macedonia.
- We renovated and modernised the port's intranet, which is the basic tool of communication between employees of the Luka Koper Group.
- The POR.PUL Porto Pulito (Clean Port) project was completed in co-operation with Italy.

March

- We rewarded the best suppliers in 2006.
- Munich hosted a business forum entitled »Luka Koper - Bavarian Door to the Far East«.
- Luka Koper sold a 26% holding in Actual IT, d.o.o.
- We closed the third pool with protective booms to prevent any pollution from spreading into the open sea.
- The Company signed a letter of intent with Trade Trans Invest and MAV Kombi Terminal with reference to the construction of a container terminal in the Romanian boarder town of Arad.
- We presented awards for the best design solutions in the framework of a competition for comprehensive spatial arrangement of the port.
- We presented the port terminal project at the Seatrade fair in Miami.

April

- We signed a letter of intent relating to business co-operation with the Argentinean port Mar del Plata.
- The Company presented itself at the Slovenian Capital Market Day in Ljubljana.
- We met with the members of the Austrian Association of Forwarders and presented ourselves to the members of the Overseas Transport Committee of the Forwarding and Logistics Association in Vienna.
- The Company sold an 8.3% stake in Banka Koper, d.d.
- We were visited by a government and economic delegation from South Korea.
- We joined the government and economic delegation in Athens.
- The largest tourist cruise ship Veendam was moored at the passenger terminal.

May

- On the 50^{th} anniversary of Luka Koper we opened an exhibition about the development of the port and presented the monograph "50 Years of Experience for New Horizons".
- The President of the Management Board and the Egyptian minister of transport discussed co-operation with the Port of Alexandria.
- We attended the General Meeting of the association of Mediterranean Cruise Ports - MedCruise.
- The Company co-established the logistics company POS-EDSC, d.o.o. which will develop a new distribution centre for steel products. Luka Koper, d.d. holds a 10% stake in this company.
- In Koper Bay we participated in the national protection and rescue drill »Morje 2007«.

June

- Luka Koper presented itself at the largest European transport and logistics trade fair - Transport Logistic 2007 in Munich.
- The traditional meeting with Hungarian business partners in Budapest was characterised by the 50^{th} anniversary of the port.
- The Company presented itself at the Slovenian Capital Day in Zagreb.
- We received a visit from the Austrian minister of transport, Werner Faymann.
- The Company was visited by a Malaysian delegation accompanied by representatives of the Port Klang Authority.

July
- The 19th meeting of the Transport Committee of the Slovenian National Assembly took place at Luka Koper.
- The Company was visited by Laurens Jan Brinkhorst, co-ordinator of the European Commission for Priority Project No. 6.
- We successfully organised an Open House Event at Luka Koper.

August
- The Luka Koper share (coded LKPG) reached a record high of EUR 113.66 on the Ljubljana Stock Exchange.
- The representative office for Bulgaria and Romania was opened in Rousse, Bulgaria.

September
- A traditional workshop was organised for employees, dealing with the environmental management system. It was expanded to also include the issue of occupational safety and health.
- In Malaysia, we opened Luka Koper's Regional Office for the Far East.
- The Company was present at the Thailand International Logistics Fair in Bangkok.
- We received a construction permit for our new office building.
- The Company participated in the international sea protection exercise NURRA 2007 in Sardinia.
- The Government of the RS approved the Annex to the Lease Contract about operational shores and land, and thus gave Luka Koper permission to construct some of its planned facilities.
- The Company presented itself at the Slovenian Capital Market Day in Milan and Vienna.

October
- At a ceremony marking the 50th anniversary of Luka Koper, the Prime Minister of the RS, Janez Janša, and the President of the Company's Management Board, Robert Časar, drove the first pile for pier I extension into the ground.

- Our Sea Protection Department acquired its first ecological intervention vessel in case of sea pollution.
- The Minister of the Economy, the Minister of Transport, the Minister of the Environment and Spatial Planning, the Mayor of the Municipality of Sežana, and the President of the Management Board, Robert Časar, signed a letter of intent pertaining to the joint implementation of the European Distribution Centre project in Sežana.
- Luka Koper was visited by the Chairman of the Trieste Port Administration, Claudio Boniciolli.
- Slovenian and Hungarian businessmen created the Slovenian-Hungarian Business Council.
- We signed a letter of intent referring to the construction of a container terminal in Hungary with the representatives of the Hungarian Logistics Cluster and the company Masped ZRT.
- Luka Koper took over the sponsorship of the international conference Automotive Logistics Central Europe in Portorož.
- The Company presented itself at the transport and logistics trade fair Transport a Logistika in Brno, Czech Republic.
- The Ministry of the Environment and Spatial Planning issued a building permit for the new car warehouse.
- We met with Serbian business partners at the Day of Luka Koper in Belgrade.
- Luka Koper Pristan expanded its range of services owing to the renovated conference hall.

November
- Four days before the end of November, we fulfilled the annual maritime throughput plan.
- We hosted the Italian and Slovenian ministers of transport.
- The Company was presented at the annual general meeting of forwarding associations in ASEAN member countries.
- We joined the government and economic delegation which visited China and Turkey.
- We harvested 488 kilograms of olives in the area of the port and produced 87 litres of olive oil.

December
- A celebration was organised on the 40th anniversary of the opening of the Koper-Prešnica railway line.
- The Company presented itself at the Slovenian Capital Day in Stockholm and London.
- The Slovenian Tourist Organisation assessed the Passenger Port of Koper as the most creative and innovative contribution among tourist projects and presented it with the '2007 Golden Sower Award' ('Zlati sejalec').

IMPORTANT EVENTS SUBSEQUENT TO FINANCIAL YEAR END

January

- We hosted the Slovakian transport minister, Ľubomír Vážny.
- We received a construction permit for a terminal for receiving oil derivatives at pier II.
- We started the construction of the new car warehouse, which will initially provide 2,751 parking places.
- The Environment Agency of the Republic of Slovenia issued the environmental permit for the entire port.

February

- Trade Trans Terminal purchased a 49% stake in the subsidiary Adria Terminali, d.o.o. from Luka Koper, d.d.
- By signing an annex to the Collective Agreement, the Company reached a social agreement with the Port Activity Union and the Port Employee Trade Union.
- We selected the contractor and launched construction work on the extension of pier I.
- We were among the first in Slovenia and the first port in the world to receive the ISO 22000:2005 certificate for the provision of safe food.
- Luka Koper, d.d. became the owner of a third of the company Rail Port Arad, which will construct a land container terminal by the end of the year.
- We were issued a permit for managing a tax warehouse, which offers a number of benefits for community goods.

March

- The subsidiary Adria Terminali, d.o.o. together with the Italian companies Pacorini and Ocean, established the company GCT (General Cargo Terminal). The latter will participate in a tender for winning a concession to manage the general cargo terminal in the Port of Trieste, transhipping mainly timber.
- We launched the new ecological vessel Omnia 10.60, named »Barbara«.
- A ceremony was organised as the investment in the modernisation and increased capacity of the fruit terminal was finalised.

April

- The members of the Supervisory Board passed the proposal of the Workers' Council of Luka Koper, d.d. and discharged the previous employee director, member of the Management Board, Pavle Krumenaker. His successor was not appointed. In line with the Workers' Participation in Management Act, a Committee was founded, comprised of three representatives of the Supervisory Board and three representatives of the Workers' Council. By the next meeting of the Supervisory Board, the Committee is expected to propose a joint candidate for the Management Board - employee director.

The shareholders and the general public are informed about all key business events via the stock exchange system - http://seonet.ljse.si and on the Company's website www.luka-kp.si.

CHARACTERISTICS OF THE ECONOMIC ENVIRONMENT

Quick response to changes

Industry conditions and trends

We regularly analyse developments in the logistics and transport industry with a stress on maritime and land logistics. In 2007, we responded to changes by making strategic business decisions which guarantee the development and growth of all activities.

For several years the transport and logistics industry has been witnessing intensive growth, a trend recorded by all European and Northern Adriatic ports. The greatest rise has been in the movement of goods between the Far East and Europe. Since the countries of Eastern Europe joined the European Union and opened their borders to foreign investors, their role in the transport and logistics industry has been gaining importance.

In this context we opened the Regional Representative Office for the Far East in Malaysia and the Regional Representative Office for Bulgaria and Romania as well as established a partnership for the construction of a land container terminal in Arad, Romania. Moreover, we participated in international economic forums and logistics trade fairs.

The increase in goods trade brings with it an increase in goods containerisation, a focus on transport cost-cutting, larger ships, and the establishment of direct lines between ports. Requests for the shortest possible delivery times warrant a greater scope of transport. The task of ports is to maintain high-quality services, provide for cargo handling in the shortest time possible, and establish new railway connections with the hinterland.

In line with these trends we started contruction work to extend pier I, which will be able to dock the largest container ships. The Company's investment in its own wagons provided the foundation for strengthening its railway transport.

European transport policy aims to reroute most goods transport from the

roads to the railways and from the railways to the sea. To this end, many projects and subsidies have been offered.

The Port of Koper is actively working on the construction of a new railway connection with the interior of the country and towards modernisation of the road network.

The environmental and safety standards in the transport and logistics industry are ever more stringent, as a result of which the monitoring and management of environmental impacts have become a part of the regular activities carried out by companies.

The Company adopts a comprehensive approach to environmental issues. In 2000, Luka Koper was among the first European ports (and the only Adriatic port) to establish an environmental management system according to the ISO 14001 standard applying to all port activities. This system was upgraded in May 2006 to ISO 14001:2004.

Position in markets and opportunities

Slovenia

The domestic market, accounting for nearly a third of throughput, is the largest and remains such. In spite of significant growth, its relative share is unchanged. The major product group is energy cargoes (coal and oil derivatives).

In Slovenia, we plan to set up an efficient logistics network of land terminals to take advantage of the strategic position of our country and important goods flows on the corridor connecting Eastern Europe, Western Europe and Southern Europe.

Austria

The Austrian market for transit throughput, where we have been present for as many as 25 years, has traditionally been the Company's largest market. We provide services in the import of raw materials (iron ore, phosphates, bauxite) and in the export of semi-finished products and products (timber, paper, cellulose, iron products).

In co-operation with the strategic partner GKB Graz-Köflacher Bahn und Busbetrieb GmbH (an Austrian carrier), Luka Koper, d.d. founded the company Adria transport, d.o.o. to provide railway goods transport through Koper.

In addition to the activities for acquiring throughput, in 2008 we will participate in the establishment of regular connections with Graz, Vienna and Enns through block trains. In this way we will increase the 10% market share in container throughput in Austria.

Italy

Italy is the Company's second most important market. Competition in this market is fierce, since the country has ports of its own. The bulk of throughput is represented by coal, which is transported for thermal power plants on the eastern Italian coast.

As Slovenia became part of the Schengen area, new opportunities arose, especially in Northern Italy.

Hungary

The Hungarian market is among the more important ones. We are present mainly in container throughput, holding an approximately 50% market share, in the import of soy for fodder, and in the export of grain.

The Hungarian market opened up to new investors and new potential opportunities were created for product throughput. The transport connection with this country is very good and the introduction of a new block train in September has additionally improved the goods flow.

Slovakia

The Slovakian market accounts for around 5% of the total throughput of the Company. The largest share of the Slovakian market is represented by the throughput of iron products. Slovakia is among the largest international car manufacturers. Thanks to the construction of the Kia factory in Slovakia, the Port of Koper succeeded in gaining the throughput of passenger vehicles and vehicle parts. Next year we expect the turnover to increase mainly in container and car throughput.

Czech Republic

The Czech market represents 1% of the total throughput of our port. The major product groups are still containers, iron products and cars. Next year we will focus chiefly on the opportunities arising from the construction of the Hyundai factory in Nošovice and the partnership with Sony, which has a warehouse in Prague.

Romania and Bulgaria

These markets are of strategic importance for Slovenia and the Luka Koper Group owing to the strategic position of the two countries, through which run the Pan-European transport corridors. The Company established a joint representative office for both countries in Bulgaria in order to promote and direct throughput of a larger volume from this part of the Balkans. The potential for investments in infrastructural facility management, e.g. hinterland logistics terminals, is important, as are greater goods flows.

Near and Far East

On the Israel-Europe corridor, the goods flows of fruit and vegetables have an established route through Koper, operated by two container shipping agencies. The Far East is one of Luka Koper's most significant overseas markets. In this quickly growing market, our activities have been accelerated by the opening of the Regional Representative Office in Malaysia.

ANALYSIS OF OPERATIONS OF THE LUKA KOPER GROUP

Promising diverse growth

Testifying to the extremely successful performance of the Luka Koper Group are the 15.6% rise in operating revenue, 9% increase in throughput, 49% growth in net profit, and, last but not least, the 11% rise in the number of employees. This reflects the effectiveness of efforts aimed at redirecting maritime goods flows for Central and Eastern Europe and the bold development investments in the expansion of port and logistics activities.

Operating revenue of the parent company account for 90% of the total operating revenue of the Luka Koper Group, which is why the parent company's operations have a significant impact on the Group's performance. The analysis of the Luka Koper Group's operations also presents the operations of the parent company.

Performance of the Luka Koper Group

Profit and loss account

Major categories of the Luka Koper Group's income statement (in '000 of EUR)

Major indicators	2005	2006	2007
Operating revenue	92,634	105,688	122,222
Operating expenses	74,297	86,288	98,827
EBITDA	32,466	33,803	40,033
Net profit	20,098	20,702	30,865
Added value (in '000 of EUR)	53,801	60,348	70,610
Turnover ratios			
Operating efficiency ratio	1.25	1.22	1.24
Total efficiency ratio	1.31	1.26	1.33

Operating revenue

The year was characterised by a 15.6% rise in operating revenue. Average annual growth in the last three years stood at 17.4%. We generated EUR 122 million in operating revenue, of which 72% was in foreign markets. The structure of revenue by currency shows that 84% is accounted for by EUR and 16% by USD. The exposure to and management of currency risk are presented in the chapter Risk Management.

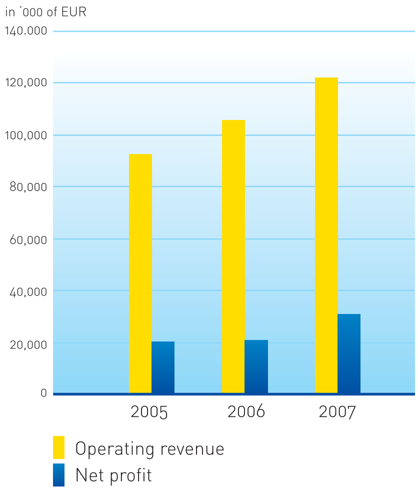
The increase in revenue was mostly influenced by basic throughput activity, where we again achieved record figures. Maritime throughput of 15.4 million tonnes was 9% greater than the year before. The year 2007 was a turning point also as regards the strategically significant product groups of containers and cars, namely more than 300,000 containers and over 500,000 cars were transhipped.

The favourable upward trend in throughput activity also had a positive impact on the towing activity performed in the port pool. This activity contributed 4.4% of the Group's revenue and recorded a 6% increase in the number of tows. The number of ships in the Port of Koper last year climbed to 2,234 and on average more than two towing operations were performed per ship.

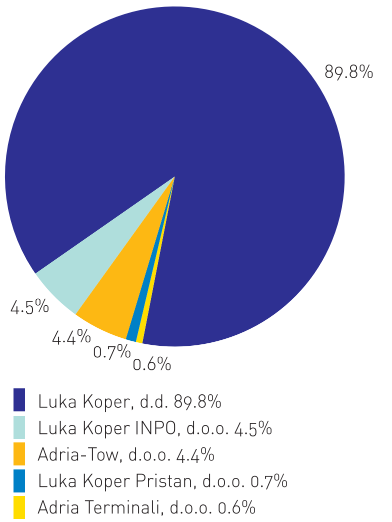
Logistics services of the hinterland terminal and hotel services round up the Group's activity, although they currently represent only 1.3% of the Luka Koper Group's revenue. The hinterland terminal services have only started being carried out, while the hotel activity has been expanding to high-class restaurants. Revenue earned by the disability company equal 4.5% of the total revenue of the Group and exceed the 2006 figure by 15%.

Proof of the growth in other activities of the Luka Koper Group is the share of the parent company's revenue in total revenue, having decreased from 92% in 2006 to 90% in 2007.

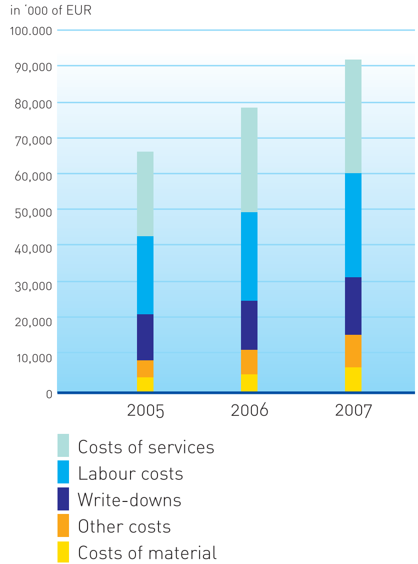
Operating revenue were also influenced by other operating revenue in the amount of EUR 3.2 million, generated by the sale of some fixed assets and rewards for loading and unloading ships ahead of schedule.



Operating revenue and net profit



Structure of operating revenue in 2007



Structure of operating expenses

Operating expenses

The rise in throughput is reflected in a greater volume of additional activities, which significantly influence the increase in operating expenses. The latter amounted to EUR 98.8 million, or 14.5% more than in 2006. The annual growth in operating expenses is one percentage point below the annual growth in operating revenue, which favourably impacts the operating result.

The greatest increase in variable costs was that of the costs of physical services. Growth was also recorded in some fixed costs, for instance amortisation/depreciation, labour costs and environmental protection costs. The operating expenses of the parent company represent more than 89% of the total expenses of the Luka Koper Group.

Costs of material

Changes in the costs of material were characterised chiefly by throughput trends and the price of energy sources. Compared to the year before, the costs of material, which were also influenced by the monitoring of maintenance costs, rose by 34%. More details are available in Note 2 in the consolidated Financial Report.

Cost of services

These costs were 13% higher than in 2006, reaching EUR 33.9 million. The costs of physical services, maintenance costs, and the costs of transport services accounted for 66% of the total costs of services.

The highest rise was recorded in the costs of physical services, which grew by 43% over the year before. The increase in the costs of suppliers of port services, in addition to the more extensive sea freight, is influenced by a greater volume of additional services related to goods, the interior transport of goods to remote warehouse locations owing to occupied warehousing capacities around terminals, and more numerous goods movements at specific terminals.

Maintenance costs amounted to EUR 7.6 million, which is 5% less than in 2006. The costs of transport services varied during the year depending on the scope of fruit, vegetable and coal throughput to the markets of Western Europe. They were 5% higher than the 2006 figure.

Labour costs

These costs grew by 15% and totalled EUR 30.9 million. They account for 31% of total operating expenses. In September, the basic salary was raised by 5%, as salaries were harmonised with the increase in the consumer price index. The rise was also due to having 11% more employees, whose number at the end of the year equalled 1,070. More information about the number and structure of employees is available in the chapter Sustainable Development.

Write-downs

In 2007, depreciation/amortisation rose by 14% to EUR 16.7 million. The rise reflects intensive investments over the past two years. In 2007, depreciation/amortisation represented 18% of the total investments made by the Luka Koper Group that year.

Finance income and expenses, and financial result

Finance income in 2007 reached EUR 14 million. Revenue from the disposal of financial investments, comprised chiefly of the sale of Banka Koper shares, stood at EUR 5.9 million.

The largest portion of finance expenses is that of interest expense arising from loans taken in the amount of EUR 2.3 million. In 2007, the financial result was EUR 10.3 million.

Profit for the period

The Luka Koper Group generated EUR 23.4 million in profit from operations, which is 21% more than the year before. Taking into account EUR 10.3 million in profit from financing, total profit stood at EUR 33.7 million and exceeded last year's figure by 44%.

Taking the corporate income tax into consideration, the net profit of the Group totalled EUR 30.9 million. Minority shareholders were entitled to EUR 741,000.

The effective tax rate in 2007 was 8.8%. The reduction in the tax base mostly reflects tax benefits for investments in the economic zone and deductions for R&D investments. If the 25% corporate income tax rate is taken into account, the effective tax rate would be 0.8% higher, equalling EUR 257,000.

Operating efficiency ratio and total efficiency ratio

Testifying to effective performance are the total efficiency ratio, namely the ratio between total revenue and expenses, and the operating efficiency ratio, calculated as the ratio between operating revenue and operating expenses. Both ratios have been increasing over time.

Assets and liabilities

Balance sheet as at 31 Dec. (in '000 of EUR)

	2005	2006	2007
Total assets	331,216	366,404	461,159
Long-term assets	266,825	326,910	421,422
Short-term assets	64,391	39,494	39,737
Long-term liabilities	315,420	350,292	370,309
Short-term liabilities	15,796	16,112	90,850
Financial condition ratios			
Equity financing rate	0.82	0.80	0.74
Financial liabilities rate	0.11	0.10	0.13

Assets and their structure

As at 31 December 2007, the Luka Koper Group managed EUR 461 million in assets. Of these assets, 91% were long-term and 9% short-term. Real estate and financial investments accounted for 70% of the total. The bulk of short-term assets comprised current operating receivables, representing 73% of short-term assets.

The Group's long-term financial investments stood at EUR 173 million. The major item is investments in shares of Slovenian blue chip companies. Considering tax impacts and the situation in the capital market, long-term financial investments will be sold off in a balanced manner and used as a source for financing our ambitious investment plans.

Liabilities and their structure

Long-term and short-term liabilities account for 4% and 20% of total assets, respectively. In 2007, short-term operating receivables grew on account of an amended financial policy whereby the maturity of payments was extended, and due to an increased volume of purchasing, mainly investments. A rise was also recorded in short-term financial liabilities, among which the prevailing item is short-term liabilities to commercial banks arising from loans taken. The portion of short-term financial liabilities increased to exceed long-term financial liabilities in 2007, when the Company financed the investment cycle by using more favourable short-term loans. More information about the maturity of liabilities is given in chapter Financial Management.

Equity financing rate

The capital of the Luka Koper Group, amounting to EUR 341 million, accounts for 74 percent of total liabilities. The share of capital in total assets dropped compared to the previous year owing to a gradual changing of the structure of liabilities in favour of cheaper debt equity. Financial security remains favourable, which is confirmed by a high equity financing rate.

Financial liabilities rate

The portion of short-term and long-term financial liabilities in total assets was 13% as at 31 December 2007. The upward trend in financial liabilities points to the fact that the advantages of the financial leverage are being exploited.

Cash flow

Cash flow (in '000 of EUR)

	2005	2006	2007
Net cash from operating activities	22,798	37,419	55,940
Net cash used in investing activities	12,880	32,376	68,010
Net cash from (used in) financing activities	-9,509	-10,568	13,462
Cash for the period	409	-5,525	1,391

In 2007, the Luka Koper Group generated EUR 56 million in cash flow from operating activities. This is 49% more than in 2006. A positive impact on cash flow from operating activities was due to the amended financial policy of the parent company, which is reflected in higher liabilities to suppliers as a result of extended payment deadlines.

Investment activities were in parts financed by sold long-term and short-term financial investments. Owing to their volume, the cash flow from investing activities exceeded the cash flow from basic activities by EUR 12 million, for which the Group acquired all additional sources, recognised as net cash from financing activities.

A more detailed presentation of the financial situation of the Luka Koper Group is provided in the chapter Financial Management.

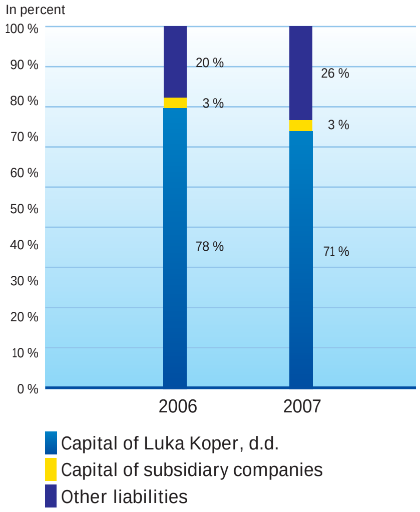
FINANCIAL MANAGEMENT

Safe support to development

Comprehensive financial management of the Luka Koper Group is organised on the level of the parent company, which sees to it that optimal liquidity, control, and management of financial risks in the Group's companies are provided. The management of the Group's financial investments is also centralised. The prevailing influence of the parent company is reflected in its very high shares in the Group's balance sheet items. The total assets of the parent company make up 94% of the total assets of the Group, whereas its equity accounts for 95% of the Group's total capital.

Ownership aspect of financing sources

The very high degree of security of the Luka Koper Group is mainly ensured by equity sources of financing, namely capital. This category of financing accounted for 74% of all liabilities, which is 6 percentage points less than the year before. On the Group level, we will in the future expand the share of cheaper debt sources of financing and thus exploit the Group's financial leverage.



Structure of liabilities

In 2007, the Luka Koper Group's financial liabilities accounted for 13% of its total assets, having risen by 3 percentage points compared to the year before. The low level of indebtedness of both the parent company and the entire Group represents solid foundations for financing future investments. By increasing the volume of borrowing we provide the conditions for a higher return on equity.

The Group also used operating liabilities as a source of financing. These rose by 3 percentage points and on 31 December 2007 equalled 8% of the Group's total liabilities. This increase was mainly due to the amended financial policy whereby Luka Koper, d.d. extended the maturity of payments to suppliers, and due to the increased volume of purchasing chiefly resulting from investments in the Company's core activity and development.

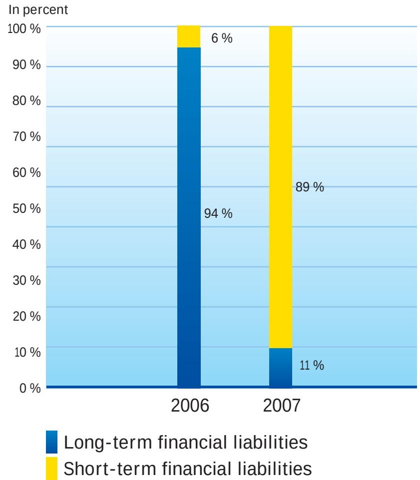
Currency structure of financial sources

In 2007, the Luka Koper Group almost exclusively procured financing in euros. The exception was a loan raised by the parent company that was denominated in US dollars. This loan was raised to hedge the parent company's asset item of trade debtors against currency risk. More detailed effects of this hedging are presented in Note 31 to consolidated financial statements.

The share of foreign sources in US dollars accounted for 3% of all foreign sources of the Group's financing and was 2 percentage points higher than the year before.

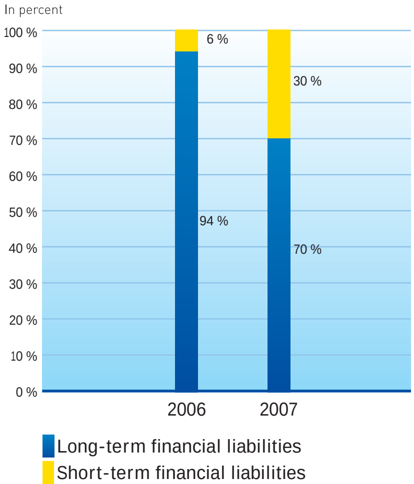
Maturity of liabilities

The change in the ratio between long-term and short-term financial liabilities was also caused by conditions in the banking market as short-term sources were significantly cheaper than long-term ones. That is why all new bank sources were short-term. A large proportion of the long-term financial liabilities of Luka Koper, d.d. falls due in 2008, which is why as at 31 December 2007 these liabilities were recognised as short-term. This item is detailed in notes nos. 27 and 28 on the consolidated financial statements.



Structure of financial liabilities in terms of maturity

Since some short-term financial liabilities have a long-term character and because the parent company intends to extend all existing short-term



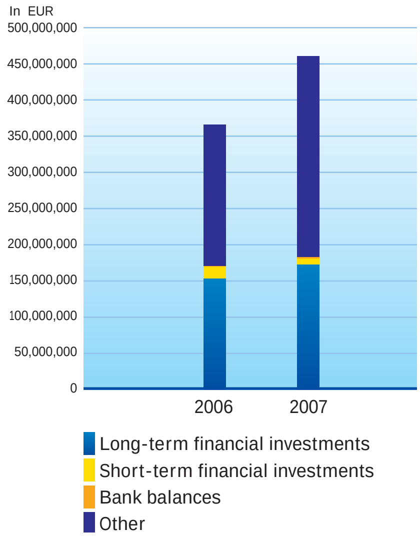
Structure of financial liabilities in terms of maturity type

sources as they fall due, the maturity of financial liabilities can in terms of contents be presented as in the chart above. In such a case the ratio between short-term and long-term financial sources is very different since in 2007 short-term financial liabilities accounted for 30% of the Group's total.

Financial investments as a source of financing expansion of the basic activity and the Group's development

An important asset item of the Group and jointly-controlled company is assets in the form of long-term financial investments, namely financial investments in associates, financial investments in other shares and stakes, and long-term loans granted. As at the last day of the year they amounted to EUR 173 million. Short-term financial investments totalled EUR 8.6 million, mainly consisting of bank deposits. More than one-half of long-term financial investments comprise investments in marketable securities of successful Slovenian companies and mutual funds.

Financial investments represent a significant potential source of financing the planned intensive investment cycle. By carefully managing these investments and taking into account the tax aspect of their disinvestment the Group, the parent company in particular, will gradually transfer its financial investment balance to real investments. Thus, it will boost its capacity to perform basic activity and implement its development strategy. The performance rate of surplus cash assets allocated to selected financial investments in the past few years is presented in Table A in Note 22 to consolidated financial statements.



Structure of assets

Such an extensive source of funds on the assets side - in the form of financial investments - represents a good basis for making ambitious projected investments which will in the next few years provide strong foundations for the constant growth in operating results.

RISK MANAGEMENT

Efficient approach to risk reduction

The steep rise in the scope of services, the ever greater utilisation of capacities and the realisation of clearly set development goals are reflected in the Luka Koper Group's diverse growth and its greater exposure to different types of risks.

Identifying the type of risk, defining the level of exposure and establishing of an efficient system for managing risks are becoming important segments of the business policy being pursued through balanced co-operation between the Management Board, the Controlling Department, the Quality Department and other technical services. We conduct regular internal and external assessments and inspections of our operations.
In this way we defined the key risks to which the Luka Koper Group is exposed. They are divided into:

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

Strategic risks

The clearly defined and targeted development strategy for the period up until 2015 significantly reduces exposure to strategic risk. The strategic orientations are helping the Luka Koper Group develop into a visible logistics service provider and an efficient port and distribution system. Successful implementation of the development strategy in the Port of Koper is directly influenced by adoption of the national spatial plan that is scheduled for 2008.

Estimate of the Management Board: strategic risks are moderate and there is a limited probability of opportunity losses in the Group as a result of this type of risk.

Business risks

The risks which are directly related to the ability to generate revenue and the planned return represent a series of business risks.

Investment risks
The investment cycle started by the Luka Koper Group in 2007 will intensify in the next year. Investments will be made in port infrastructure, technological upgrades and the future development of the activity. As a result, risks concerning investments in property, plant and equipment will increase as well.

Risk control measures include:

- the balanced planning of investments in basic port and development activity in terms of contents;
- checking the economic justification of investments;
- achieving the planned economic performance of investments; and
- constantly improving the quality of the preparation, implementation, activation and monitoring of investments.

The Management Board establishes that risks arising from investments in property, plant and equipment are high and at the same time feels that due to the functioning risk management mechanisms the probability of a loss suffered by the Group is low.

Human resources risks
In spite of the state-of-the-art technical and technological equipment, the port activity remains labour-intensive. That is why the availability and motivation of staff are important factors of efficiency.

The management of human resources risk in the section referring to the availability of labour was in the conditions directed by port activity trends defined as follows by:

- a systematic approach to planning labour needs; and
- providing for the horizontal and vertical mobility of the workforce.

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

- systematic annual interviews with employees;
- periodic measurements of the organisational climate;
- setting up a dialogue with the employees by using various forms and tools of internal communications;
- using rewards systems; and
- putting into action various forms of additional care for employees even outside of working hours.

In the opinion of the Management Board, human resources risk in the Luka Koper Group is moderate. Owing to systematic measures of risk management, the probability of loss in the Group is also moderate.

Information system risks
The only identified risk in the information system's functioning refers to the method for providing information support services by outsourcing. A comprehensive and integral service in this area is supplied by Actual I.T., d.o.o. from Koper.

The established good business practice proved by the stable functioning of the information system and a suitable level of IT user satisfaction considerably decreases the risk related to the information system's operations.

In 2007, Luka Koper, d.d. sold its 26% stake in Actual I.T., d.o.o. Koper. Nevertheless, the two companies will continue co-operating based on a partnership. We successfully completed the most important long-term project, namely the introduction of modern information support to operational processes for service implementation and marketing.

The Management Board estimates that the described status of the information system ensures a low level of risk. In its opinion, the established mechanisms for controlling it limit the probability of damage to the Group to a low level.

Sales risks

Sales risks are directly related to the level of competitiveness in the provision of services in terms of both quality and quantity.

In addition to basic port services of throughput and warehousing, we make sure that customers' needs for additional services are met within the port system and along the entire logistics chain. We strive for:

- the supervision and systematic management of customer relations (regular communications, proactive solving of operational issues, checking customer satisfaction);
- a diversity of the port's range of services which in the future will remain focused on various product groups and be upgraded by services boosting added value and profitability;
- the provision of comprehensive support to customers by outsourcing other logistics service activities; and
- quality and efficiency as the main competitive advantages of our service range.

According to the estimate of the Management Board sales risk in the Luka Koper Group is moderate. The likelihood of the Group suffering a loss as a result of sales risk is estimated as moderate since numerous activities increase its competitiveness level.

Environmental risks

The risk of a deterioration of environmental media (water, air or ground) is estimated as low by the Management Board of the Company.

On the level of the Luka Koper Group we prepare and update lists of potential environmental hazards and threats to employees on an annual basis. We regularly assess the level of endangerment in the sense of the possibility of major accidents. The lists and assessments are revised once a year in the register of environmental issues within the scope of the environmental planning processes and the planning of employee protection.

The risks of environmental impacts directly connected with port activities, the risks connected with global orientations in energy and the risks related to the amendments and harmonisation of new legislation are managed by:

- regular and legally prescribed measurements carried out by authorised organisations (environmental measurements and measurements in the workplace);
- regular internal supervision within the framework of the Sea Protection Department and Security Service;
- implementing preventive measures specifically defined for each terminal and technological procedure;
- conducting prevention exercises on a regular basis;
- the constant training of employees;
- taking efficient measures; and
- the introduction of technological novelties and monitoring the implementation of adopted measures.

As environmental risks are low due to the consistent measures taken, the Management Board is of the opinion that the probability of a loss in the Group arising from these risks is also low owing to the systematic measures.

Legislative risks

Legislative amendments and interpretation of the legislation, in particular those parts regulating the basic activity of the Group, are crucial elements of legislative risk.

Fruitful co-operation and consulting with regulatory bodies in the process of introducing and amending legislation, along with our in-house experts, significantly reduce exposure to this type of risk.

Legislative risk is assessed as low by the Management Board. The latter feels that suitable measures help maintain the low probability of a loss to the Group arising from such risks.

Profitability risk

The unresolved concession relationship between Luka Koper, d.d. and the Republic of Slovenia represents a profitability risk for the Group.

Once this concession relationship pertaining to port terminal management is regulated, port activity will gain a stable foundation of Luka Koper's dynamics. By increasing the scope of operations, the share of more profitable services and efficiently managing costs, we are maintaining and improving profitability despite the expected pressures to reduce the prices of our services.

The Management Board believes that the profitability risk is moderate. Also moderate is the probability of a loss in the Group as we believe that the contents and amount of the concession fee will be determined by equally bearing in mind the ownership and management goals.

Financial risks

The main financial risks experienced by the Luka Koper Group are the following:

- **fair value risk;**
- **interest rate risk;**

- **currency risk;**
- **liquidity risk; and**
- **credit risk.**

Exhaustive supervision of these risks, which is regularly carried out by the Financial Department at different intervals, prevents to a sufficient degree the uncertainty arising from fluctuations in financial categories, in particular finance income and expenses. Thus the designed financial policy provides solid foundations for the long-term stable operations of the entire Group.

With this approach we achieved a significantly higher reality level of planned categories, in particular projected future cash flows, among which we highlight the minimisation of the possibility of extraordinary finance expenses as a result of negative movements in various economic categories.

The measures for establishing and controlling financial risks are included in everyday working process. They provide the foundations for fast and timely responses to the changes in managed financial categories, which are the consequence of the presence of risks in financial operations.

The results of such financial policy and the process of financial risk management provide more stable operations of the entire Group and enhance the trust of the Company's owners, business partners and all other stakeholders co-operating with the Luka Koper Group.

This is proved also by credit rating reports of internationally established rating institutions, which enable the Group companies to acquire funds under the most favourable terms.

Fair value risk

The Group invested 20.1% of its assets (in 2006: 14.2%) in financial investments carried at a fair value. The fluctuation in securities prices affects the value of these assets and consequently

the potential capital gains on disposal.

Accordingly, Luka Koper, d.d. which holds all the said investments, estimated the risk volume arising from the change in the fair value of these investments. Note 31 to the consolidated financial report presents the effects of different projections of the future changes in fair values, along with the results of a sensitivity analysis.

On the basis of the estimated values the Management Board assessed that the exposure to the risk of changes in the fair value of the Company's assets invested in financial investments is low, as is the probability of a related loss.

Interest rate risk

The greater the volume of borrowing, the greater the importance of interest rate risk owing to the fact that an unexpected rise in variable interest rates may jeopardise the planned business results of the Company.

Financial liabilities represent 14.5% and 12.7% of the total liabilities of the parent company and the Group, respectively.

The effects of expected fluctuations in interest rates are presented in Note 31 of the consolidated financial report.

In the framework of the ambitious investment cycle, which will include heavy investments in the Company's core activity and the boosting of its capacities, the share of borrowing will rise. As a result, the Company will be more exposed to interest rate risk. That is why activities were launched at the level of the Company and the Group, which will be reflected in interest rate risk management by means of other (derivative) financial instruments. The objective of such a policy will in part be to neutralise the effects of changes in variable interest rates on finance expenses arising from interest expenses.

Since the share of financial liabilities linked to a variable interest rate is low, the Management Board estimates that the exposure to interest rate risk and thus the probability of a loss due to changes in interest rates are low.

Currency risk

The introduction of the euro in Slovenia had a positive impact on companies as regards currency risk. This is also true of all companies in the Luka Koper Group. Thus, the parent company »secured« its asset items denominated in foreign currencies by stating a financial liability in the same currency; namely, trade debtors in US dollars. The practice of maritime transport is historically closely connected with the US dollar, which is why great effort was devoted in past years to change the currency in which services are charged. As a result, the share of invoiced sales in US dollars is constantly decreasing.

In order to secure the USD-denominated receivables, the Company has provided for internal protection in the form of a financial liability equalling the average monthly turnover in the said currency. In this way in 2007 the Company balanced a good 60% of financial effects arising from changes in the USD exchange rate.

The Management Board assesses that the exposure to currency risk and thus the probability of a loss owing to an unfavourable movement in the exchange rate are low since the risk-bearing foreign-currency item accounts for a mere 0.61% of the total assets of the Company. The effect of hedging, detailed in Note 31 of the consolidated financial report, further reduces this exposure.

Liquidity risk

The Luka Koper Group manages liquidity risk through the regular planning of cash flows for different maturities. Reconciliation of funds on the asset side and obligations on the liabilities side by maturity is crucial for assuring long-term solvency.

By carefully planning both operating and financial liabilities we create the foundations for consistent compliance with agreed due dates. The regular and timely checking of deadlines and amounts of liabilities are adjusted with the agreed (expected) inflows. If

a business partner fails to meet its financial obligations in due time, we draw a revolving loan that we use for unpredictable situations. In this way we make sure that the operating and financial liabilities are discharged regularly and by the deadline. This is confirmed by the credit rating reports issued by competent institutions which have assigned us the highest payment discipline estimates. We believe that by managing liquidity risk in this way we can make a positive contribution to better financial discipline in both Slovenia and the broader European economic area.

The analysis of financial liabilities by maturity shows that all short-term financial liabilities of the parent company will fall due in 2008. According to the business plan, the Company will renew them as these liabilities can already be characterised as long-term ones. Long-term liabilities in the amount of EUR 6.2 million will fall due at the start of 2009.

Long-term solvency is provided by reliable operations and efficient asset management. Investments planned in the upcoming period will significantly impact on the Company's solvency, which is why we will make sure that suitable sources (own and borrowed) for financing these investments are acquired in due time.

The Company's Management Board estimates that the exposure to liquidity risk and thus the probability of a loss arising from a potentially unbalanced liquidity position are low.

Credit risks

The risks of customers failing to fulfil their contractual obligations by the prescribed deadline or so-called credit risks are identified promptly. Suitable measures are set up for the collection of operating receivables. In this way we provide protection against uncertain payments, which could hinder future cash flow projections.

The uncertainties about counterparties' fulfilment of obligations could lead to additional borrowing and financing costs. To this end, we introduced additional collection activities in 2007. Only by the regular and prompt reminding of defaulters and consistent charging of default interest do we maintain a relatively high-level payment discipline of our customers.

When entering into new deals with unknown companies, we check the customer's credit rating. On this basis we make further business decisions. The operations of the parent company are connected with the specific structure of our customers as we mostly do business with intermediaries, i.e. forwarding companies and agents.

A much lower volume of receivables arises from direct business relations with end purchases. As a result of the specific structure of our customers, the credit risk exposure is lower since the intermediaries' customer portfolio is very diversified. A special characteristic of our operations is the liens we arrange regarding warehoused goods, which can be used for the collection and recovery of the customer's obligations in the case of a default.

Some types of receivables are secured separately by security deposits. Financial investments include loans collateralised by at least blank bills of exchange and other (im)movable property. Such collection activities and the required collateral are also reflected in the low percentage of impaired assets, i.e. in 2007 only 0.47% of total assets of the Company (in 2006: 0.56%). Collection procedures are underway for all impaired assets, including before the courts.

We estimate that the credit quality of the Company's other (outstanding and non-impaired) assets is good.

In line with the above, the Management Board of the Company feels that the credit risk is low as is the probability of a loss arising from it.

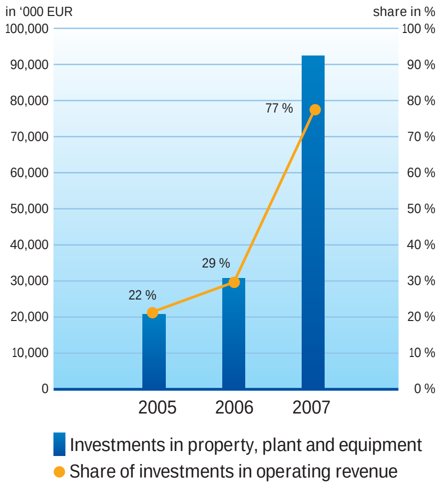
Estimate of exposures to various types of risks

	Exposure		
Type of risk	low	moderate	high
Strategic risks			
Development risks			
Business risks			
Investment risks			
Human resources risks			
Information system risks			
Sales risks			
Environmental risks			
Legislative risks			
Profitability risk			
Financial risks			
Fair value risks			
Currency risks			
Interest rate risks			
Liquidity risks			
Credit (trust) risk			

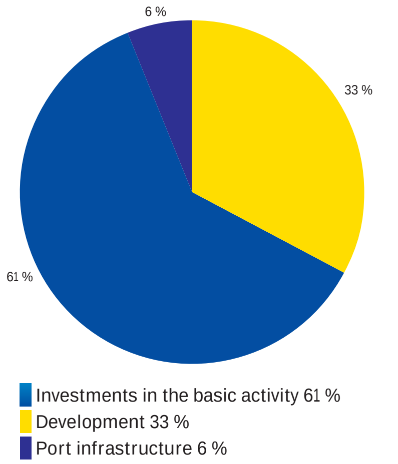
INVESTMENT POLICY

Ambitious and promising investments

In 2007 the Luka Koper Group strategically intensified its investment activities by making heavy investments in port infrastructure, technologically updating equipment and making investments in the future development of the activity.
A record EUR 93.8 million was allocated to investments in property, plant and equipment, which accounts for 77% of operating revenue. The bulk of such investments were realised by the parent company Luka Koper, d.d. namely in the amount of EUR 91.8 million.



Share of investments in sales revenue



Structure of funds invested in 2007

The strategic development orientations set an ambitious investment policy which will also be pursued in the future. In this framework, the majority of funds were for investments aimed at boosting the capacity and modernising the equipment and devices for throughput and warehousing services as well as for investments in hinterland terminals and development.

Investments in the basic port activity

Investments in the upgrading of equipment and boosting of equipment capacity are necessary for managing an ever greater volume of port throughput. Major investments made in equipment and to increase capacity in 2007 included:

- the start of construction of six tanks (each of 20,000 m^3) with all installations and infrastructure for the acceptance, warehousing and shipment of oil derivatives;
- the renovation of older warehousing facilities and arranging of warehouse areas to provide for more efficient warehousing services;
- the purchase of a 40-tonne mobile port crane due to the greater volume of iron product turnover;
- terminal semi-trailers for the transport of containers and terminal tractors for transporting semi-trailers across the entire port area;
- the purchase of two RTG cranes for managing container throughput; and
- fork lifts with different bearing capacities for the more efficient management of the throughput of various product groups.

The car terminal at the Port of Koper is one of the largest and best equipped in the Mediterranean. However, warehouse area needs to be increased so that a greater number of cars can be stored there. In 2007, the Ministry of the Environment and Spatial Planning issued us a building permit for the new warehouse for cars in the approximate vicinity of the parking garage. The facility will comprise a ground floor, four storeys and a drive-on roof. It will take up to about 22,000 cars. The warehouse will be constructed in phases. Currently, the first phase is underway, which will provide 2,750 parking places. The facility will be connected to the shore by a bridge so that the main radial road to Luka Koper will be by-passed.

Investments in port infrastructure

Extension of pier I

Container throughout at Luka Koper has been rising steeply in the last few years. The existing container capacities of the Port of Koper do not meet the demand nor are they optimal as regards technology. To provide a medium-term solution, we drafted a plan to extend pier I for which we acquired a building permit in September 2007. The existing shore of the container terminal will be one-third or 146 metres longer. In this way, the terminal will gain an additional mooring and new hinterland area for container throughput. The investment will be completed in 22 months and make it possible to double the container throughput.

Investments in development

Investment activities were in line with the applicable strategy focused on various development projects. We would like to highlight the investment in the first hinterland logistics centre in Sežana, the investment in railway wagons and the investment in the passenger terminal.

The European distribution centre in Sežana

Owing to development needs and so as to clear up some area within the port, Luka Koper decided to build and develop a transport logistics centre, namely the European distribution centre in Sežana. The logistics and distribution activity which we will develop in Sežana provides an opportunity for the entire Karst region. For this purpose, we purchased land and other real estate in 2007 and founded the company Adria Terminali, d.o.o. which manages, markets and develops the existing capacities. With this purchase the Luka Koper Group started developing the network of the transport logistics centre, which will function as the backbone of its logistics system.

Purchase of railway wagons

The increase in turnover brought about some spatial problems for Luka Koper which can be curbed by greater cargo removals from the port. In this respect, railway transport is essential. In December, we bought 25 Rgs wagons for transporting containers, timber and other bulk goods along with a road-rail locomotive for moving wagons over industry sidings. We will also continue purchasing wagons in 2008. Via Adria Transport, d.o.o. we will acquire three locomotives.

Passenger terminal

In the scope of the maritime passenger terminal project we purchased a building in which we will arrange everything necessary for the passenger terminal. In 2008, activities will be geared at determining the most suitable institutional form for the development and management of the passenger terminal.

Plans for 2008

In 2008, the Luka Koper will continue pursuing its intensive investment policy. EUR 144 million will be earmarked for investments in property, plant and equipment, mainly for upgrading and updating the throughput and warehousing capacities.

Investments in the basic port activity

Investments made to update and upgrade capacities are necessary if we want to seize major market opportunities. They are also necessary for improving the structure of throughput by expanding the share of containers and cars, and for improving productivity so as to obtain additional services with greater added value.

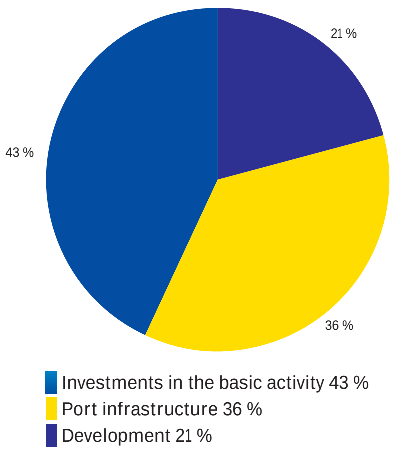
Major investments in the equipment and facilities of profit centres in 2008 will include:

- the construction of a warehouse for cars;
- the purchase of two Post panamax container cranes;
- the acquisition of a Transtainer and two manipulators for container throughput;
- the arrangement of a warehouse for the PC General Cargoes;
- the construction of a new TH hall for managing dry cargo; and
- a combined machine for iron ore throughput.

Investments in port infrastructure

In order to boost operational efficiency and quality, some major investments will be made in the port infrastructure:

- the construction and reconstruction of railway infrastructure to allow a suitable connection of the existing and new shores;



Structure of investments planned for 2008

- further implementation of the project for extending pier I at the container terminal;
- a road connection with the new entrance to Luka Koper- in May 2008 the connection with the motorway network will be finally constructed; and Luka Koper must arrange the new entrance to the port and suitable internal road connections.

Investments in the network of hinterland logistics centres

Terminals in Slovenia

We will continue expanding the activities in Sežana and Divača via the company Adria Terminali, d.o.o. and upgrade them with other logistics centres. Two major centres are located in the Pomurje and Podravje regions.

Terminals in Europe

As far as the logistics terminals are concerned, our business development focuses mainly on Eastern markets and Adriatic ports.

We see significant opportunities in the terminal close to the Romanian town of Arad, where we have already defined strategic business partnerships for suitable capital and infrastructural investments. Similar talks about co-operation have been initiated in the Hungarian market with reference to the development of a multimodal container and hub terminals and a terminal for the establishment of a distribution centre in Zahony.

Activities aimed at creating business connections will also be promoted in Bulgaria. In addition, we will strive for a closer connection with the river port in Serbia.

MARKETING: PRODUCT GROUPS AND MARKETS

New markets and a surge in strategic cargoes

Besides the exceptional growth in throughput, 2007 witnessed significant strategic progress towards the consolidation of logistics services, increasing the volume of cargoes with added value and expanding activities in new markets. This is, among other things, confirmed by the project of constructing a distribution centre in Sežana, the plans for the establishment of a container terminal in Arad, Romania, the expansion of the network of hinterland logistics terminals and opening new representative offices in strategic markets of South-East Europe and the Far East.

Marketing strategy

The marketing strategy aimed at increasing the volume of logistics services and additional services in relation to goods and the development of the port activity was implemented by a series of activities, which included:

- the introduction of the service range provided at the land container terminal and the distribution centre in Sežana;
- preparation for marketing the service supplied by a private organiser and a provider of railway transport through the company Adria Transport, d.o.o.;
- regular communications, the proactive solving of operational issues and checking of customer satisfaction within the scope of the systematic management of customer relations;
- setting up and nurturing contacts with customers by organising various events for customers and appearing at trade fairs;
- preserving the diversity of the port's service range and upgrading it with services which raise profitability (ripening of bananas in fruit cold storage, filling and emptying of containers, stencilling, painting and protection of wood at the timber terminal);
- supplying comprehensive support to customers in co-operation with other providers of logistics services within the scope of individual activities; and
- enhancing quality and efficiency as competitive advantages of our range.

Maritime throughput

Maritime throughput continued growing at a 9% rate and exceeded last year's figure by one million tonnes.

Increase in maritime throughput (in tonnes)

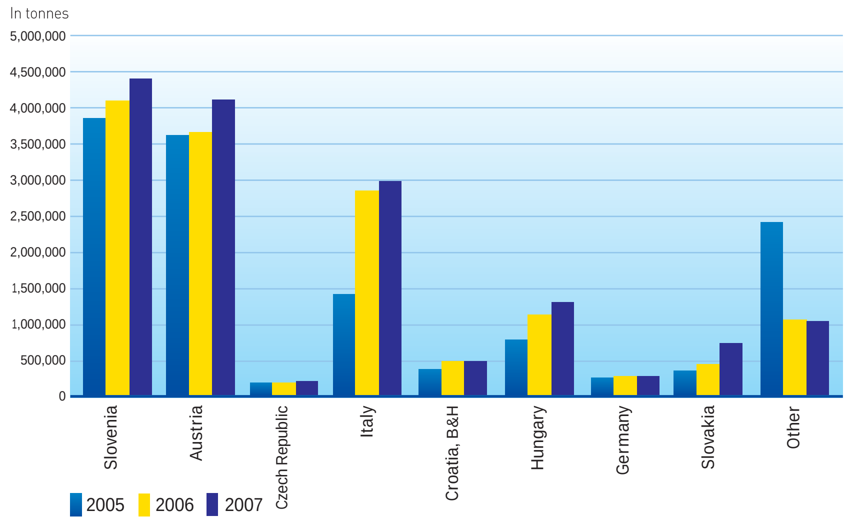
2005	13,066,102
2006	14,030,733
2007	15,362,979

It is particularly important that the increase in throughput was mostly due to the higher container, general cargo and car throughput. These are strategic cargoes which are very profitable and among the most acceptable from the environmental aspect (in particular, perishable goods within general cargoes). Thus, the threshold of 300,000 twenty-foot equivalent units (TEU) and 500,000 cars throughput was exceeded in 2007.

Besides the projected marketing activities, the growth in throughput is also the consequence of favourable trends in global trade and the redirecting of cargo to Southern European ports owing to the over-saturation of Northern European ports. The upward trend will continue.

The structure of throughput by market

In spite of the rise in throughput, the share of individual markets in the throughput structure did not change much compared to previous years, which means that the volume of throughput has been growing almost proportionately in all key markets. The Hungarian market deserves special mention, having accounted for a throughput of 1.3 million tonnes of goods in 2007, which is the biggest volume so far. This indicates the continuation of the positive trend in throughput seen since 2003, indicating an average increase of 30% annually.



The growth in throughput by market

With a 29% share or 4.4 million tonnes of throughput the Slovenian market remains one of the most important ones. It is followed by Austria with 4 million tonnes, and Italy, Hungary and Slovakia.

The structure of throughput by product group

Goods travelling through the port are classified in the five product groups shown in the table below, depending on the method of transport and throughput. In comparison with 2006, the share of dry and bulk cargoes in the total decreased while the share of general cargo, containers and cars grew.

Throughput quantity (in tonnes)

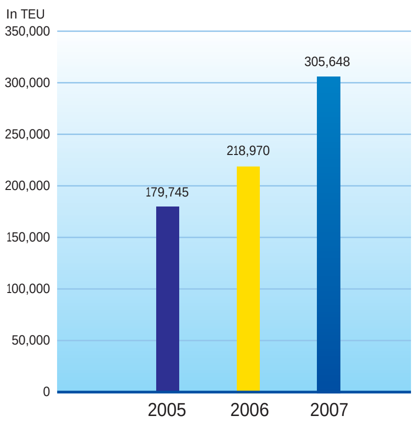
	2007
General cargoes	1,607,027
Containers	2,637,910
Vehicles	744,610
Dry and bulk cargoes	8,132,991
Liquid cargoes	2,240,441
Total	15,362,979

Containers: 40% growth

Container throughput recorded excellent results. This is confirmed by the 40% annual growth and the 305,648 TEU throughput.

This growth is largely attributed to the increasingly more market-oriented activities, and the greater visibility of Luka Koper and the Northern Adriatic transport route. The escalation of goods flows through our port is also accelerated by favourable trends in global trade: economic growth in China and India, and the supply of components and semi-products from the Far East to the car industry in new EU member states.

The majority of containers still involve throughput for the Slovenian and Hungarian markets; however, the five-fold increase in throughput for Slovakia is very important. The Austrian market slid to fourth place but nevertheless recorded an 11% rise. Throughput for the German market rose by 45%.



The growth in container throughput

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

	2006	2007
Slovenia	87,833	132,546
Hungary	57,334	68,961
Slovakia	5,884	29,145
Austria	21,568	23,871

In 2007, we co-operated with more than 30 container ship operators, all of whom experienced a higher turnover. Many of them predict that capacities will increase along with the use of larger ships on lines to the Far East. That is why the completion of pier I extension is of the utmost significance, as only in this way will we be able to welcome ships with a capacity of up to 8,000 TEU and double the area available for warehousing at the terminal. We also plan to improve throughput in 2008 by strengthening the railway service of block connections and own investments in the faster shipment of goods by railway.

General cargoes: record year

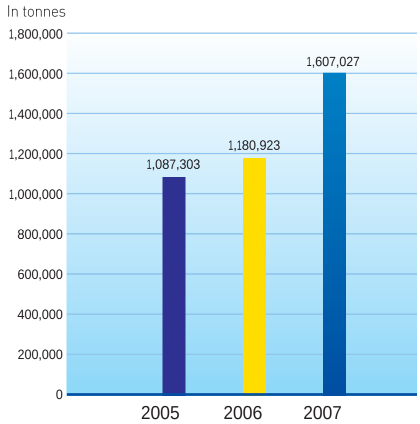
A jump was recorded in general cargo throughput, which leapt by 36% compared to 2006 and reached 1,607,027 tonnes. General cargo is transhipped at four terminals of the Port of Koper:

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

Throughput rose mostly due to the throughput of steel products for the car industry from the Far East and the countries of Eastern Europe, and a record throughput of sawn wood.

The basic reason for the rise in steel throughput was the decision of the world's third largest steel and steel product manufacturer - the Korean multinational Posco - to choose our port as a point of entry and distribution centre for supplying car factories in Slovakia and the Czech Republic. Together with the said company and two other Korean companies Luka Koper, d.d. founded a logistics company POS ESDC, d.o.o. (Posco Europe Steel Distribution Center) and laid the foundations for long-term co-operation.

Timber throughput surged by as much as 19%. A record 687,416 tonnes was the throughput, which equals 1.1 million of m^3 of timber. Even though the capacities for warehousing timber are poorer on account of the new storage and throughput facilities being constructed, we plan to



Increase in general cargo throughput

accelerate the throughput of warehoused timber to preserve the existing volume of throughput. In the future we do not expect the throughput to decrease since the demand for construction wood in the markets of Northern Africa and the Persian Gulf remains high.

The throughput of fruit, vegetables and other perishable food products remained at the same level as in 2006. We forecast a rise in this segment owing to our efforts as well as the expansion of the additional service range. Among other things, we constructed two cold storages where we package peppers for retail chains in Austria and Germany. To provide for the uninterrupted supply of European markets with these food products, we strengthened co-operation with all those participating in the transport route - from local forwarders to inspection services - and increased warehousing capacities in the port.

Important growth was also achieved in container stuffing and stripping. Since the cargo transported in containers is ever more diverse, e.g. dry cargo, cars and timber, this service will in the future represent an even greater source of income.

Vehicles: the threshold of 500,000 vehicles was exceeded

We put a special stamp on the very successful year by exceeding the threshold of half a million throughput cars. We reached a record figure of 522,800 or 31% more than the year before. Thus, we rank among the largest car terminals in the Mediterranean.

In 2008, throughput will rise by at least one-tenth, especially due to greater demand in the Russian market, the construction of new car factories in Eastern Europe and the introduction of a new maritime line between Koper and Spain. The necessary new warehouse areas will be acquired as the new warehouse is completed and new outdoor storage premises are leased.

Liquid cargoes: fully utilised capacity

The liquid cargo terminal also recorded a positive trend in the performance of key product groups. Turnover rose by 9%. The slight increase in liquid cargoes was accompanied by a notable growth in oil derivatives.

The existing terminal capacities are fully utilised. By March 2008 the tanks will be ready for implementing a new deal involving airplane fuel. The terminal will continue to be marketed mainly based on long-term commercial partnership contracts and new customers will be attracted as capacities are upgraded.

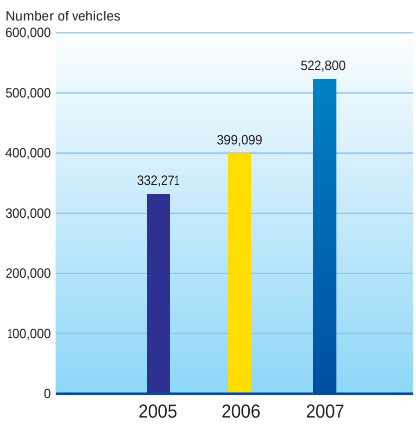
Dry bulk cargo: at the 2006 level

The total quantity of dry bulk cargo stagnated at the 2006 level. This is in line with the strategic policy of preserving the scope of dry bulk cargo and boosting the quantity of containers, vehicles and general cargoes. The throughput of dry bulk cargo is conducted at two terminals:

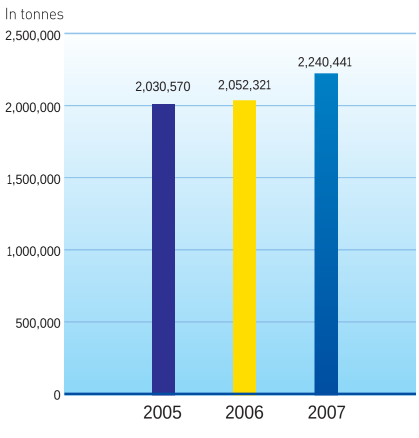
- the dry cargo terminal; and
- the European energy terminal.

Throughput at the dry cargo terminal dropped mainly due to the poor wheat crop in Hungary. However, we transhipped a record 635,000 tonnes of soy. We also expect such a quantity in 2008 as well. The alumina throughput will be somewhat lower since the key customer has been increasing the share of recycled aluminium in its production. We plan to enhance the throughput and warehousing capacities by investing in the hall for grain throughput and a new lift at the dry cargo mooring.

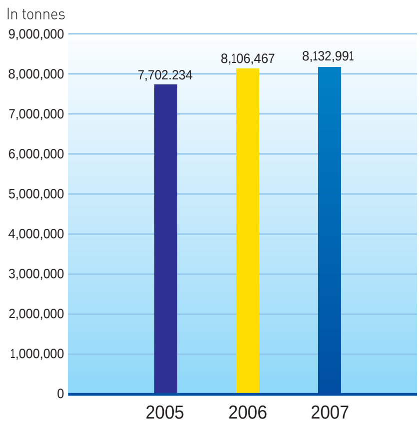
The European energy terminal recorded no significant increase in turnover. Even though the potential of the bulk cargo throughput (iron ore, coal, biomass) is very great in European markets, we will maintain the quantities at the same level in 2008 owing to spatial limitations.



Increase in car throughput



Increase in liquid cargo throughput



The increase in the throughput of bulk cargo

BUSINESS EXCELLENCE

The only port in the world with the ISO 22000:2005 standard for ensuring safe food products

Excellence is one of the foundations on which the business policy of the Luka Koper Group's companies rests. The business excellence model is systematically applied in everyday practice, which is reflected in the results achieved in the past five years.

The existing standards and novelties in 2007

The introduced requirements of various standards (from the ISO family and others) make up a comprehensive management system which provides for the excellence of operations in all areas and at the levels of the Company, unit and individual, down to the lowest level.

Luka Koper has obtained certificates for all introduced standards, namely:
- the ISO 9001 quality management system certificate;
- the ISO 14001 environment management system certificate;
- the ISO 22000 food safety management system certificate (which includes the HACCP system); and
- a non-GMO certificate for handling non-genetically modified cargo.

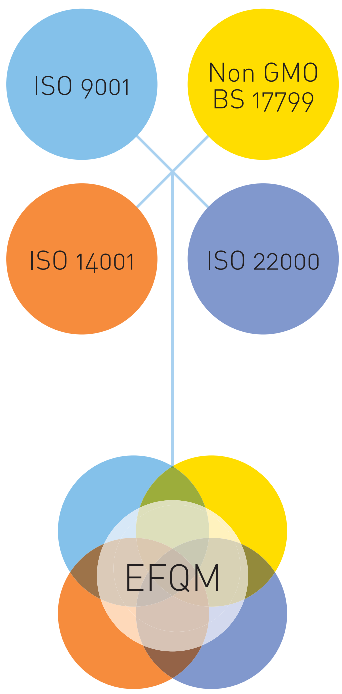
All standards, except the latest ISO 22000:2005 have been integrated in all business processes and organisational units, including in the subsidiary companies Luka Koper INPO, d.o.o. and Luka Koper Pristan, d.o.o.

The novelty in 2007 was the ISO 22000:2005 standard for a safe food management system which was issued to five terminals of Luka Koper, d.d.: general cargoes, fruit, dry cargoes, liquid cargoes and the container terminal, which among other things are also used for the throughput of food products. The ISO 22000:2005 certificate assessment was carried out in November 2007 and we were one of the first in Slovenia to be awarded the certificate. At present, we are one of the few logistics companies in Europe that boasts a food safety standard and the only international port holding such a certificate.

Comprehensive and mutually connected systems

Various systems and models have been systematically and gradually introduced into the Company's operations and they have been linked to form an integral unit.

All operational guidelines and standard requirements are included in the Management Rules of Procedure. This is an umbrella document of the parent company, defining the business policy, organisation, business processes, and elements of management and quality assurance for all Group companies. It provides the basis and guidelines enabling all employees to continually train themselves and constantly improve the Group. This document presents and proves to customers, certification institutions and other interested publics that we are committed to the constant improvement of our operations.
Our long-term orientation to business excellence is demonstrated by the fact that we received the award of the Republic of Slovenia for business excellence and were among the finalists applying for the European Business Excellence Award in the past few years.



Comprehensive management system

Plans for 2008
- Preparing for the external certification assessment and undergoing this assessment to obtain the OHSAS occupational health and safety certificate.
- Setting up an integral system for monitoring the performance of the Company and its profit units by means of balanced indicators.
- The introduction of the quality management system according to ISO 9001 in the subsidiary company Adria Terminali, d.o.o.
- Inclusion in the procedure for applying for the EFQM Excellence Award by model-based self-assessment.

SHAREHOLDER VALUE

The highest share price since shares were listed

One of the records registered by Luka Koper in 2007 was the share price of Luka Koper, d.d. the highest since the share has been listed on the Ljubljana Stock Exchange. In addition to good business results and promising plans for the expansion of activity, this was also thanks to the improved visibi lity of the Company and the Group among foreign investors.

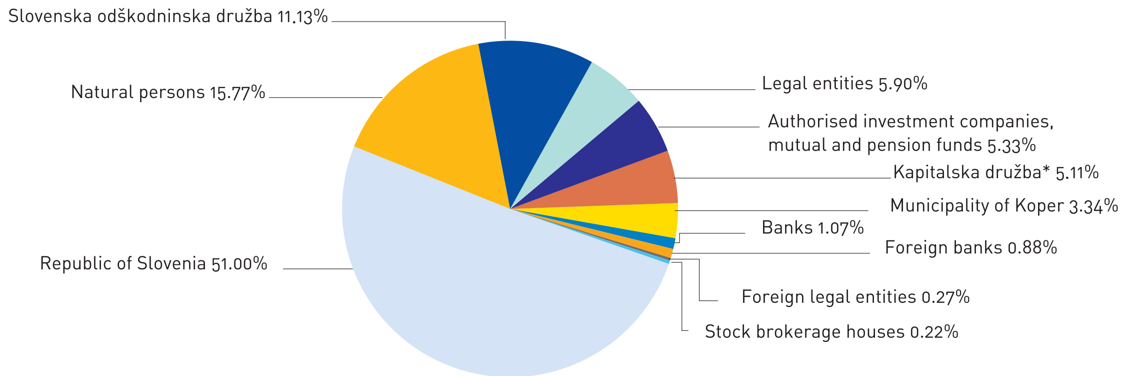
In one year the share gained 87.7% and, in terms of total trading, ranked fourth on the Ljubljana Stock Exchange. The share of Luka Koper, d.d. is included in the first listing on the Ljubljana Stock Exchange under the symbol LKPG.

Ownership structure

At the end of the year, the Company had 13,367 shareholders or 36% more than the year before. At year-end, the 10 largest shareholders owned 75.89% of all shares of Luka Koper, d.d. The largest shareholder remains the Republic of Slovenia, holding a 51% stake.

Ten largest shareholders as at 31 December 2007

Name	Address	Number of shares	Stake
Republic of Slovenia	Gregorčičeva 20, 1000 Ljubljana	7,140,000	51.00%
Slovenska odškodninska družba, d.d.	Mala ulica 5, 1000 Ljubljana	1,557,857	11.13%
Kapitalska družba, d.d.	Dunajska cesta 119, 1000 Ljubljana	715,305	5.11%
Municipality of Koper	Verdijeva ulica 10, 6000 Koper	466,942	3.34%
KD Galileo, mutual fund, flexible investment structures	Celovška cesta 206, 1000 Ljubljana	151,905	1.09%
KD ID, delniška ID, d.d.	Celovška cesta 206, 1000 Ljubljana	147,655	1.05%
Vizija Holding Ena, d.d.	Dunajska cesta 156, 1000 Ljubljana	131,585	0.94%
Adriatic Slovenica d.d.	Ljubljanska cesta 3a, 6503 Koper	117,899	0.84%
Zavarovalnica Triglav, d.d.	Miklošičeva 19, 1000 Ljubljana	104,756	0.75%
Hypo Bank d.d.	Dunajska cesta 117, 1000 Ljubljana	91,061	0.65%
10 largest shareholders total		10,624,965	75.89%



* The item Kapitalska družba includes the funds of Kapitalska družba (First Pension Fund of the Republic of Slovenia - PPS, Compulsory Supplementary Pension Insurance Fund - SODPZ, Equity Mutual Pension Fund – KVPS) and Kapitalska družba, d.d.

Ownership structure of Luka Koper, d.d. as at 31 December 2007

Share ownership by members of the Supervisory Board and the Management Board

As at 31 December 2007, shares of Luka Koper were owned by the following members of the Supervisory Board:

Tatjana Jazbec	**412**
Robert Jerman	**704**
Metod Mezek	**150**
Alverino Pavletič	**1.567**
Marko Valentinčič	**100**

Other members of the Supervisory Board did not own any shares in the Company as at that day.
The following members of the Management Board owned shares of Luka Koper as at 31 December 2007:

Marjan Babič, MSc., member of the Management Board	**928**
Pavle Krumenaker, member of the Management Board	**3.328**

The President and Deputy President of the Management Board did not hold any shares in the Company.

Changes in the LKPG share price

The upward trend started when the share was transferred for its first quotation in December 2006 and reached a peak on 9 August with a record EUR 113.66.

In the second half of the year the share price started sliding so that at the end of the year the share price stood at EUR 88.76. Nevertheless, in one year the share price rose by 87.69% and exceeded market growth since the SBI20 index increased by 73.5% within a year.

The changes in the Luka Koper share price basically mimicked the stock exchange movements, which in the first half of the year recorded fast growth in the prices of the most traded shares and a slowdown in autumn.

In 2007, turnover in Luka Koper shares totalled EUR 144,597,030.84. There were 15,796 stock exchange transactions and lot transactions, while 1,709,731 shares changed owners.

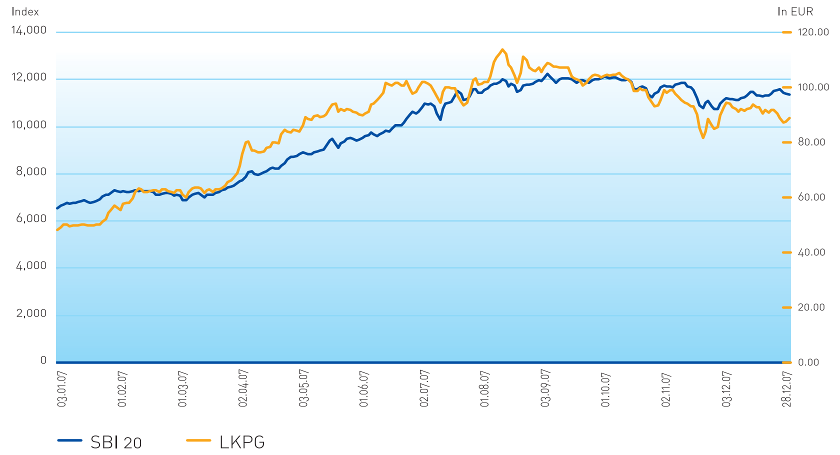
Book value of a share

The share book value, calculated as the ratio between average capital and the number of all shares issued, was EUR 21.91 as at the last day of the year.

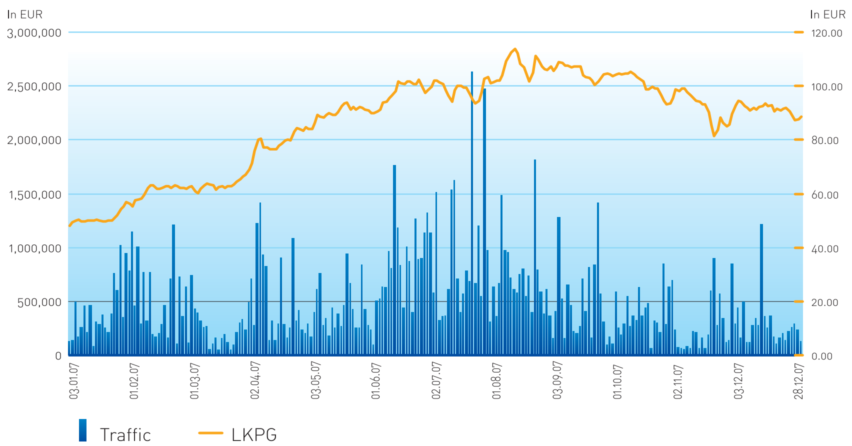
No-par value shares and change of share class

Based on the resolution of the General Meeting of Shareholders, on 1 January 2007 the shares of Luka Koper, d.d. were transformed into no-par value shares. Thus, the share capital was divided into 7,140,000 ordinary no-par value shares and 6,860,000 preference participating no-par value shares with limited voting rights.

At the 13th General Meeting of Shareholders (AGM) held on 19 July 2007 a resolution was passed on the



Changes in the SBI20 index and LKPG in 2007



Changes in the LKPG share price and daily turnover in 2007

Key data about the LKPG share in the past three years

	2005	2006	2007
Number of shares	14,000,000	14,000,000	14,000,000
Number of ordinary no-par value shares*	7,140,000	7,140,000	14,000,000
Number of preference participating no-par value shares*	6,860,000	6,860,000	-
Share price as at the last trading day of the year (in EUR)	29.67	47.29	88.76
Average share book value (in EUR)**	17.74	19.06	21.91
Average weighted market price (in EUR)***	31.94	36.45	85.20
Net earnings per share (EPS) (in EUR)	1.25	1.42	1.79
Share price/earnings ratio (P/E)	25.62	25.56	47.58
Share price/share book value ratio	1.80	1.91	3.89
Market capitalisation as at the last day of the year (in EUR million)	211.84	337.65	633.75
Total share trading volume (in EUR million)	21.91	42.92	144.60
Dividend per share (in EUR)	1.08	1.08	1.09

*The share transformation is further clarified in this chapter.
** Average share book value is calculated based on average monthly ratio between capital and the total number of ordinary shares.
*** Average weighted market share price is calculated as the ratio between total turnover, arising from ordinary (stock exchange) transactions, and the quantity of LKPG shares traded in ordinary (stock exchange) transactions.

transformation of 6,860,000 preference participating shares with limited voting rights into ordinary no-par value shares. As a result, the number of ordinary shares changed to 14,000,000. The share capital of Luka Koper, d.d. is divided into 14,000,000 ordinary registered freely transferable no-par value shares.

The resolution of the AGM on the share transformation and the related amendments to the Company's Articles of Association were entered in the register of companies kept by the competent court. After the entry of the amendments to the Company's Articles of Association, the shareholders who at the AGM announced they would challenge the resolutions of the AGM filed legal proceedings with the competent court to contest the resolutions on the share transformation. Based on the resolution of the AGM and the registered amendments to the Articles of Association, we filed an application for expanding the listing by transformed shares with the Ljubljana Stock Exchange. This expansion will be effected when the resolution is passed by the Committee for the Admission of Securities and once a suitable procedure is carried out at the Central Register of Dematerialised Securities kept by Klirinško depotna družba (Central Securities Clearing Corporation).
In the period between submission of the application for expanding the listing to the Ljubljana Stock Exchange until the actual expansion, the Company was informed about the court's temporary injunction on the expansion of the listing until the court has made a final decision about the lawfulness of the AGM resolutions passed on 19 July 2007.

Luka Koper, d.d. complied with the demands of the court and instructed the Ljubljana Stock Exchange to stop the procedure for expanding the listing. The competent court ruled in favour of the Company's appeal against the court's resolution granting the request of the proposers for an injunction so it repealed the injunction which prohibited the expansion of the listing on the Stock Exchange. The Company will continue the listing expansion procedure as prescribed by the applicable legislation.

Dividend policy

As a rule half of net profit goes to dividends.

At the 13th General Meeting held on 19 July 2007 the shareholders confirmed gross dividends for 2006: EUR 1.09 per ordinary share; and EUR 0.27 per preference participating share.

The gross dividend for 2007 is projected at EUR 0.55.

Cross-linkages with other companies

The companies in which Luka Koper, d.d. holds at least a 5% stake and the companies which own shares of Luka Koper, d.d. (31 December 2007) are:

Name	Stake of Luka Koper, d.d. in another company	Other company stakes in Luka Koper, d.d.
Intereuropa, d.d.	24.81 %	0.03 %
Pokojninska družba A, d.d.	6.17 %	0.03 %

Shareholders holding at least 5% of the LKPG shares as at 31 December 2007:
- Republic of Slovenia (51%);
- Slovenska odškodninska družba, d.d. (11.13%); and
- Kapitalska družba and its funds (5.11%).

There were no cross-linkages.

Treasury stock, authorised capital, conditional capital increase

In 2007 the Company had no treasury stock.

The applicable Articles of Association of Luka Koper, d.d. do not provide for a category of authorised capital up to which the Management Board could increase the share capital. In 2007 the Company had no basis for a conditional increase in its share capital.

Rules on restrictions on trading and the disclosure of trading in shares of the Company and associates

We have not yet formulated special internal rules to regulate restrictions on trading in the Company's shares. However, we co-operated with the Ljubljana Stock Exchange in preparing the Rules on Trading in the Company's Shares which will set the standard in this area and are expected to enter into force in 2008.

Calendar of major publications and events in 2008

Scheduled date of publication / event	Type of publication/event
28 February 2008	Publication of unaudited unconsolidated and consolidated financial statements for 2007
By 30 April 2008	Publication of the summary audited unconsolidated and consolidated Annual Report of the Company for 2007 Publication of the Statement of Compliance with the Corporate Governance Code for Joint-Stock Companies Publication of the Annual Report for 2007
By 31 May 2008	Publication of quarterly data concerning the performance: Data concerning the performance in the first quarter of the year
July 2008	14th General Meeting of Shareholders
By 14 August 2008	Publication of the summary semi-annual report about the Company's performance
September 2008	Dividend payment for 2007
By 30 November 2008	Publication of quarterly data concerning the performance: Data about the performance for the fist nine months of the year

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

OPEN TO THE PUBLIC
Accessibility and timely response

The Luka Koper Group provides the highest possible accessibility of information that is important for the professional and general public. We continuously inform the widest circle of interested parties about our operations, plans and novelties.
The key issues which required special communication efforts were the following:

- activities related to the establishment of a dry terminal in Sežana;
- marking the 50th anniversary of Luka Koper;
- the co-founding of POS-EDSC, d.o.o. with Korean partners;
- laying of the foundation stone for pier I extension;
- activities at the Open House Event,
- the disposal of an equity stake in Banka Koper, d.d.;
- completion of the contest for design solutions pertaining to the spatial arrangement of the port;
- temporary organisation of the car warehousing premises; and
- the arrival of Veendam, the largest passenger vessel.

Corporate communications
At the corporate communications level special emphasis in 2007 was given to marking the 50th anniversary of Luka Koper.
In this respect, we organised events for the local and national publics, business partners and employees.
Some of the events were an exhibition

about the history and presence of Luka Koper at the Regional Museum in Koper, a protocol event at our oldest warehouse, and the Open House Event, which attracted very many visitors. We co-organised with Radio Capris one of the most well-attended musical events on the coast. In addition, we issued a monograph presenting Luka Koper.

Communicating with the media
Slovenian and foreign journalists have in the past year often shown interest in events taking place in and everything related to Luka Koper. We provided quick and comprehensive answers to various media questions. Two press conferences were organised and 34 press releases issued. We also regularly published news in an electronic form, available at www.luka-kp.si and distributed it by e-mail to more than 900 addresses, including journalists.

Communications with investors
The shareholders are informed about all events relevant to the Company and the Luka Koper Group on a regular basis and in due time. All information is available at any time in the SeoNet informing system of the Ljubljana Stock Exchange and on our website. In compliance with the Articles of Association we publish comprehensive data about annual operations in the bulletin 'Luški delničar', which is distributed to all shareholders before the General Meeting of Shareholders.
In 2007, communication with the financial publics was enhanced by our presentation at the Slovenian Capital Days in Ljubljana, Milan, Vienna, Stockholm, London and Zagreb. In this way we contributed to the greater visibility of the parent company and intensified foreign investors' interest in the shares of Luka Koper, d.d.

Communication with other publics
Communication with employees and communication about environmental issues are presented in greater detail in the chapter Sustainable Development.

DEVELOPMENT ACTIVITY

Incentives for new activities

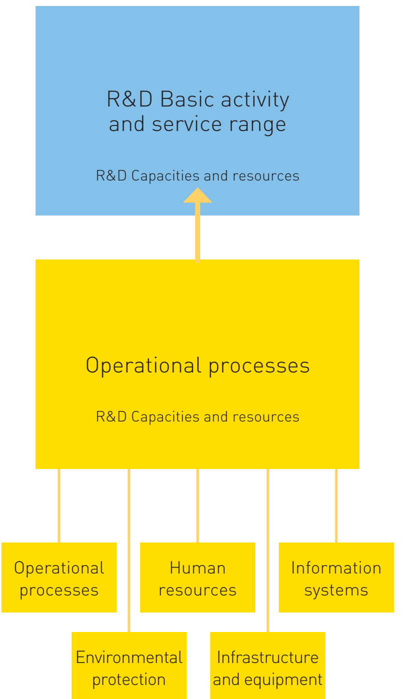
In this area 2007 was of particular importance. In line with strategic guidelines we intensified and systematically engaged in development and research activity. We mainly set out the guidelines for our future work in this area. Innovative activity continued to be successfully encouraged as 15% more improvement proposals were presented.

Research and development

The more targeted approach to research activity was the result of the Company's set strategic policies. These policies prompted several new activities at two levels:

- within the basic activity, in the scope of the redesigned development concept focusing on logistics and passenger transport; and
- in the provision of suitable capacities, equipment and technologies, IT-communication support and environmental protection.

Our activities were also strengthened by institutional initiatives which provide ever more encouragement to the corporate sector to boost its competitiveness by intensifying investments in R&D. In order to make the best of the non-refundable funds of the EU for the new programming period 2007-2013 we undertook special training because we want to participate in international projects.



Presentation of research and development activity at two levels

Since most tenders will be published in 2008, in 2007 we paid attention to the following:

- studying conditions of individual programme funds from which we can draw funds;
- the identification of project ideas in line with our business needs and orientations;
- searching for and establishing project partnerships; and
- preparing project contents.

In the next period we will compete for funds from the Community and transnational programmes as well as from the Structural Funds and the Cohesion Fund. We expect the support of authorities and individual institutions which is why in 2007 we started harmonising our business interests with the priority development projects of the state. In the framework of the Slovenian Maritime Technological Platform we applied for tenders in the Seventh Framework Programme where our StarnetRegio project, related to innovation and the development of port technologies, was approved.

Luka Koper Group supports co-operation with universities and research institutes. With their help we want to make sure that our experience is transferred further and we wish to develop new knowledge geared at sustainable development and social responsibility. More information about co-operation with education institutions in 2007 is available in the chapter Sustainable Development.

Innovation activity

The Luka Koper Group has been developing innovation activity for a number of years within the scope of the business excellence system. Through a comprehensive system we promote and motivate employees to make proposals for improvements and innovations.

The improvements are proposed by employees within their organisational units. Minor improvements are rewarded by the unit manager, while major innovations are addressed and rewarded by a commission. Improvements are proposed either by individuals or independent work groups within organisational units. Every proposal for an improvement is rewarded by a pecuniary incentive and, after successful implementation, an innovation bonus is paid. Once a year the commission selects the 'innovator of the year' who receives a special monetary award.

The number of improvements is growing every year. In 2007, there were 15% more proposers of improvements. Employees of the Group put forward 388 proposals for improvements.

The number of improvements and their proposers at the Luka Koper Group in the past three years

Year	Number of improvements	Number of proposers
2005	329	151
2006	337	141
2007	388	162

In 2008, we plan to further boost innovations by introducing novelties for motivation and the rewarding of presented improvements, recording of improvements and measuring of their effects.

PROVISION OF INFORMATION SUPPORT

State-of-the-art technology and solutions as a competitive advantage

In the field of information support we took a huge step forward in the middle of the year. We completed one of the most extensive development cycles in information support and introduced support for marketing and operational processes - TinO.

TinO - a system of state-of-the-art information solutions

The new information system is based on the latest technologies which enable the fast adaptation of software modules to new business challenges. Thus in 2007 support was provided to quite a few new functionalities.

The new system will also simplify communication between customers and Luka Koper, d.d. which for several years has been conducted via a computer data exchange. The two-way communication is based on open standards and is secure owing to different competitive applications.

Continuous upgrading of the information system

The entire information system of Luka Koper has been constantly upgraded and updated. In 2007, we made a smooth conversion to the euro in both the SAP and TinO systems. SAP gained a new module for purchasing and maintenance and we launched the introduction of the occupational safety module. Further, preparations started for an upgrade to the latest SAP version.

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

- efficient support for all business processes;
- openness and integration in the comprehensive logistics service range;
- the safety and rationality of operations; and

- maintaining an efficient ratio between the cost of running the information system and operating revenue.

All information support services of the Luka Koper Group are performed by an outsourced provider, Actual I.T., d.o.o. which is a rarity in Slovenia. Potential risks arising from such a relationship are managed by a general contract, service-level agreements and by constantly checking competitive offers. More information about management of the risk arising from the information system operation is available in the chapter Risk Management. By co-ordinating information support at Luka Koper we provide for the co-ordinated action of the administrators of customers and providers.

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

In the past year, intensive preparations were conducted in the field of IT solutions to obtain a permit for tax warehouse management. We were the first group of companies to receive it at the end of February 2008. The tax warehouse system was introduced in 2007. Tax warehouses have a similar status as customs warehouses, with the difference being that only Community goods are stored in them. These goods are domestic goods or goods from or destined for other EU member states.

The information system of Luka Koper, d.d. efficiently connects and supports also the subsidiaries Luka Koper Inpo, d.o.o. Adria Terminali, d.o.o. Luka Koper Pristan, d.o.o. and Adria-Tow, d.o.o. Moreover, it provides for further expansion and connection between customers.

Naturally, IT development continues. The redesign of the system supporting decision-making, the upgrade of the document system, the introduction of new SAP modules, the integration of new functionalities in the TinO system, and e-invoicing are just some of the projects that are planned.


ATP

On blue and green waves

The Sea Protection Department of Luka Koper constantly monitors and protects the sea in the port aquatorium. Our goal is to win a concession and apply our many years of experience to protect the entire Slovenian sea. In 2007, we purchased two vessels for remediation of all types of pollution. In 2008, at least one more, a 20-metre vessel, will be acquired.

We are developing new environmental protection methods. Environmental awareness is a permanent element of our development vision. We are the only Adriatic port boasting the ISO 14001:2004 environmental certificate and probably the only one to produce its own olive oil. Our target is to register with EMAS, which prioritises openness and the regular publication of verified environmental information.

SUSTAINABLE DEVELOPMENT

The activity of the Luka Koper Group has a strong impact on the social community as we provide jobs for many local people. We are closely integrated in everyday life by supporting various organisations and individuals. In addition, we greatly influence the special natural resource – the sea, to which we assure the highest possible protection.

In 2007, the upward trend in employee numbers continued. This was due to the steep increase in throughput and also the newly founded company. We provided for employee training through in-house training events - also because only we possess certain knowledge in the country. The satisfaction of our employees is proved by the low absenteeism levels and the internal surveys on the work and organisational climate.

We sponsor and donate funds to projects from various areas, including special projects that will provide for the harmonised development of common points between the port and the population in our immediate vicinity.

Luka Koper is the only port in the Northern Adriatic to operate according to the ISO 9001 and ISO 14001 standards. We are developing new methods and models for efficient environmental protection and management. Measurements show that gas, water and dust emissions along with noise and dust immissions are below the legal limits. We have set up the Sea Protection Department at the Group level, drafted the Plan of action and informing in the case of hazardous substance spills at sea, acquired the equipment to protect the sea and taken part in two international exercises.

Growth is planned so that it has minimum impact on the environment. We select cargo that is not only more profitable but also more environmentally acceptable. Cleaner environment is also ensured through the greening of surrounding areas, investments in energy independence, and safer and cleaner technologies. When the construction of Pier I had been planned, we also looked after environmental values and biodiversity. The plan was presented to the local community, which made no comments thereon.

We spread our environmental and social responsibility to other stakeholders - our suppliers and customers. We develop partnerships with competent and financially stable suppliers. We have built excellent relations with all our customers and maintain them within the framework of the EFQM business excellence model.

HUMAN RESOURCES MANAGEMENT

Number of employees

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

Year/company	2005	2006	2007
Luka Koper, d.d.	679	693	774
Luka Koper INPO, d.o.o.	242	237	228
Luka Koper Pristan, d.o.o.	6	9	9
Adria Terminali, d.o.o.	-	-	35
Adria-Tow, d.o.o.	23	23	24
Luka Koper Group	950	962	1,070

As at 31 December 2007, the Luka Koper Group had 1,070 employees, which is 11% more than the year before.

We have been witnessing an upward trend in the number of employees since 2005. In 2007, the growth was significantly higher. The key reason for this was the need for the throughput of much greater quantities of goods in changed working conditions. This growth was also influenced by the obligation to comply with the regulations and provisions on the management of working hours, health protection, environmental protection, and the replacing of employees who retired or left for other reasons. Thus, the number of employees in the Group rose by 108. The rise in the number of employees was also due to the 35 employees of the newly founded company Adria Terminali, d.o.o. Through this company we will expand the activity, as the first inland terminal located in Sežana, will be established and managed.

Recruitment, departures, fluctuation

Recruitment

In 2007, the Group employed 170 new employees, of whom Luka Koper, d.d. alone recruited 120, 85% of whom were assigned to positions connected with the basic work process.

At Luka Koper, d.d. 43% of all new employees have a post-secondary vocational or higher education. These employees occupy expert, management and middle management positions.

The necessary staff are selected based on job applications we receive daily and through announcements of vacant positions. We present ourselves at employment fairs, through brochures and publications targeted at young people who are concluding their schooling. In 2007, the number of job applications submitted via the online form on our website grew, already accounting for 15%.

In order to fill occupations in short supply, we introduce scholarships (in 2007 we granted three scholarships). Besides the basic conditions, the main staff selection criterion is a willingness to adjust to the demands of the work process.

Departures

In 2007, the employment of 62 employees of the Group was terminated. Luka Koper, d.d. was left by 39 employees, which equals the 2006 figure. The most frequent reasons were regular retirement and a consensual termination of the employment contract.

Fluctuation

In 2007, the employee fluctuation was 6.2%, while that of Luka Koper, d.d. was 5.1%, very similar to the year before. The fluctuation was higher owing to 17 disabled workers of Luka Koper INPO, d.o.o. who became eligible for retirement.

Employee structure

Structure by gender

Owing to the nature of work (demanding conditions) and arrangement of working hours in shifts, there are more male employees than female employees. For the most part, women occupy positions in expert services and the administration of profit centres. The structure of employees by gender has not changed significantly over the last three years. Since 2006, the share of women grew by 0.5 of a percentage point from 11.4% to 11.9% in 2007.

Structure by age and length of service

The average age of employees has been rising in recent years, chiefly because of the high age structure of employees of Luka Koper INPO, d.o.o. In spite of that, it is still low in other companies because mainly young staff are recruited. Thus, the average age of all employees of the Luka Koper Group in 2007 was 44.2 years. The average age was the highest at Luka Koper INPO, d.o.o. (49.2 years) and the lowest at the parent company (40.3 years). The consequence of the older personnel of Luka Koper INPO, d.o.o. is also their longest average length of service.

Average age and length of service of employees

Company in the Luka Koper Group	Average age of employees			Average length of service of employees		
	2005	2006	2007	2005	2006	2007
Luka Koper, d.d.	41.4	41.7	40.3	19.8	19.8	18.4
Luka Koper INPO, d.o.o.	48.5	48.8	49.2	27.4	28.7	28.4
Luka Koper Pristan, d.o.o.	35.8	37.4	40.4	13.7	15.5	16.1
Adria Terminali, d.o.o.	-	-	44.9	-	-	24.5
Adria-Tow, d.o.o.	44.8	45.7	46.4	17.4	18.3	19.2
Luka Koper Group	42.6	43.4	44.2	19.6	20.6	21.3

Number of employees by level of education

Year	Total amount	Education degree							
		I.	II.	III.	IV.	V.	VI.	VII.	VIII.
2005	950	52	146	59	227	261	47	156	2
2006	962	50	150	38	242	265	44	163	10
2007	1070	63	138	35	269	297	54	199	15

Educational structure

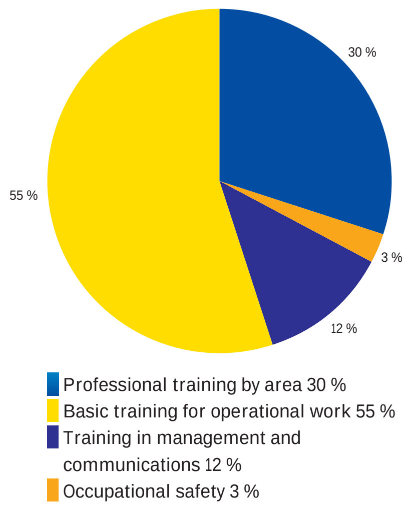
For several years Luka Koper, d.d. has been gradually and systematically replacing less qualified staff with employees who have a higher education level. We support training and education and as a result the educational structure is improving. The number of employees with at least level VI education has grown in the past three years by 3 percentage points and accounted for 25% of the Groups' employees.

The entire Luka Koper Group recorded a downward trend in the number of employees with an educational level below vocational education. In the last few years we have focused on the recruitment of personnel with two professional profiles to perform, namely machinery management and maintenance works, and low and middle management functions.

Structure of employees by type of employment

The planned annual turnover is managed by permanent employees. Part-time employees are taken on mainly:

- for the period of long-term training and induction into work; and
- to manage fluctuations between the planned and existing volumes of throughput during the year.



Contents of functional training in 2007

Human resources development: education and career development of employees

Employee training and education

The Luka Koper Group recorded 23,915 hours of functional training of its employees, which is on average 14 hours per employee or 8 hours less than the year before.

The average number of training hours per employee dropped on account of:

- an individual, systematic and selective approach to employee training;
- predominantly active forms of education (workshops, exercises);
- the promotion of an organisational culture whereby education is not a right, but a reward and added value; and
- intensive throughput, as a result of which work obligations did not allow any long-term absences from work since most training was conducted during working hours.

In 2007, EUR 248,580 or EUR 101 per employee was spent on training.

Structure of training

	2005	2006	2007
Average number of training hours	20	22	14
Costs of training per employee (in EUR)	120	158	101
Funds earmarked for training (in EUR)	208,700	264,960	248,580

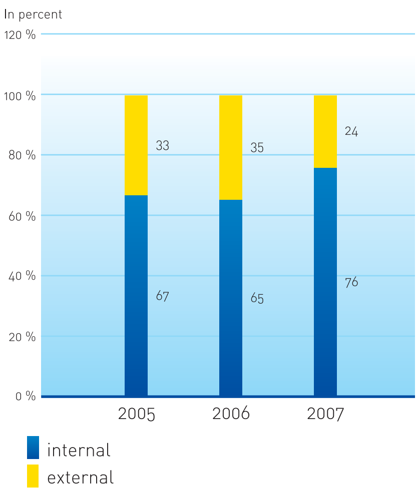
The decline in the costs of training per employee was achieved by a high share of in-house training, long-term co-operation with education institutions and systematic restrictions on the financing of off-the-job training. In 2007, 6.8% of employees underwent off-the-job training.

Training covered numerous areas, as shown below.

The share of in-house training organised by the parent company has been increasing in the Luka Koper Group, and reached 76%, which is 11 percentage points more than in 2006. This method of training is tailored to meet the goals and needs of business processes and the specific activity of the Group. It also follows the development of the industry. At the same time, we noted the in-depth transfer of knowledge between employees, that a uniform organisational culture was being created and a decline in costs.

There are no personnel qualified to manage port machinery and cranes in the labour market, which is why we have to provide for their training after recruiting them. This was the first year that we organised the training of operative staff who will operate different machinery entirely by in-house personnel.

Since the applicable legislation prevents us from training employees of associates and contractors, we will next year focus on the gradual fulfilment of all legally prescribed conditions for obtaining a suitable training licence from the competent ministry and on improving the system for rewarding the practical training instructors.



Ratio between internal and external training

Co-operation with higher education institutions and scientific organisations
We have been co-operating with secondary and higher education institutions in the following manner:
- employees perform the functions of associate professors and assistants at the faculties of the University of Primorska and the University of Ljubljana;
- we carry out topically-oriented internal projects in conjunction with faculties;
- the employees act as mentors or co-mentors of students who are preparing seminars, diploma and master thesis papers;
- we host groups of students and higher education professors during expert excursions;
- we provide for obligatory practical training (in 2007, 10 pupils and students underwent 1,100 hours of practical training); and
- we provided half-year practical training to a foreign student through the Leonardo da Vinci programme.

Human resources development
For the well-timed recruitment of the parent company we established a base of potential or replacement staff by work level, at both the level of individual units and the Company. There are 65 employees who could be promoted as soon as the need arises due to the work process or gradually when they acquire suitable experience and education.

Employee satisfaction

The organisational climate, loyalty and satisfaction of employees were first measured by the Luka Koper Group in 1997. Since then, a constant upward trend has persisted, which is the consequence of regular survey analyses, the presentation of results to employees at workshops and the co-operation of management and employees in drafting measures for improvement.

The number of respondents was also higher in the last survey (57%). The employees expressed greater satisfaction mainly as regards the management, which we ascribe to investments in the intensive training of managers over the last few years. The lowest grades - as in all previous years - were assigned to the payment system, which is comparable to other Slovenian and foreign organisations.

Measurement of employee satisfaction

Year	Level of satisfaction
2003	3.78
2004	3.83
2006	3.94

Absenteeism

In 2007, employees spent 145,315 hours on sick leave. Absenteeism was at a low 6.8% in the past year. As presented in the table below, this figure corresponds to that for 2006. The low level testifies to employee satisfaction in the workplace and a smaller number of work-related injuries, resulting in fewer costs.

Absenteeism

Year	Number of hours	Share
2005	145,255	7.5
2006	134,083	6.8
2007	145,315	6.8

Occupational safety and health

In 2007, there were 44 industrial injuries. The absence of the injured workers caused costs in the amount of EUR 4.17 per 1,000 tonnes of throughput. Every industrial injury is analysed, a report is compiled, the reasons for the resulting situation are established and, based thereon, measures and goals are set out to decrease the number of injuries on the job. The basic aim is to protect employees from negative impacts of the working environment and technological processes, which will be additionally limited by implementation of the occupational safety and health system.

The costs of absence due to industrial injury

Amount of costs 2007	Objective 2007
EUR 4.17/1,000 tonnes	EUR 4.30/1,000 tonnes

Employees' co-management

The Workers' Council participates in management by the Company's bodies via workers' representatives on the Supervisory Board of the Company and through the workers' representative on the Management Board – a workers' director. According to the Articles of Association, the member of the Management Board – workers' director represents and acts on behalf of the employees in relation to personnel and social issues.

There are three representative trade unions operating at Luka Koper, d.d.: the Port Employee Trade Union of Slovenia, the Port Activity Union of Slovenia, and the Maritime Crane Operators Trade Union of Luka Koper. In 2007, the social partners at the level of the Company launched the intensive drafting and adoption of new corporate collective agreements for employees of the parent company and subsidiaries. By signing an annex to the Collective Agreement, in early 2008 the Company reached a social agreement with the Port Activity Union and the Port Employee Trade Union.

Informing the employees

At the Luka Koper Group, internal communications are conducted according to the principles defined in the criteria for achieving business excellence in line with the EFQM standard and other applicable quality standards. The tools of internal communication are the following:

- The internal bulletin 'Luški glasnik': monthly publication which besides current events within the Company and its surroundings contains information about planned developments and investments, professional articles and pieces on other activities and the success of employees.
- The intranet, which is accessible to an ever greater number of employees; as a result, the website was redesigned and expanded in 2007.
- The bulletins 'Kratke vesti' and 'Interna obvestila' are issued periodically and usually contain one page (they are available on the notice boards, e-mail and the intranet).

An important role is played also by direct mutual informing of employees within units and work groups at briefings and work meetings.

On the basis of surveys we have conducted we establish that internal communications are conducted well and that the employees are satisfied with the level of informing.

Employing the disabled

At the end of 2007, the Luka Koper Group employed 176 disabled people, of whom 156 or 68.4% of the total worked at Luka Koper INPO, d.o.o.

The number of disabled employees as at 31 December 2007

Company	Number of the disabled
Luka Koper, d.d.	14
Luka Koper INPO, d.o.o.	156
Adria Terminali, d.o.o.	6
Luka Koper Group	176

In the past year, we paid attention to our disabled employees mainly as regards:

- acquiring new programmes which could be implemented by the disabled;
- expanding the possibilities of reassignment and promotion;
- including them in motivational workshops;
- informing and preparing them for retirement as well as obtaining suitable data from the Pension and Disability Insurance Institute of Slovenia;
- offering assistance to the disabled in

solving work-related and personal problems;
- co-operating with the Papilot Institution in disability procedures in the field of occupational medicine; and
- organising several internal and external training events.

Remuneration, motivation and other employee benefits

Stability and a successful performance ensure the social and economic security of our employees. The salary, which comprises a basic and a variable part, is remitted regularly and the employees receive a group performance bonus every quarter. We reward useful proposals and innovations, instructorship and other ways of transferring knowledge to employees as well as project work. Every year, we reward as many as up to five model employees, managers of the year and the quality team members. We also pay 70-90% of the supplementary voluntary pension premium and cover flu vaccination expenses.

At the same time, we encourage the non-formal socialising of employees through organised forms of sports recreation, use of the Company's holiday facilities and social get-togethers at the anniversary of the Company and New Year. We organise sports games for the employees and business partners, a picnic for all employees, annual social meetings within organisational units, events on Women's Day, a New Year's presentation of gifts to the employees' children and more.

Upon retirement, we pay the employees severance pay higher than the amount stipulated by law. Moreover, our retired employees can maintain contacts with the Company through the Pensioners' Club operating within Luka Koper, d.d. which is also financed by the Company.

We monitor the medical treatment of our employees, especially those whose treatment is lengthy due to a serious illness or injury. Usually, the superiors and close colleagues keep contact with such employees and we also help them financially. In addition, we offer employees assistance in solving their accommodation and social problems. Financial assistance has been provided to 29 employees in total.

Goals achieved in 2007

In 2007, the activities related to human resources were targeted at:
- providing a rational and flexible work organisation by improving the micro-organisation, managing working hours and implementing organisational changes;
- providing a suitable number of adequate employees, promotions and employee rotations to ensure an uninterrupted work process;
- introducing new approaches to obtain job candidates, in particular for operative positions;
- introducing a new form of soliciting staff by co-operating with agencies;
- following and adjusting to legislative novelties;
- preparing and organising the necessary operations for the takeover of employees from BTC Terminal Sežana, d.d. by Adria Terminali, d.o.o.; and
- launching the in-house training of port machinery drivers and crane operators.

Goals for 2008

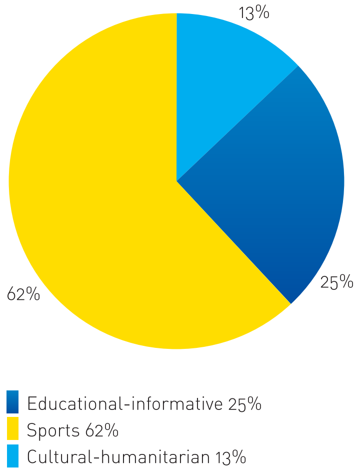
Human resources management goals are the following:
- reorganising the job systemisation;
- concluding a new corporate collective agreement;
- providing a suitable number and type of personnel;
- 5% employee fluctuation;
- 100% employee participation in training; and
- introducing an individual approach to planning employee development and training.

IN PARTNERSHIP WITH THE SOCIAL ENVIRONMENT

Sponsorships and donations

In 2007, the Luka Koper Group allocated EUR 1.4 million to sponsorships and donations, which is 187% more than the year before. This jump is a consequence of the celebration of the 50th anniversary, where we paid special attention to the local community.
Major sponsorships and donations include those based on which we establish long-term partnership between the Group and the recipients of funds in various areas.

One of these areas is sport:
- Our employees value sport, as no less than 220 are active in the Sports Association of Luka Koper.
- We support the clubs that are named after our Company: Luka Koper Volleyball Club, Luka Koper Bocce Club and Luka Koper Basketball Club.
- We also provided support to the Koper Football Club and a tennis club at Portorož.
- We sponsored the swimmer Matjaž Markič, the canoeist Špela Ponamarenko and the sailor Gašper Vinčec.
- We made it possible for the organisers of the 'Euroregion Running' project to route part of the marathon course across the port territory.



Distribution of funds by area

- For a number of years we have been sponsoring the Olympic Committee and we also supported the Skiing and Gymnastic Associations.

In the field of culture we:
- devoted special attention to the development of cultural activity in the hinterland, brining to life old cultural traditions and preserving cultural heritage;
- have been the main sponsor of the Koper Brass Orchestra for a number of years and also sponsored the Primorska Summer Festival and numerous other cultural events; and
- participated in organisation of the Radio Capris summer concert, the jubilee concert of the Faraoni band and helped set up the 'Krasovanje' event in Sežana.

Our donations went to:
- humanitarian organisations, such as associations of patients suffering from specific illnesses and societies providing help to people in distress;
- the purchase of emergency vehicles for the Izola and Koper Health Centres and the purchase of medical equipment for the Izola General Hospital, the Institute of Oncology and the Medical Centre of Ljubljana; and
- the people affected by September's river floods in central and western Slovenia.

The quality of knowledge is important for our work, which is why we support education institutions. Thus, in 2007:
- we contributed to the operations of primary schools, vocational colleges, higher education institutions, faculties, scientific and research organisations which we helped purchase school equipment and teaching aids; and
- further co-operated with the University of Primorska - we were among its initiators and have upgraded our position as we provide financial aid and our experts participate in lectures as well as in the design and development of joint projects.

Co-operation with the local community

The project of the Passenger Port of Koper was in 2007 assessed by the Slovenian Tourist Organisation as the most creative and innovative contribution of all Slovenian tourist projects. We supported it when it was no more than an idea and followed up on our support by moving the port activity from the western part of the town. We will continue conducting activities related to the tourist cruise service range. Further, we will participate in the establishment of modern infrastructure to enhance the quality passenger transport activity and thus promote tourism development in the old city centre.

We also support other projects which will bring about the harmonised development of areas where the port territory comes into contact with the urban environment in our approximate vicinity. In 2007, we provided funds for rehabilitation of the neglected small port in the Bay of St. Catherine in Ankaran. We also plan to build the Ankaran sports and recreational park by arranging the land next to the bay. We will further contribute to improve the quality of life in the town by relocating the main truck entrance to the port to Srmin. Project documentation was prepared and a public tender organised for the construction of the road connection with the new entrance in 2007.

The port boasts a volunteer fire department, which we make sure is well-equipped and trained. The fire-fighters are ready to intervene and help at any time, not only in the port itself, but also in the town of Koper and the surrounding area.

The port area is secured with a customs fence since it has the status of an economic zone. That is why it is not accessible to the public. The latter is often critical as it lacks knowledge about our activities.

We want to enhance company visibility and in June 2007 we therefore organised the Open House Event. Many visitors came, almost 1,000 in a day, and 14,000 people opted for guided excursions.

CONTROLLING THE IMPACT ON THE NATURAL ENVIRONMENT

Luka Koper is the only port in the Northern Adriatic to operate according to the ISO 9001 and ISO 14001 standards. We already successfully introduced the environmental management system (ISO 14001) in 2000 and undertook to develop new methods and models for efficient environmental protection and management. We solve environmental issues in close co-operation with the competent municipal and national bodies as well as the local communities. We provide for environmental protection in line with the regulations of both the Republic of Slovenia and the European Union. The competent inspection services in the port regularly monitor our environmental impact. No measurements point to the legal limits being exceeded.

In 2007, EUR 2.32 million was spent on environmental purposes, which equals 2% of operating revenue.

Major investments in equipment were:
- the purchase of two sea protective vessels;
- wind protection for the iron and coal disposal site;
- set-up of a rainwater sewage system;
- oil trap installations;
- the remodelling of vehicles to make them suitable for use in case of spills of hazardous substances;
- an environmental upgrade of the transporter;
- co-financing of the purchase of a new measurement station for determining the quantity of inhalable particles PM10 - it will be installed within the port; and
- the purchase of three on-line noise measuring devices for the continued monitoring of noise immissions.

In 2007, the studies and activities referred to below were carried out:
- a study involving the control of air pollution from dust deposits in the area of the Ankaran local community for the 2006-2007 period;
- a study on the environmental impact and toxicology value of emissions in the inshore sea area of Luka Koper; and
- a study on the impact of Luka Koper's operations on pollution and other environmental problems in Koper Bay, along with the proposed strategy and measures for environmental protection.

The implementation of the environmental, safety and health policy is the responsibility of all employees. One of the Management Board members is also the management's representative for the environment and is tasked with providing the harmonised functioning of the environmental protection system and company policy. The Environmental Protection and Occupational Health Department was set up and assigned to oversee environmental protection, safety and health at work and sea protection. The department manager is authorised for environmental protection and is in charge of advising, informing the employees, obtaining environmental permits, monitoring, reporting and providing information to the public.

Co-operation with institutions and local communities

We annually conduct surveys so as to learn the opinions of the local population. This year the survey included 301 respondents and the analysis gave us a better understanding of the Group's importance of in the everyday lives of the region's population.

In spite of the lively events and continuous rise in throughput, the respondents have a positive opinion. The overall estimate of the environmental impact of port activities on a scale from 1 to 5 was 3.78 in 2007. The analysis did not reveal any general negative opinion about our operations and future, and our contribution to the economic development of the Municipality of Koper is positive.

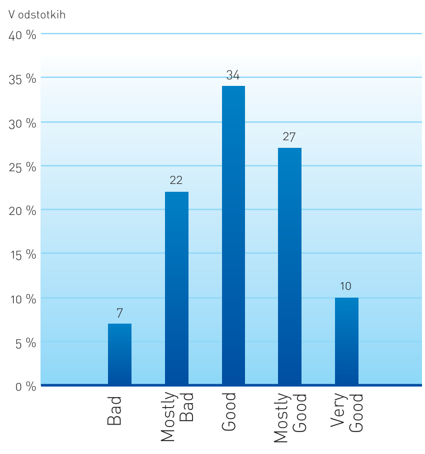
Overall estimate of the environmental impact of port activities on a scale from 1 to 5

2005	2006	2007
3.69	3.84	3.78

In co-operation with numerous institutions we carry out many research projects and actively take part in national and international projects aimed at reducing and preventing negative environmental impacts, i.e.: Life Cycle Assessment (ship waste), IONAS – Ionian and Adriatic Cities and Ports Joint Co-operation.

Technological Environmental Centre (TEC)

2007 saw the establishment of the Tehnološko okoljski center, d.o.o. (Technological Environmental Centre), of which Luka Koper, d.d. is a strategic partner. The TEC will operate as a market-oriented company performing



Results of the survey conducted on the local population about the attitude of Luka Koper to environmental protection

technological and environmental research services and quality assurance. The development and work will be based on the transfer of research and new findings to technological practice. The Centre will conduct technological research in engineering and technology with a special emphasis on renewable energy sources, waste recovery, technologies for obtaining natural medicinal substances, sea and inland area ecology.

Monitoring air quality

Air quality is monitored by measurements of emissions and immissions. It is no longer legally prescribed that dust immissions be measured, which is why we do not report the result to the state authorities but we do observe the maximum recommended immission level of particles of 200 mg/m2 per year. Control measurements of dust deposits are carried out at ten measurement sites. In 2007, the limits were not exceeded, except at the measuring site in the approximate vicinity of the pier extension. In addition, since 2001 the Primorska Institute of Natural Sciences has been conducting measurements of immissions of inhalable dust particles smaller than 10 μm (PM10) in the immediate area of the source of immissions - the bulk cargo disposal site. The last average PM10 concentration measured was 34.97μg/m³, which is below the legally prescribed limit (40 μg/m³).
Luka Koper, d.d. has set itself the task to halve this figure by 2010, as required by the European and Slovenian legislation. This goal will be achieved by preventive measures and activities aimed at reducing dust particles in the atmosphere. In March 2008, a mobile station will start being used for PM10 emissions.
In the framework of operational monitoring of emissions into the atmosphere, the authorised organisation is conducting measurements at the liquid cargo terminal. The results of measurements are below the prescribed maximum limits.

Concentration of dust particles, μg/m³

Period	Concentration μg/m³
April 2004 – April 2005	33.0
April 2005 – April 2006	25.1
April 2006 – April 2007	35.0
Target average annual concentration in 2010	20.0
Permitted average annual concentration	40.0

Comparison of noise levels in the entire area of Luka Koper, d.d.

Year	2005	2006	2007
Daily noise level (L_d)	58	58	61
Night noise level (L_n)	53	53	52

Monitoring noise effects on the environment

Noise immissions have been regularly measured since 1998 at three locations: near the town centre of Koper and at border points towards Ankaran and Bertoki, where measuring devices were installed at the end of 2007 for continuing noise measurements. While the night time noise levels decreased, noise levels during the day slightly rose on account of the new facilities being constructed. However, both levels are below the prescribed limits.

Rational energy and water consumption

In order to reduce the consumption of energy, energy sources and water, we are considering the use of alternative energy sources. The water needed for the European energy terminal is drawn from wells. We are reducing the loss of water from the distribution network by promptly discovering water losses and via computer control.

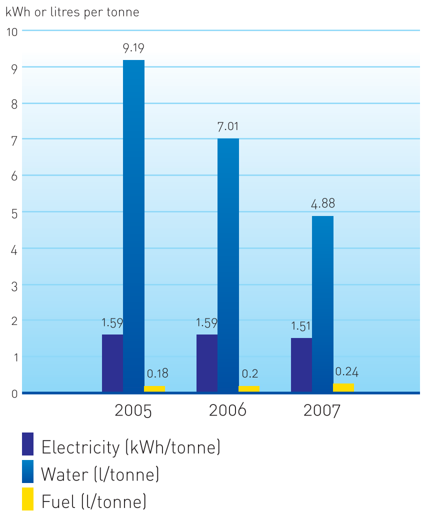
Fuel consumption is limited by the use of more electrically-powered machinery; however, this machinery is usually not strong enough. In spite of the above, the consumption is slightly increasing as a consequence of the higher number of services with added value. The increase in consumption per tonne of throughput is attributed also to the lack of warehouses and thus goods transport outside the terminals to a wider area of port.
Energy consumption has decreased over the last few years. Admittedly, the costs were somewhat higher, but this was due to the rise in electricity prices.

Systematic waste management

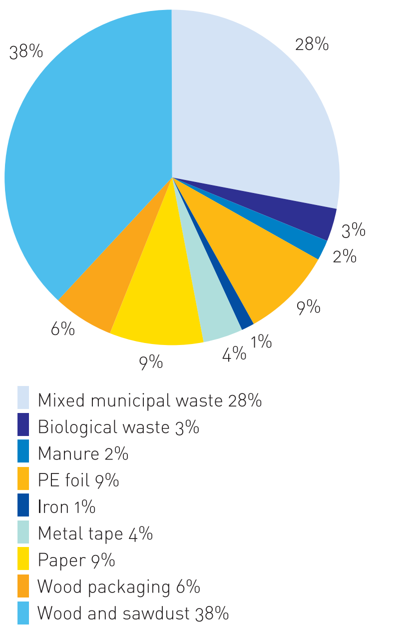
The environmental awareness of our employees is also reflected in the separate collection and recycling of waste. At the port, up to 70% of all waste is collected separately and then handed over for recycling. We improved the cleanliness and appearance of our working environment as well as boosted the cost-effectiveness of our operations. We perform the mandatory public utility service of collecting solid and liquid waste from vessels in the area of the Port of Koper.

Sea protection

Services related to the prevention and elimination of the consequences of sea pollution are carried out on the basis of a contract concluded between the Republic of Slovenia and Luka Koper, d.d. We supervise the port aquatorium 24 hours a day, 365 days a year. On the Luka Koper Group level, we organised the Sea Protection Department and formulated the Plan of action and informing in the case of hazardous substance spills at sea. Crucial for successful performance are the suitably qualified staff and adequate equipment. In 2007, we acquired the equipment for sea protection and participated in two international exercises for spills of hazardous substances at sea. We played the leading role at the 'Sea 2007' national-level exercise.
In October 2007 our Sea Protection Department gained the first ecological intervention vessel to be used in the case of sea pollution. 'Kormoran', a special Gabbiano boat, is fitted with all equipment necessary for the remediation of small-scale pollution. In December, we received the fast working patrol boat OMNIA 10.60, designed for patrolling and quick interventions in extraordinary events at sea.
Our goal is to acquire a concession for the mandatory public utility service of maintaining aquatic and inshore land in the entire area of the Slovenian sea.



Decrease in the consumption of electricity, fuel and water per tonne of throughput



The shares of waste collected separately in 2007

Reduction of light pollution

We commissioned a study for the overall adjustment of the existing external lighting in the port area with the Decree on Limit Values Due to Light Pollution of the Environment. The new outdoor warehouses are lit by fixtures that comply with the said Decree.

Informing the public about environmental aspects

We provide data to the national authorities as prescribed and within the legally set deadlines. The public is informed via our website, the 'Luški glasnik' bulletin and the public media. We also issue publications describing the development of the Luka Koper Group, organise interactive workshops, publish professional articles about sustainable development and take an active part in environmental conferences.

Environmental objectives for 2008

In 2008, we have set the following environmental protection objectives:
- upgrading the environmental management system according to the EMAS system requirements;
- obtaining the OHSAS 18001 certificate of occupational safety and health of workers;
- acquiring a concession for the mandatory public utility service of maintaining aquatic and inshore land in the entire area of the Slovenian sea;
- environmental activities on the operative level will focus on cutting unfavourable environmental impacts of our activity.

SUPPLIERS AND CUSTOMERS

Responsible selection of suppliers

The Luka Koper Group continued organising purchasing conferences which connected employees at profit centres who are responsible for purchasing equipment with the Technology and Purchasing Department with the aim of ensuring uniform and optimal purchasing.

At the end of 2007, we assessed 22 suppliers from two groups: technical services and products. Assessment criteria were the following: quality, delivery deadline, price, time needed for resolving complaints, payment terms and the environmental policy of a supplier.

As in the year before, in 2007 the Committee gave high scores to suppliers, which means that the high quality of suppliers has been preserved. Suppliers are selected and included in the list of strategic suppliers on the basis of this assessment. Namely, we only co-operate and conduct business with strategic suppliers who can assure reliability as regards the supplied goods or services, along with the desired quality and agreed deadline.

According to the Committee's assessment we established a team for selecting the best supplier. In addition, rewards will be presented to the best suppliers in specific areas.

Partnership with suppliers

We develop partnerships with competent and financially stable suppliers which maintain a high quality level of products and services. We have concluded agreements with suppliers on the provision of critical inventories and the timely delivery of material. The success of the systematic building of partnerships with suppliers is reflected in a drastic drop in the number of complaints and the low percentage of missed contractual deadlines. By having a uniform presence in the market we also create conditions for attaining better effects.

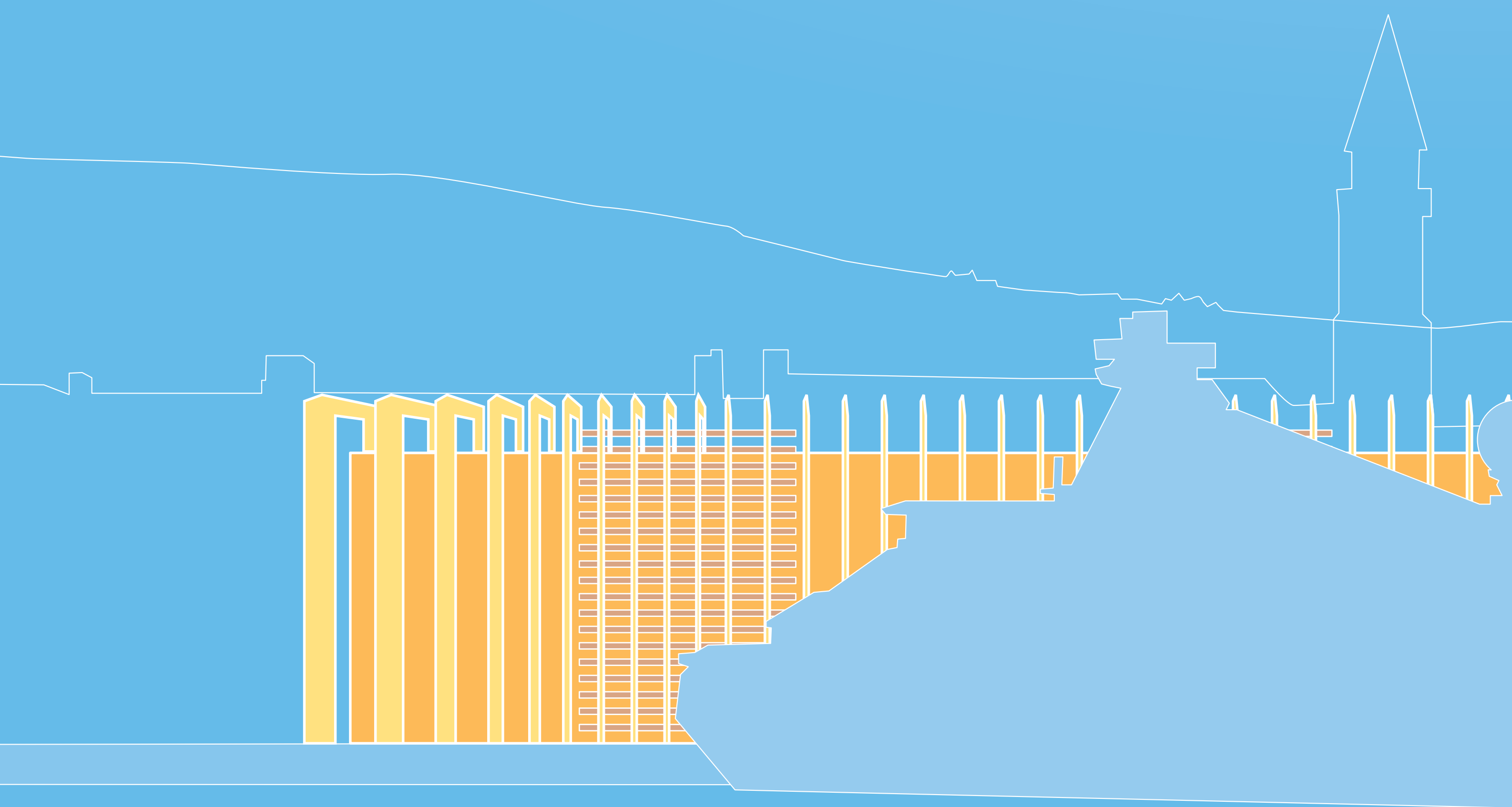
When purchasing new assets, significant attention is paid to more energy efficient and environmentally-friendly assets. We started systematically monitoring the introduction of new technologies in practice and the launch of technological solutions for enhancing productivity and intensifying environmental protection.

RESPONSIBILITY TO CUSTOMERS

We have built excellent relations with all our customers and maintain them within the framework of the EFQM business excellence model. We monitor their opinions through contacts between them and the sales staff (meetings, telephone conversations, e-mail) and the annual customer satisfaction survey which in 2007 was for the first time carried out in an electronic form, via a questionnaire on the Company's website. We take into account customers' opinions and inform them about adopted measures, thus encouraging them to put forward proposals for the improvement and development of services, and to reinforce our co-operation.

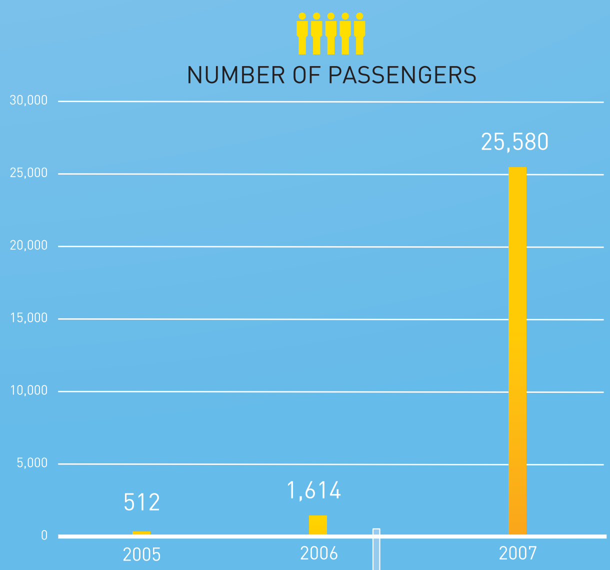
Complaints from customers totalled EUR 160,957 or 0.13% in 2007 - a negligible proportion of operating revenue, but which evidence our high-quality services which is relevant in the scope of business relations.

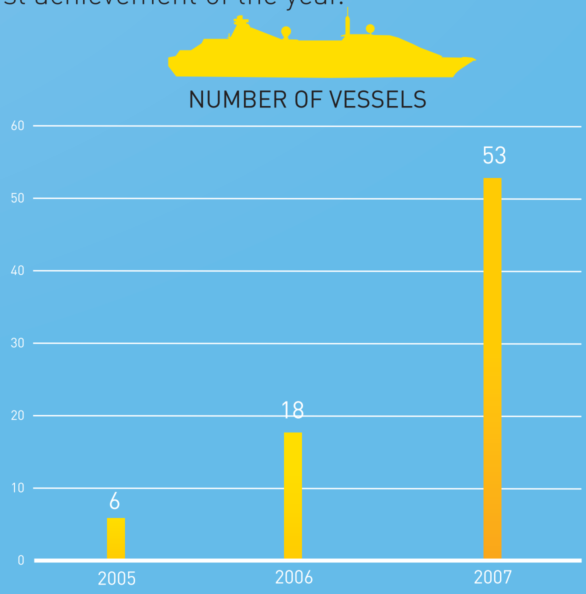

SEABOURN PRIDE

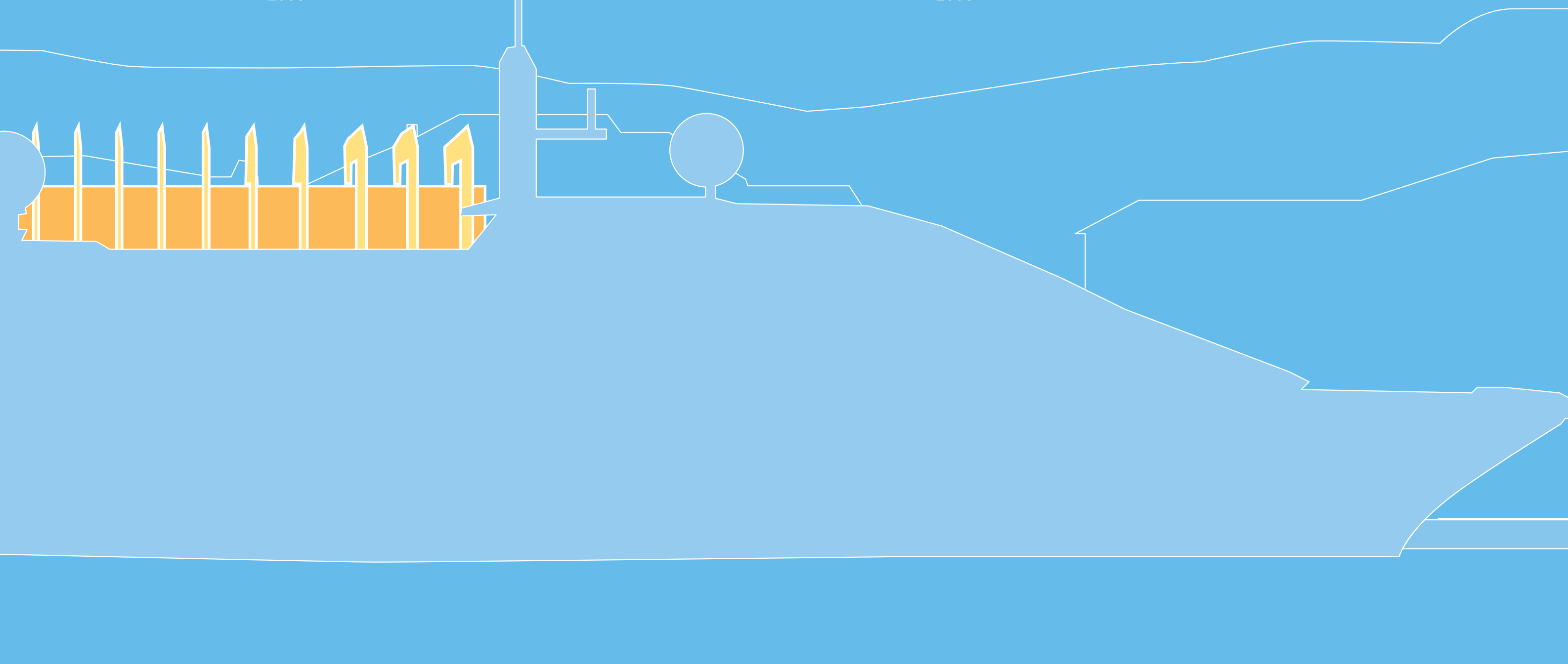


‘Golden Sower’ for the tourism crop

When Luka Koper withdrew from the old city centre, Koper started successfully developing into a new Mediterranean passenger port and cruise destination. The third year since the withdrawal witnessed a good guest response and was very encouraging as regards further development.
We have been participating in the terminal’s operations since the very beginning. By acquiring a former warehouse, we created the conditions for the establishment of a modern passenger terminal. For the new terminal project, we received the ‘Golden Sower’ Award from the Slovenian Tourist Organisation as the most creative and innovative tourist achievement of the year.







FINANCIAL REPORT 2007

CONTENTS

INTRODUCTORY NOTES TO THE PREPARATION OF THE FINANCIAL REPORT

Consolidated financial statements and notes to the financial statements of the Luka Koper Group and unconsolidated financial statements and notes to the financial statements of the company Luka Koper, d.d. have been presented as two separate reports. The financial statements have been prepared in accordance with International Financial Reporting Standards (hereinafter: IFRS).

The auditors of Deloitte revizija, d.o.o. audited the consolidated and unconsolidated financial statements and the notes thereto and prepared the auditor's report which has been included in the corresponding sections.

The statement of management's responsibility is published at the beginning of the financial report and denotes management's responsibility for all financial statements, i.e. the financial statements of the Luka Koper Group and the company Luka Koper, d.d.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

Management of the company Luka Koper, d.d. declares that it fully approves the consolidated financial statements of the Luka Koper Group for the year ended 31 December 2007, which have been presented on pages 98 to 103, and the accompanying notes to the financial statements presented on pages 104 to 135, as well as the unconsolidated financial statements of the company Luka Koper, d.d. presented on pages 138 to 141 and the accompanying notes to the financial statements presented on pages 142 to 171.

Management confirms that the financial statements have been prepared under the assumption of going concern and in accordance with applicable legislation. The consistent application of accounting policies and guidelines together with a prudent preparation of accounting estimates represent a basis for a true and fair presentation of the financial position of Luka Koper, d.d. and the Luka Koper Group and of their financial performance in the year 2007.

Koper, 27 March 2008

President of the Management Board
Robert Časar

CONSOLIDATED FINANCIAL REPORT OF THE LUKA KOPER GROUP FOR 2007

1. INCOME STATEMENT - audited and consolidated

(IN EUR)	Notes	2007	2006
Operating revenue	**1**	**122,221,811**	**105,688,276**
Net sales revenue	1	118,992,415	101,844,318
Other operating revenue	1	3,229,396	3,843,958
Operating costs		**98,827,040**	**86,288,430**
Costs of goods, materials and services	2	41,757,873	35,769,184
Labour costs	3	30,857,201	26,812,055
Write-downs in value	4	16,764,462	14,683,308
Provisions created	5	1,905,295	1,478,194
Other operating expenses	6	7,542,209	7,545,689
Operating profit		**23,394,770**	**19,400,472**
Financial revenue	**7**	**14,080,376**	**6,098,404**
Financial expenses	**8**	**3,798,898**	**2,091,674**
Financing gain		**10,281,478**	**4,006,730**
Total profit	**9**	**33,676,248**	**23,406,576**
Corporate income tax	10	2,949,620	2,958,968
Deferred tax	11	138,502	254,939
Net profit for the period	**12**	**30,865,130**	**20,702,547**
Profit of majority shareholder	12	30,124,485	19,926,275
Profit of minority shareholder	12	740,645	776,272
Earnings per share	25	2.15	1.42

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

2. BALANCE SHEET - audited and consolidated

(IN EUR)	Notes	31/12/2007	31/12/2006
Assets		**461,159,397**	**366,403,967**
Long-term assets		**421,422,072**	**326,909,604**
Intangible assets	13	1,078,021	649,574
Property, plant and equipment	14	242,250,356	163,279,886
Investment property	15	3,732,466	7,853,163
Long-term investments	16	172,998,339	154,108,158
Long-term operating receivables	17	217,294	11,730
Deferred tax assets	18	1,145,596	1,007,093
Current assets		**39,538,187**	**39,403,369**
Assets (disposal group) held for sale	19	103,865	125,092
Inventories	20	9,688	4,397
Short-term financial assets	21	8,624,943	16,320,831
Short-term operating receivables	22	28,544,163	22,061,243
Short-term corporate income tax assets	22	242,635	270,274
Cash and cash equivalents	23	2,012,893	621,532
Short-term deferred costs and accrued revenue	**24**	**199,138**	**90,994**
Off-balance sheet assets	**30**	**14,899,609**	**9,360,499**
Equity and liabilities		**461,159,397**	**366,403,967**
Equity	**25**	**340,663,798**	**294,887,189**
Equity - majority shareholder		**337,791,792**	**292,942,931**
Share capital	25	58,420,965	58,420,965
Capital surplus	25	89,562,703	89,562,703
Legal reserves	25	18,868,358	18,864,125
Other revenue reserves	25	95,728,958	82,430,362
Revaluation surplus	25	44,598,950	20,188,925
Retained earnings		13,025,799	13,530,245
Net profit for the period	12	17,586,058	9,945,606
Equity - minority shareholders		**2,872,006**	**1,944,258**
Provisions	**26**	**11,718,551**	**10,080,972**
Long-term liabilities		**17,926,907**	**45,323,712**
Long-term financial liabilities	27	6,622,990	33,280,071
Long-term operating liabilities	27	154,180	6,013,183
Long-term deferred tax liabilities	27	11,149,737	6,030,458
Short-term liabilities		**90,487,510**	**15,249,933**
Short-term financial liabilities	28	52,014,429	2,250,797
Short-term operating liabilities	28	38,028,073	12,834,058
Short-term corporate income tax liabilities	28	445,008	165,078
Accrued costs and deferred revenue	**29**	**362,631**	**862,161**
Off-balance sheet liabilities	**30**	**14,899,609**	**9,360,499**

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

3. CASH FLOW STATEMENT

(IN EUR)		2007	2006
A. Cash flows from operating activities			
a)	**Net profit**		
	Profit before tax	33,676,249	23,406,577
	Income taxes and other taxes not included in operating expenses	(2,811,118)	(2,704,029)
		30,865,131	**20,702,548**
b)	**Adjustments for**		
	Depreciation or amortisation (+)	16,180,460	14,043,718
	Revaluation operating revenue associated with investing and financing items (-)	(405,441)	(546,742)
	Revaluation operating expenses associated with investing and financing items (+)	99,663	153,247
	Financial revenue less financial revenue from operating receivables (-)	(13,341,765)	(5,637,570)
	Financial expenses less financial expenses from operating liabilities (+)	3,561,342	1,686,475
		6,094,259	**9,699,128**
b)	**Changes in net operating assets in the operating balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)**		
	Opening less closing operating receivables	(6,660,844)	(3,610,161)
	Opening less closing deferred costs and accrued revenue	(108,143)	(12,431)
	Opening less closing deferred tax assets	(138,501)	(1,007,094)
	Opening less closing assets (disposal groups) held for sale	21,227	(125,092)
	Opening less closing inventories	(5,290)	(246)
	Closing less opening operating liabilities	19,614,941	5,635,563
	Closing less opening accrued costs and deferred revenue, and provisions	1,138,049	1,893,843
	Closing less opening deferred tax liabilities	5,119,279	4,243,114
		18,980,718	**7,017,496**
c)	**Net cash from operating activities (a + b)**	**55,940,107**	**37,419,172**
B.	**Cash flows from investing activities**		
a)	**Cash receipts from investing activities**		
	Interest and dividends received from investing activities	3,821,531	1,695,362
	Cash receipts from disposal of intangible assets	-	-
	Cash receipts from disposal of property, plant and equipment	1,129,609	747,651
	Cash receipts from disposal of long-term investments	26,162,393	7,937,330
	Cash receipts from disposal of short-term investments	113,943,481	38,256,655
		145,057,014	**48,636,998**
b)	**Cash disbursements from investing activities**		
	Cash disbursements to acquire intangible assets	(775,649)	(132,134)
	Cash disbursements to acquire property, plant and equipment	(85,570,739)	(27,275,386)
	Cash disbursements to acquire investment property	(6,983,206)	-
	Cash disbursements to acquire long-term investments	(14,271,276)	(31,792,253)
	Cash disbursements to acquire short-term investments	(105,466,455)	(21,813,004)
		(213,067,325)	**(81,012,777)**
c)	**Net cash from investing activities (a + b)**	**(68,010,311)**	**(32,375,779)**
C.	**Cash flows from financing activities**		
a)	**Cash receipts from financing activities**		
	Cash proceeds from increase in long-term financial liabilities	44,348,646	39,914,000
	Cash proceeds from increase in short-term financial liabilities	23,479,286	2,903,418
		67,827,932	**42,817,418**
b)	**Cash disbursements from financing activities**		
	Interest paid on financing activities	(1,747,520)	(1,169,885)
	Cash repayments of long-term financial liabilities	(34,638,417)	(41,027,478)
	Cash repayments of short-term financial liabilities	(8,312,518)	(1,556,440)
	Dividends and other profit shares paid	(9,667,912)	(9,631,932)
		(54,366,367)	**(53,385,735)**
c)	**Net cash from financing activities (a + b)**	**13,461,565**	**(10,568,317)**
Č.	**Closing balance of cash**	**2,012,893**	**621,532**
x)	**Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)**	**1,391,361**	**(5,524,924)**
y)	**Opening balance of cash**	**621,532**	**6,146,457**

4. CHANGES IN EQUITY

(IN EUR)

	Called-up capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Net profit for the period	Revaluation surplus	Total
Balance as at 1 January 2006	**58,420,965**	**89,562,703**	**18,860,044**	**73,739,853**	**10,520,581**	**11,049,875**	**7,614,919**	**269,768,940**
Movements to equity						**19,926,275**	**12,574,006**	**32,500,281**
Net profit for the period						19,926,275		19,926,275
Change in the fair value of available-for-sale investments							12,574,006	12,574,006
Movements within equity			**4,082**	**18,322,440**	**3,009,664**	**-21,030,544**		**305,641**
Creation of other revenue reserves and legal reserves based on a decision of the management and the supervisory board			4,082	9,976,587		-9,980,669		
Movement to other revenue reserves based on a decision of general meeting				8,345,852	-8,040,211			305,641
Movement of net profit for the previous year to retained earnings					11,049,875	-11,049,875		
Movements from equity				**-9,631,932**				**-9,631,932**
Payment of dividends				-9,631,932				-9,631,932
Balance as at 31 December 2006	**58,420,965**	**89,562,703**	**18,864,126**	**82,430,361**	**13,530,245**	**9,945,606**	**20,188,925**	**292,942,931**
Equity - minority shareholders								
Balance as at 31 December 2006	**49,796**	**25,651**	**4,980**	**784,586**	**302,974**	**776,272**		**1,944,258**
Total equity	**58,470,760**	**89,588,355**	**18,869,105**	**83,214,947**	**13,833,219**	**10,721,878**	**20,188,925**	**294,887,189**
Movements to equity						**30,124,485**	**24,410,025**	**54,534,510**
Net profit for the period						30,124,485		30,124,485
Change in the fair value of available-for-sale investments							24,410,025	24,410,025
Movements within equity			**4,233**	**22,966,509**	**-504,446**	**-22,484,033**		**-17,737**
Creation of other revenue reserves and legal reserves based on a decision of the management and the supervisory board			4,233	12,534,194		-12,538,427		
Movement to other revenue reserves based on a decision of general meeting				10,432,315	-10,432,315			
Movement of net profit for the previous year to retained earnings					9,927,869	-9,945,606		17,737
Movements from equity				**-9,667,912**				**-9,667,912**
Payment of dividends				-9,667,912				-9,667,912
Balance as at 31 December 2007	**58,420,965**	**89,562,703**	**18,868,358**	**95,728,958**	**13,025,799**	**17,586,058**	**44,598,950**	**337,791,792**
Equity - minority shareholders								
Balance as at 31 December 2007	**236,898**	**25,651**	**4,980**	**1,087,560**	**776,272**	**740,645**		**2,872,006**
Total equity	**58,657,863**	**89,588,355**	**18,873,338**	**96,816,518**	**13,802,070**	**18,326,704**	**44,598,950**	**340,663,798**

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

5. COMPOSITION OF THE LUKA KOPER GROUP

The consolidated financial statements of the Luka Koper Group for the year ended 31/12/2007 include the financial statements of the parent company Luka Koper d.d. and the financial statements of its subsidiary companies as well as profits or losses of associated companies and joint ventures.

On 31/12/2007, the Luka Koper Group was comprised of 7 subsidiary companies, 3 associated companies and 3 joints ventures.

Subsidiary companies belonging to the Group together with the parent company Luka Koper, d.d.

		31/12/2007		31/12/2006	
Subsidiaries	Country	Ownership in %	Share capital (in EUR)	Ownership in %	Share capital (in EUR)
Luka Koper Pristan, d.o.o.	Slovenia	100.00	1,894,746	100.00	1,894,746
Luka Koper INPO, d.o.o.	Slovenia	100.00	240,878	100.00	240,878
Adria Terminali, d.o.o.	Slovenia	100.00	60,000		
TOC, d.o.o.	Slovenia	68.13	588,123		
Adria-Tow, d.o.o.	Slovenia	50.00	99,591	50.00	99,591
Luka Kopar Beograd d.o.o.*	Serbia	90.00	48,698	90.00	48,698
Luka Koper Deutschland GmbH, Munchen*	Germany	74.80	18,700	74.80	

* The company Luka Kopar Beograd was not consolidated in 2007 as it was not operating nor does it materially affect the Group's financial statements.
* The company Luka Koper Deutschland was still in the process of establishment on 31 December 2007. Also, it was not operating and was consequently not included in the consolidation.

Changes concerning subsidiaries

- The company Luka Koper d.d. purchased from BTC Terminal Sežana, d.d. land, warehousing facilities, business premises and transport infrastructure within the Blagovno-Transportni Center, as well as equipment for the performance of warehousing activities. With this purchase and in accordance with its development strategy, Luka Koper, d.d. started setting up a network of transport and logistics centres which will represent a basis of Luka Koper, d.d.'s logistics system. To this end, the company established in March 2007 a limited liability company Adria Terminali, d.o.o., logistične storitve, with a nominal capital of EUR 60,000.

  The Supervisory Board of Luka Koper, d.d. authorised an increase in the capital of the subsidiary company Adria Terminal, d.o.o. by the amount of EUR 1,200,000. In December 2007 the capital was paid up in the amount of EUR 1,140,000, but the increase has not been registered by the reporting date. The company Adria Terminali recorded the payment under liabilities for capital paid but not yet subscribed.
- At the end of the year, Luka Koper, d.d. and the company Kemiplas d.o.o. established the company Tehnološki okoljski center, d.o.o., the nominal capital of which totals EUR 587,100.00. Luka Koper, d.d. paid the subscribed contribution in the form of cash amounting to EUR 400,000, thus acquiring a 68.13% interest. The company's development and business operations will be based on the implementation of basic research and findings and their transfer to technological processes, primarily in the area of renewable energy sources, waste processing, marine ecology and the ecology of offshore areas.
- The Supervisory Board of Luka Koper, d.d. authorised the establishment of Luka Koper Deutschland GmbH, which is based in Germany, and the capital contribution in the amount of EUR 18,700.00. Luka Koper, d.d. thus acquired a 74.80% stake in the company. The equity interest was paid up in December 2007. The company has not yet been entered in the court register by 31 December 2007 nor was it operational. Its main line of business will be comprised of the performance of marketing, commercial and selling activities on behalf of Luka Koper, d.d. Through the new approach and establishment of the company, Luka Koper, d.d. will ensure the transparency of its investments in the development of new markets and acquisition of new clients.

Associated companies and joint ventures in the Luka Koper Group

Luka Koper, d.d. has also invested its equity in associated companies and joint ventures, over which it exercises significant influence. In the Group's financial statements, they are presented using the equity method so that profit or loss is increased or decreased by the corresponding amount of their profits or losses.

	31/12/2007	31/12/2006	2007
	Ownership in %	Ownership in %	Change in ownership
Associates			
Intereuropa, d.d.	24.809	24.809	
Avtoservis, d.o.o.	49.00	49.00	
Actual I.T., d.o.o.*		26.00	-26.00
Golf Istra, d.o.o.*	20.00	20.00	
Joint ventures			
Adriafin, d.o.o.	50.00	50.00	
Kopinvest Netherladns B.V.	50.00	50.00	
Adria Transport, d.o.o.	50.00	50.00	

Changes concerning associates and joint ventures

• The Supervisory Board of Luka Koper, d.d. authorised an increase in the capital of the company Golf Istra, d.o.o. in which the parent company has a 20% interest. The Assembly of Golf Istra, d.o.o. adopted a resolution to decrease nominal capital in order to offset losses from the previous years, and approved the capital increase at the same time. In accordance with the above resolutions, the equity of Luka Koper, d.d. decreased by EUR 14,852.20, but under the capital increase resolution it was simultaneously increased by EUR 170,147.80. Luka Koper, d.d. has already subscribed and paid EUR 90,000. The remaining amount will be paid on the request of the subsidiary's general manager.

• In March 2007, Luka Koper, d.d. concluded a contract for the disposal of the entire 26% percent stake in the limited liability company Actual I.T., informacijske tehnologije, d.o.o. When the agreed purchase price was paid, the company waived all rights arising from the stake sold, but maintained business relations with the company.

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

Luka Koper, d.d., based at Vojkovo nabrežje 38, 6000 Koper, Slovenia, is the controlling company of the Luka Koper Group. The complete set of consolidated financial statements of the Luka Koper Group for the reporting period 2007 comprises:

- Income statement
- Balance sheet
- Cash flow statement
- Statement of changes in equity
- Notes including an overview of all significant accounting policies and other explanatory materials

The stand-alone financial statements of all group companies were added up, based on which consolidation procedures have been performed. The financial statements of group companies have been prepared for the same reporting date.

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

Basis of the preparation of consolidated financial statements

Statement of compliance
The Group's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and the Companies Act.
The management of the company approved the financial statements on 11 March 2008.

Functional and presentation currency
The functional currency of the consolidated financial statements is EUR and the financial statements have been presented in EUR without cents.

Fair value
Fair value has been used in relation to available-for-sale financial assets, whereas all other financial statement items have been presented either at cost or amortised cost.

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

Estimates and assessments
In preparing the financial statements, the Management Board discloses estimations, judgements and assumptions that have an effect on the application of accounting policies and on the disclosed amounts of assets and liabilities as well as revenue and expenses, as required by IFRS. The estimations are made on the basis of experience from previous years and expected developments during the accounting period. As actual results may differ from these estimations, these are regularly checked and adjusted.

7. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Individual categories are disclosed in accordance with International Financial Reporting Standards governing the disclosures. All material issues are disclosed. The accounting policies applied and the nature and relevance of individual disclosures have been set out in the Company's internal acts. For all material amounts contained in the financial statements, comparative data from the previous period have also been disclosed and included in numeric and descriptive information. Comparative data has been adjusted to reflect the presentation of information for the current year.

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

Property, plant and equipment

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

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

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

Finance lease

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

Additional costs

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

Depreciation

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

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

Annual depreciation rates applied:

	2007	2006
Buildings	1.5% - 6%	1.5% - 5%
Transport equipment	5.0% - 20%	5% - 15%
Computer equipment	20.0% - 33.3%	20% - 33.3%
Other equipment	10.0% - 33.3%	10% - 33.3%

Derecognition

The carrying amount of an item of property, plant and equipment is derecognised:
- on disposal or
- when no future economic benefits are expected from its use or disposal.

Intangible assets

An intangible fixed asset is initially recognised at cost.

After the initial recognition, intangible assets are disclosed at cost less any depreciation and any impairment losses.

Amortisation

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

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

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

The useful life of an intangible asset arising from contractual or other legal rights does not exceed the period of such contractual or other legal rights, but it can be shorter, depending on the period in which the Company expects to use such assets. The estimated useful life of other intangible assets is 10 years.

Investment property

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

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

Investments in associated companies

Investments in associated companies and joint ventures are carried using the equity method. These are companies over which the Luka Koper Group exercises significant influence, but does not control their financial and business orientation.

Financial instruments

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

1. Financial instruments at fair value through profit or loss

The first category has been created to include financial instruments that are recognised on the trade date, measured at fair value through profit or loss, and held for active trading. Because the company was not engaged in such activities, no instruments were included in this category in 2007 and 2006.

2. Held-to-maturity investments

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

3. Loans and receivables

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

• Operating receivables

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

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

• Loans receivable

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

• Loans payable

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

4. Available-for-sale financial assets

Available-for-sale financial assets include all investments in equity securities. At the time of initial recognition, they were measured at fair value plus transaction costs associated with the purchasing or issuing of the financial assets. Fair value is a market-based value, such as a share's average price or a published daily value of a mutual fund's unit. The changes in fair value are recognised directly in equity and are accounted for every quarter. Shares are derecognised on the basis of the average cost method. Derecognition gains or losses are transferred to profit or loss. Purchases and disposals are recorded at the trade date. The changes and valuation are shown in the table "Overview of financial instruments classified according to class" in Note 22.

Cash

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

Derivative financial instruments

The Luka Koper Group does not hold or issue derivatives for trading.

Equity

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

Dividends

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

Earnings per share

The Luka Koper Group only discloses basic earnings per share. Basic earnings per share have been calculated by dividing net profit for 2007 with the weighted average number of ordinary shares.

Financial liabilities

On initial recognition, loans received are disclosed at their fair value less the associated transaction costs. Over the loan repayment period, the difference between historical cost and amortised cost is disclosed in the income statement using the effective interest rate method.

Operating liabilities

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

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

Provisions

Provisions for lawsuits

Provisions have been created for lawsuits related to presumed misconduct in operations. The amount of provisions is determined on the basis of a claim for compensation or according to an estimated amount, if the claim has not yet been made. The basis on which the provisions have been made is tested regularly.

Provisions for severance pay and jubilee benefits

Pursuant to the Enterprise collective agreement and regulations, group companies are obliged to account for and pay jubilee benefits and severance pay upon retirement. These benefits are measured using the simplified method of accounting, which requires that the valuation of actuary liability be made in accordance with the anticipated growth in wages and salaries from the date of the valuation up to the expected retirement of an employee. Benefits are thus accrued in proportion to the work performed. The estimated liability is recognised in the amount of the present value of expected future expenditure. The expected turnover of employees and future salary increases in real terms are also assessed in this measurement.

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

Corporate income tax

Income tax is accounted for in accordance with the Corporate Income Tax Act as well as with the Economic Zones Act, because the company is also a user of en economic zone. The latter provides us with a possibility of tax breaks on investments in new fixed assets located in the economic zone. The base for the calculation of income tax is gross profit increased by non-deductible costs and decreased by allowed tax breaks. The corporate income tax liability is then calculated from this tax base. The 2007 tax rate applied by all companies in the Luka Koper Group was 23%.

Deferred tax

Deferred taxes have been accounted for to ensure relevant presentation of the income statement for the reporting period. Deferred taxes are disclosed as deferred tax assets and deferred tax liabilities. Deferred taxes were accounted for using the balance sheet liability method. The carrying amount of assets and liabilities was compared with their tax values, and the resulting difference was defined as either permanent or temporary. Temporary differences were classified as taxable and deductible. Taxable temporary differences increase taxable amounts and deferred tax liabilities. Deductible temporary differences decrease taxable amounts and increase deferred tax assets.

Revenue

Revenue from services rendered

Operating revenue is recognised when it can be reasonably expected it will result in receipts, provided that these had not been realised when incurred and can be reliably measured.

Revenue from services rendered is recognised using the percentage of completion method, taking into account the state as it is on the balance sheet date. Under this method, revenue is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised during the period and revenue generated on the domestic and foreign markets are disclosed.

Rental income

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

Other revenue

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

Financial revenue and expenses

Financial revenue comprises revenue from interest on investments, revenue from dividends, revenue from the disposal of available-for-sale financial assets, and foreign exchange gains. Interest revenue is recognised when incurred, using the effective interest method. Revenue from dividends is recognised in the income statement when a shareholder's right to receive payment is established.

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

Expenses - costs

The costs of Luka Koper Group are recognised as expenses in the period in which they are incurred. They are classified according to their nature. They are presented and disclosed according to their natural functions as shown in the company's three-digit chart of accounts and according to functional groups. Expenses are recognised if a decrease in economic benefits in the accounting period is related to a decrease in assets or increase in debt and this decrease can be reliably measured.

Impairment of assets

Impairment of property, plant and equipment

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

Impairment of intangible assets

On the reporting date, intangible assets are reviewed for impairment.

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

Impairment of financial assets

On each reporting date, the Group assesses whether there is any objective evidence that an investment is impaired. If there is objective evidence, the Group is obliged to assess and determine the amount of any impairment loss. If the Group determines that it is necessary to impair investments disclosed at amortised cost, the amount of loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at original effective interest rate. The amount of loss is recognised in profit or loss. If the reasons for the impairment of such an investment cease to exist, the reversal of the impairment of the investment that is carried at amortised cost is recognised in profit or loss.
The impairment of investments carried at cost is recognised in profit or loss if there is objective evidence of a decline in the value of such investments. The amount of impairment loss is measured as the difference between the carrying amount of the investment and its estimated fair value obtained using the dividend discount model. The discount rate is determined using the CAPM model. The resulting impairment loss cannot be reversed.

Investments in associated and other companies operating as joint stock companies and carried at cost are impaired using the dividend discount model. The discount rate is determined using the CAPM model.

New standards, amendments and interpretations effective in the current period and in issue but not yet adopted

Below we indicate all standards and interpretations effective from 1 January 2007 and considered in the preparation of financial statements for the year ended 31 December 2007, and new standards and interpretations the application of which has not been required for this reporting period or that enter into force subsequently.

IFRS 7 - Financial Instruments: Disclosures - this standard combines the disclosure requirements of two standards, i.e. IAS 30 and IAS 32, to establish a single, general standard on the disclosure of financial instruments. The standard became effective on 1 January 2007 and its requirements have already been included in the Group's annual report.

Amendment to IAS 1 - Presentation of Financial Statements - the standard is effective for periods beginning on 1 January 2007. The requirements of the standards have already been included in the Group's annual report.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 - Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies; IFRIC 8 - Scope of IFRS 2; IFRIC 9 - Reassessment of Embedded Derivatives; and IIFRIC 10 - Interim Financial Reporting and Impairment. The adoption of these interpretations has not led to any changes in the company's accounting policies.

IFRIC 8 - Operating Segments: effective for periods beginning on 1 January 2009. IFRS 8 replaces IAS 14 - Segment Reporting. The standard required that operations be disclosed by segments in accordance with management requirements pertaining to internal reporting. If the results that are disclosed in accordance with management's requirements pertaining to internal reporting differ from those disclosed for the purpose of external reporting, these differences will have to be explained in the financial statements.

Amendment to IAS 23 - Borrowing Costs - the revised standard suggests that the method of capitalisation of borrowing costs should be applied in connection with the value of assets and that it is not allowed, within the framework of IFRS, to classify borrowing costs as an item that directly reduces profit or increases loss. The application of the standard is required from 1 January 2009 onwards. The Group has already launched activities in connection with its effect on the financial statements as all of its fixed assets are valued using the cost model and interest expense is immediately recognised as cost for the period.

IFRIC 11 - IFRS 2 - Group and Treasury Share Transactions - effective for the period 1 March 2007 to 1 March 2008. The standards has not yet entered into force and will not affect the financial statements.

IFRC 12 - Service Concession Arrangements - effective date is 1 January 2008. This interpretation applies to contracts for the supply of public services granted to private operators if the infrastructure constructed or acquired by an operator falls within the scope of the contract or is put into use by a concession provider. The Group has not yet determined potential effects of this interpretation on the financial statements.

IFRIC 13 - Customer Loyalty Programmes - effective for the period beginning 1 July 2008. The interpretation requires that the company shall treat credits granted to customers in return for their loyalty separately from selling transactions for which credits have been granted.

IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction - explains when the refunds of or increases in future contributions relating to defined benefit assets are considered as available, and provides instructions with regard to the effect of minimum funding requirements applicable to such assets. We do not expect IFRIC 14, which we will be required to apply in the financial year 2008, to affect the consolidated financial statements.

Assessment and sources of uncertainty

Risk management

The company monitors risks and aims to manage them at all levels of its operations. In assessing them, it considers various factors and measures the cost of monitoring against its benefits. Appropriate management of risks is achieved by identifying and controlling the risks in time on the basis of guidelines and policies defined in documents for integrated management system.

The business operations of the Luka Koper Group are exposed to strategic, business and financial risks that are subject to market characteristics, meaning they have to be actively monitored. Risk identification, exposure level and loss probability are outlined in the chapter Risk management. Besides strategic and business risks, the Group encounters financial risks, the most significant of which are the risk of fair value change, currency risk, interest rate risk, liquidity risk and credit risk. How financial risks are identified and managed is described in Note 31: Risk management at the Group level.

8. SEGMENT REPORTING

Because it has no geographical segments, the Luka Koper Group only reports by business segments.

A business segment is an identifiable part which is concerned with a particular service and is exposed to different risks and returns than other segments. The criterion for determining business segments is a type of the regulatory environment in which they operate. The has determined the following business segments:

- market activities of the Luka Koper Group and
- the performance of public economic service.

Within the performance of public economic service, three sub-segments have been determined:

- Under the existing lease contract and Article 35 of transitional provisions of the Decree on the granting of concessions for the administration, management, development and regular maintenance of port infrastructure at Koper port terminal, Luka Koper, d.d. shall also perform public economic activity of maintaining port infrastructure in line with the requirements of public port traffic and safe navigation, for which it is entitled to receive payment out of port duties charged. Port duties are published in the Official Gazette of the Republic of Slovenia once the approval of the competent ministry has been obtained.
- Pursuant to Article 26 of transitional provisions of "Decree on the concession to perform mandatory state public utility service for seabed and coastal land maintenance", Luka Koper, d.d. shall perform services in the area of prevention and cleanup of sea pollution. The source of funding is the budget of the republic of Slovenia and the funds contributed by users of the public economic service.
- In accordance with Article 26 of transitional provisions of "Decree on the manner, subject of, and conditions for performing a mandatory public economic service of collecting waste from vessels in the area of Koper cargo port", Luka Koper shall perform those services. Under this decree, funding is provided by users of services. The price is set by the Government of the Republic of Slovenia.

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

The costs of individual professional services have been allocated using different criteria, such as the number of employees, the area and value of land, the amount of revenue, market prices of accounting services and rents, the amount of investments and maintenance, and the amount of insurance premiums. In certain cases, internal pricelists for services performed between segments have been used as a basis.

In 2007 the basis for determining prices in relation to transfers between segments has not changed in comparison to previous periods.

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

(IN EUR)	Market activity	Performance of public economic service			Total for 2006
	Core business	Infrastructure maintenance	Protection of the sea	Waste collection	
Revenue from sales to external customers	93,636,729	6,338,722	317,162	382,261	100,674,873
Revenue from transactions involving other segments	1,169,444				1,169,444
Non-cash expenses other than depreciation or amortisation	1,723,987			34,285	1,758,272
Operating profit or loss of segment	20,274,919	-889,987	-20,069	35,609	19,400,472
Assets (carrying amount of fixed assets)	125,356,056	38,148,932		424,474	163,929,462
Liabilities Long-term and short-term liabilities	60,573,644				60,573,644
Cost of fixed assets acquired in the period	27,215,150	2,308,366		155,321	29,678,837
Depreciation or amortisation	11,737,908	2,258,217		47,591	14,043,716

9. INCOME STATEMENT DISCLOSURES

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

Note 1: Operating revenue

(IN EUR)	2007	2006
Operating revenue	**122,221,811**	**105,688,276**
Net sales revenue	**118,992,415**	**101,844,318**
Revenue from services sold in the domestic market	32,203,685	20,152,315
Revenue from the sales of merchandise on the domestic market	98,693	40,806
Revenue from rents in the domestic market	1,226,993	2,605,867
Revenue from services sold abroad	85,460,996	79,001,577
Revenue from merchandise sold in the foreign market		34,441
Revenue from rents abroad	2,048	9,312
Capitalised own products and own services	**1,059**	**3,212**
Other operating revenue	**3,228,336**	**3,840,746**
Elimination of provisions	563,310	156,511
Other operating revenue (despatch, grants, etc.)	2,259,585	3,137,493
Revaluation operating revenue	405,441	546,742

At the end of the financial year 2007, the Luka Koper Group's revenue from the main line of business totalled EUR 119 million, up 16.8% on the previous year. The bulk of revenue (72%) was generated abroad.

Revenue was recognised by reference to the stage of completion at the balance sheet date and in the accounting period in which the services had been rendered. In 2007 inter-company operating revenue totalled EUR 3.5 million.

Note 2: Costs of goods, materials and services

Costs of goods and materials

(IN EUR)	2007	2006
Costs of materials	**7,900,009**	**5,903,465**
Costs of materials	102,687	38,985
Costs of auxiliary materials	2,355,420	1,443,692
Costs of energy	4,946,736	3,938,785
Costs of office supplies and specialised literature	217,249	178,915
Other costs of materials	277,917	303,088
Costs of goods	**2,264**	**9,817**
Costs of goods and materials sold	2,264	9,817

The costs of auxiliary materials indicate an increase relative to the previous year. It should be noted, however, that the costs did not increase, rather, the recording of building and equipment maintenance costs was changed. With the introduction of an additional information system module, the costs of auxiliary materials are monitored separately from the costs of maintenance services, which is also why the costs of maintenance services presented in the table below decreased in comparison with 2006. Changes in maintenance costs are presented in the chapter Analysis of operations of the Luka Koper Group.

Costs of services

(IN EUR)	2007	2006
Costs of services	**33,855,600**	**29,855,902**
Costs of physical services	12,432,304	8,689,941
Costs of transportation services	3,788,951	3,593,133
Costs of maintenance services	6,136,202	7,997,628
Rents	1,933,192	1,552,212
Reimbursement of work-related costs to employees	700,015	502,955
Payment processing costs and insurance premiums	578,933	463,806
Costs of professional and personal services	950,804	561,240
Costs of fairs, advertising and entertainment	1,756,903	757,667
Costs of services performed by natural persons	323,531	229,593
Costs of other services	5,254,765	5,507,727

The costs of professional services also include the costs of auditing. The total amount of auditing costs for the year 2007 was EUR 36,000. EUR 1,756,903 was spent to strengthen the brand, celebrate 50 years of operations, and increase visibility in other ways. Of the said amount, EUR 910 thousand was allocated to sponsorships, in particular to sports. Other costs of services mostly comprise the costs of information support in the amount of EUR 3,174,385..

Note 3: Labour costs

(IN EUR)	2007	2006
Labour costs	**30,857,201**	**26,812,054**
Salaries	19,492,983	16,646,503
Salary compensations	3,162,634	2,750,992
Costs of supplementary pension insurance	837,792	750,214
Pay for annual leave, reimbursements and other costs	2,909,112	2,633,592
Employer's contributions on salaries	3,601,691	3,082,124
Other contributions on remunerations to employees	852,989	948,629

In 2007 the trend of increasing number of employees continued. On 31 December 2007, the Luka Koper Group had 1070 employees while the average number of employees was 1047, up 11% on the previous year when the Group had 963 employees as at 31 December 2006.
Due to the increase in the number of employees and pay rises in all group companies by 5% in September, labour costs rose 15% from the previous year.

In 2006 the pay for annual leave amounted to EUR 705 per employee or to EUR 751,623 in gross terms. In 2007 it amounted to EUR 830 per employee or to EUR 863,709 in gross terms.

Because the planned added value, as a criterion for awarding bonuses, was attained, all employees received in 2007 an additional salary (13th salary) in the amount of their average monthly salary. Other benefits include the payment of the supplementary pension insurance premium by the employer, which has been financing the pension scheme for the sixth consecutive year.

Receipts of employee groups

(IN EUR) Employee groups	Gross salary - fixed and variable portion	Pay for annual leave and jubilee benefits	Other remuneration and bonuses	Total
Members of the Management Board and managing directors of subsidiary companies	1,146,834	6,538	34,794	1,188,166
Members of the Supervisory Board (9 members)			24,204	24,204
Employees with individual employment contracts employed in the Luka Koper Group	3,475,733	54,588	104,991	3,635,312
Total	**4,622,567**	**61,126**	**163,989**	**4,847,682**

(IN EUR) Employee groups	Balance of loan received as at 31/12/2007	Total amount of loans repaid	Balance of loan received as at 31/12/2006
Members of the Management Board and managing directors of subsidiary companies			
Members of the Supervisory Board			
Employees with individual employment contracts	39,172	29,596	68,768

All housing loans bear interest at a 6% nominal annual interest rate and are repaid according to an amortisation schedule. Pursuant to internal regulations, loans are secured with assignment statements (attachment of earnings) and blank bills of exchange accompanied with a signed settlement and realisation authorisation.

Note 4: Write-downs in value

(IN EUR)	2007	2006
Write-downs in value	**16,764,462**	**14,683,307**
Amortisation of intangible fixed assets	347,328	607,201
Depreciation of buildings	8,365,547	7,560,426
Depreciation of equipment and small tools	7,694,566	5,876,092
Depreciation of investment property	227,122	359,510
Revaluation operating expenses for property, plant and equipment	103,202	153,247
Revaluation operating expenses for operating current assets	26,697	126,831

In assessing the useful life of fixed assets, the parent company changed the depreciation rates of cars (from 12.5 to 20%) and operational shores (from 2 to 3%) on the basis of a pattern describing the occurrence of economic benefits arising from these assets, which resulted in an increase in depreciation costs by EUR 316,269. The effect of the changed accounting estimate was reflected in the current period and will also be reflected in future periods. Had there been no effects of changes in depreciation or amortisation, profit would have totalled EUR 33,359,979.

Note 5: Long-term provisions

(IN EUR)	2007	2006
Long-term provisions	**1,905,295**	**1,478,194**
Provisions for damages	316,086	1,121,672
Provisions for severance pay and jubilee benefits	1,589,209	356,522

Provisions for severance pay upon retirement and jubilee benefits include a liability amounting to the present value of expected future expenses. Severance pay upon retirement and jubilee benefits for 2007 decreased the provisions set aside. On 31 December 2007, the balance of contingent liabilities was reassessed in all group companies and increased on the basis of an actuarial calculation.

Other provisions comprise provisions for damages, which were increased in 2007 by EUR 316,086. The existing provisions were not utilised or reversed as they are still current.

Note 6: Other operating expenses

(IN EUR)	2007	2006
Other costs	**7,542,209**	**7,545,689**
Charges unrelated to labour costs	5,107,776	6,490,562
Environment protection expenditure	1,239,282	450,304
Awards and scholarships to students	6,910	6,974
Other costs	1,188,241	597,849

The charges unrelated to labour costs include in particular the fee for the building site use, which amounted in the Luka Koper Group to EUR 4,296,871.

Note 7: Financial revenue

(IN EUR)	2007	2006
Total financial revenue	**14,080,376**	**6,098,404**
Financial revenue from interests	**11,915,087**	**3,630,912**
Financial revenue from interests in associated companies	5,069,572	1,800,432
Financial revenue from interests in other companies	6,845,515	1,830,480
Financial revenue from loans	**1,426,678**	**2,006,658**
Financial revenue from loans to others	1,426,678	2,006,658
Financial revenue from operating receivables	**738,612**	**460,834**
Financial revenue from operating receivables due from others	312,066	146,855
Foreign exchange gains	426,546	313,978

Financial revenue
In 2007 financial revenue rose 130%, in particular due to gains realised by the parent company on the disposal of Banka Koper, d.d.'s shares in the amount of EUR 5,223,769 and profits of associated companies in the amount of EUR 5,069,572 attributed using the equity method.

Investment policy
In 2008 the Group does not plan to invest cash in short-term investments, such as bank deposits and similar products. Surplus cash will be used to finance core business activities, which is in conformity with the Group's ambitious investment policy relating to the expansion of core business and development. The latter will also be financed through partial disinvestment of existing investments.

Note 8: Financial expenses

(IN EUR)	2007	2006
Total financial expenses	**3,798,898**	**2,091,674**
Financial expenses arising from impairment and write-offs of investments	**797,292**	**92,597**
Financial expenses arising from relations with associates	17,290	
Financial expenses arising from relations with others	780,002	92,597
Financial expenses for financial liabilities	**2,306,406**	**1,234,368**
Financial expenses for loans from associated companies		4,294
Financial expenses for loans received from banks	1,759,969	1,090,107
Financial expenses for other financial liabilities	546,437	139,967
Financial expenses for operating liabilities	**695,199**	**764,709**
Financial expenses relating to suppliers and bills payable	16,143	
Financial expenses for other operating liabilities	4,072	82,380
Foreign exchange losses	674,984	682,329

Due to higher leverage, financial expenses increased by 82% in 2007. The structure of financial expenses is dominated by expenses related to financial liabilities, i.e. bank loans and finance lease. Foreign exchange losses are slightly lower than in the previous year. In comparison with the previous year, they were better offset against foreign exchange gains: in 2006, 63% of foreign exchange losses were not offset against foreign exchange gains while in 2007 that share stood at only 46%. A more detailed explanation is provided in Note 31.

The level of interest rates and the amount of financial liabilities are disclosed in Note 28.

Note 9: Total profit

Total profit of the Luka Koper Group equals EUR 33,676,248, up 44% on the year 2006 when it totalled EUR 23,406,576. This is the result of better operating results of the parent company and the attributed profits of associated companies and joint ventures.

Note 10: Corporate income tax

For all group companies, corporate income tax was calculated in accordance with the Corporate Income Tax Act. In the case of Luka Koper, d.d., the Economic Zones Act, which grants tax benefits with regard to investments in fixed assets intended for the development and expansion of activities in the economic zone, was also considered. The amount of the resulting tax benefits for 2007 is indicated in the decision issued by the tax authority. The tax rate applied by all group companies was 23%.

Because the Luka Koper Group does not prepare a group tax assessment, the corporate income tax accounted for in the amount of EUR 2,949,620 represents the sum of taxes of individual group companies.

Note 11: Deferred taxes

As means of accounting recognition of tax effects of accounting and taxable profit, deferred taxes presented in original financial statements totalled EUR 138,502.

Note 12: Net profit for the period

Net profit of the Luka Koper Group totalled EUR 30,865,130 up 49% from 2006. The increase is a result of better operating performance of the parent company and associated companies and a lower effective tax rate, which stood at 8.8% in 2007 compared to 12% in 2006. The reduction in effective tax rate is connected with tax breaks for new investments in the economic zone, tax breaks for research and development, and with the lowering of the prescribed tax rate from 25% to 23%.

Net profits/losses of subsidiary companies

(IN EUR)	31/12/2007	31/12/2006
Subsidiaries	**Net profit-loss**	**Net profit - loss**
Luka Koper Pristan, d.o.o.	84,658	81,633
Luka Koper INPO, d.o.o.	1,262,917	1,204,413
Adria Terminali, d.o.o.	-447,719	
Adria-Tow, d.o.o.	1,482,118	1,552,543
TOC, d.o.o.	-1,297	
Total	**2,380,677**	**2,838,589**

Attributable profits/losses of associated companies and joint ventures

(IN EUR)	31/12/2007	31/12/2006
Associated companies		
Intereuropa, d.d.	**3,172,513**	**-891,510**
Profit attributed using the equity method	4,808,728	1,153,758
Dividends paid out	-1,636,215	-2,045,268
Avtoservis, d.o.o.	**138,768**	**142,091**
Profit attributed using the equity method	138,768	142,091
Golf Istra, d.o.o.	**-9,690**	
Loss disclosed using the equity method	-9,690	
Actual I.T., d.o.o.	**44,943**	**36,779**
Profit attributed using the equity method	44,943	36,779
Joint ventures		
Adriafin, d.o.o.	**76,936**	**-1,372,152**
Profit attributed using the equity method	76,936	463,335
Payment of a share		-1,835,487
Kopinvest Netherlands B.V.	**-7,599**	**-3,943**
Loss attributed using the equity method	-7,599	-3,943
Adria Transport, d.o.o.	**195**	**-482**
Loss-profit attributed using the equity method	195	-482
Total	**3,416,066**	**-2,089,217**

10. BALANCE SHEET DISCLOSURES

Note 13: Intangible assets

(IN EUR)	31/12/2007	31/12/2006
Intangible assets	**1,078,022**	**649,574**
Long-term property rights	1,078,022	649,574

The useful lives of intangible assets recorded in our books of account are final. Intangible assets were not impaired in 2007. The changes in intangible fixed assets and allowances made in relation to them are disclosed in the attached table for 2007, while the 2006 figures are provided for comparison. No intangible assets were pledged as at 31 December 2007. Trade payables totalled EUR 62,651.

Note 14: Property, plant and equipment

(IN EUR)	31/12/2007	31/12/2006
Property, plant and equipment	**242,250,356**	**163,279,886**
Land	25,542,200	1,944,012
Buildings	119,313,410	110,385,286
Plant and machinery	49,054,531	33,769,733
Other plant and equipment	145,235	61,521
Equipment under finance lease	6,545,107	7,076,591
Property, plant and equipment being acquired	41,649,873	10,042,743

In its books of account, the Luka Koper Group discloses the items of property, plant and equipment at cost less any accumulated depreciation and impairments. In 2007 depreciation rates were only changed at the parent company, in which the effects of valuations on the changes in estimates have also been presented. Likewise, none of the companies impaired their fixed assets in 2007. Equipment (tugboat) of the subsidiary company Adria-Tow, d.o.o. is held under a finance lease in the amount of EUR 6,545,107.

The subsidiary company Adria-Tow, d.o.o. pledged its fixed asset (tugboat) with Luka Koper, d.d. as collateral for liabilities arising from a loan. No other assets have been pledged within the Group. Outstanding trade liabilities relating to fixed assets totalled EUR 19,309,944 on 31 December 2007.

Note 15: Investment property

(IN EUR)	31/12/2007	31/12/2006
Investment property	**3,732,466**	**7,853,163**

Investment property includes all buildings that are leased out to unrelated companies under operating lease.
The fair value of investments property has not been determined as it shows no indications of impairment and its carrying amount is immaterial in comparison with the Group's total assets.

For 2007 and comparatively for 2006, the changes in property, plant and equipment, investment property, intangible fixed assets and adjustments thereto are presented in the tables below.

OVERVIEW OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT OF THE LUKA KOPER GROUP IN 2006

(IN EUR)	Land	Buildings	Manufacturing equipment and small tools	Assets being acquired	Total property, plant and equipment
Cost as at 01/01/2006	**1,776,577**	**224,920,351**	**139,179,753**	**3,198,366**	**369,075,047**
Acquisitions	167,435	6,019,817	16,494,014	17,231,956	39,913,222
Transfer from intangible assets		2,295,301			2,295,301
Decreases - eliminations, disposals		-602,182	-1,351,615	-10,371,587	-12,325,384
Transfer to investment property		-13,329,953		-15,991	-13,345,944
Transfer to the sales account		-232,695	-1,002,487		-1,235,182
Transfer to investment property from the sales account		-335,996			-335,996
Transfer to land		-167,435			-167,435
Cost as at 31/12/2006	**1,944,012**	**218,567,208**	**153,319,665**	**10,042,744**	**383,873,629**
Value adjustment as at 01/01/2006		**105,092,819**	**108,807,051**		**213,899,870**
Transfer from intangible assets		1,536,459			1,536,459
Depreciation		7,560,424	5,876,094		13,436,518
Decreases - eliminations, disposals		-411,117	-1,341,771		-1,752,888
Transfer to investment property		-5,077,328	-3,255		-5,080,583
Transfer to the sales account		-220,514	-926,298		-1,146,812
Transfer to investment property from the sales account		-298,821			-298,821
Value adjustment as at 31/12/2006		**108,181,922**	**112,411,821**		**220,593,743**
Net carrying amount 01/01/2006	**1,776,577**	**119,827,531**	**30,372,704**	**3,198,366**	**155,175,178**
Net carrying amount 31/12/2006	**1,944,012**	**110,385,286**	**40,907,844**	**10,042,744**	**163,279,886**

OVERVIEW OF CHANGES IN INVESTMENT PROPERTY AND INTANGIBLE FIXED ASSETS IN 2006

(IN EUR)	Total investment property	Intangible fixed assets	Investments in fixed assets abroad	Intangible assets being acquired	Total intangible assets
Cost as at 01/01/2006		**11,782,412**	**1,694,905**	**32,906**	**13,510,223**
Acquisitions	517	2,669	2,399	132,134	137,202
Transfer from intangible assets			-799,716		
Decreases - eliminations, disposals			-897,888		-897,888
Transfer to investment property	13,345,946	-597,995			-597,995
Transfer to the sales account	-161,663				
Transfer to investment property from the sales account	335,996				
Cost as at 31/12/2006	**13,520,796**	**11,187,086**		**165,040**	**11,352,126**
Value adjustment as at 01/01/2006		**10,811,217**	**820,598**		**11,631,815**
Transfer from intangible assets		-700,626	-835,837		-1,536,463
Depreciation or amortisation	359,510	591,959	15,239		607,198
Transfer to investment property	5,080,583				
Transfer to the sales account	-71,282				
Transfer to investment property from the sales account	298,821				
Value adjustment as at 31/12/2006	**5,667,632**	**10,702,550**			**10,702,550**
Net carrying amount 01/01/2006		**971,190**	**874,307**	**32,906**	**1,878,403**
Net carrying amount 31/12/2006	**7,853,164**	**484,536**		**165,040**	**649,576**

OVERVIEW OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT OF THE LUKA KOPER GROUP IN 2007

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

OVERVIEW OF CHANGES IN INVESTMENT PROPERTY AND INTANGIBLE FIXED ASSETS OF THE LUKA KOPER GROUP IN 2007

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

Note 16: Long-term investments

(IN EUR)	31/12/2007	31/12/2006
Long-term investments	**172,998,338**	**154,108,158**
Long-term investments, excluding loans	**161,381,205**	**136,916,508**
Interests in associated companies	62,315,790	59,084,477
Other shares and interests	99,065,415	77,832,031
a) other shares and interests at fair value	92,643,513	51,870,264
b) other shares and interests at cost	6,421,902	25,961,768
Long-term loans to others	**11,617,133**	**17,191,650**

Long-term investments

On the last day of the financial year 2007, the Group's long-term investments totalled almost EUR 173 million and accounted for 37.5% of total assets. The bulk of these investments (i.e. EUR 171.7 million) is owned by the parent company. The above investments mostly consist of the parent company's investments in associated companies and joint ventures, and other investments in securities and interests. Their increase in 2007 can be almost entirely attributed to an increase in fair value.

Investments in associated companies and joint ventures (as per financial statements prepared as at 31 December 2007) have been disclosed using the equity method. The most important of those investments is an investment in the shares of the company Intereuropa, d.d., the fair value of which stood at EUR 74.4 million according to the market price as at 31 December 2007. Other investments include EUR 92.6 million in investments in marketable securities valued at fair value. The remaining non-marketable securities and interests in the amount of EUR 6.4 million are measured at cost. A decrease in the value of this category in comparison to the previous year is in particular the result of the disposal of the stake in Banka Koper, d.d.

Long-term loans

Long-term loans granted by the Luka Koper Group totalled EUR 11.6 million as at 31 December 2007.

Of the above amount, housing loans to employees with the maximum repayment period of 20 years accounted for 7.16%. Loans to others account for 8.14% of all granted loans falling due not later than in January 2009. All loans have been granted by the parent company. In this category, the value adjustment in the amount of EUR 149,794 has been secured with a lien on the borrower's property. Other investments in this category are in the form of bank deposits and bonds issued by Slovene issuers. The bank deposits of the parent company, which amount to EUR 3.7 million, fall due not later than in 2010, with the bank deposits of a subsidiary company, which total EUR 653,559, falling due at the end of 2008. The bulk of this category consists of investments in bonds that fall due not later than in 2020, the amortised cost of which totalled EUR 5.6 as at 31 December 2007. 36.9% of investments have a variable interest rate, while others have a fixed interest rate. The level of annual interest rates for investments in the category of loans granted ranges between 3.28% and 6%. Variable interest rate have been converted into nominal interest rates on the last day of the financial year.

Note 17: Long-term operating receivables

(IN EUR)	31/12/2007	31/12/2006
Long-term operating receivables	**217,293**	**11,730**
Long-term operating receivables due from others	217,293	11,730

Note 18: Deferred tax assets

(IN EUR)	31/12/2007	31/12/2006
Deferred tax assets	**1,145,595**	**1,007,093**

Deferred tax assets are disclosed as temporary differences arising from provisions set aside in the amount of EUR 757,416, from the impairment of long-term investments in the amount of EUR 193,791, and from allowances for trade receivables in the amount of EUR 83,005.

Deferred tax assets arising from unused tax losses at the subsidiary company Adria-Terminali d.o.o. total EUR 111,383.

Offset receivables and liabilities for deferred tax

(IN EUR)	31/12/2007	31/12/2006
Offset receivables and liabilities for deferred tax	**-10,004,141**	**-5,023,365**
Deferred tax assets	1,145,596	1,007,093
Deferred tax liabilities	-11,149,737	-6,030,458

In offsetting deferred tax assets and liabilities, liabilities arising from the revaluation of investments measured at fair value through equity were the most significant.

Note 19: Assets (disposal groups) held for sale

This category includes fixed assets of the Luka Koper Group that are earmarked for disposal under a Management Board resolution. They are recorded at their carrying amount which stood at EUR 103,865 as at 31 December 2007.

Note 20: Inventories

Inventories are only recorded at the subsidiary company Luka Koper Pristan, d.o.o., which carries out restaurant and hotel management activities. The company did not pledge any inventories as collateral for liabilities and did not write off any inventories. On 31 December 2007, the balance of inventories stood at EUR 9,688 while in 2006 it amounted to EUR 4,398.

Note 21: Short-term investments

(IN EUR)	31/12/2007	31/12/2006
Short-term investments	**8,624,943**	**16,320,831**
Short-term loans to others	6,000	579,686
Short-term deposits	8,618,943	15,741,145

On the last day of the financial year 2007, short-term investments of the Luka Koper Group totalled EUR 8.6 million. The bulk of these investments represents short-term investments of one of the subsidiaries in the form of a bank deposit totalling EUR 6.4 million. The deposit matures in December 2008. Other investments in this category take the form of certificates of deposits that are owned by subsidiary companies. On 31 December 2007, they amounted to EUR 2.2 million. The total amount of short-term investments was nearly halved in 2007 due to bank deposits maturing and their dedicated use for investments in the main line of business.

In 2007 interest rates for short-term investments ranged between 4.15% and 7%.

Note 22: Short-term operating receivables

(IN EUR)	31/12/2007	31/12/2006
Short-term operating receivables	**28,786,798**	**22,331,517**
Short-term trade receivables (domestic)	6,208,358	4,364,266
Allowance	-333,645	-364,718
Short-term trade receivables (abroad)	6,193,383	5,924,887
Advances given for operating current assets	4,597,370	249,095
Short-term operating receivables from exporters	6,025,997	6,288,134
Allowance	-30,392	-78,169
Short-term interest receivables	178,022	37,736
Allowance	-1,792	-2,652
Input VAT receivables	1,152,115	402,703
Other short-term receivables	206,094	1,729,924
Receivables from taxes and excise duties	4,591,288	3,780,311

In connection with the majority of trade receivables, the Luka Koper Group has the right to enforce a legal lien over warehoused goods in its possession, in accordance with Article 167 of the Law of Property Code.

The Luka Koper Group has no outstanding claims towards the members of the Management Board and the Supervisory Board, and managing directors of group companies.

In most cases, allowances for receivables overdue for more than 365 days have already been recorded; i.e. in cases of doubtful receivables (bankruptcy, composition, etc.).

(IN EUR)	31/12/2007	31/12/2006
Maturity		
Outstanding trade receivables not yet due	**14,972,855**	**13,484,856**
Up to 30 days overdue	2,319,808	1,871,775
Up to 31 and 60 days overdue	408,528	474,135
Up to 61 and 90 days overdue	46,162	93,405
Up to 91 to 180 days overdue	165,617	107,849
Up to 181 and 365 days overdue	324,541	143,704
Overdue for more than 365 days	368,249	420,816
Total overdue	**3,632,905**	**3,111,684**
Impairment - overdue for more than 365 days	**- 365,827**	**-445,540**
Total trade receivables	**18,605,760**	**16,596,540**

Impairments of receivables in the amount of EUR 365,827 almost entirely refer to the amounts of outstanding and overdue receivables totalling EUR 279,411 and due from a single client against which bankruptcy proceedings have been proposed.

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

Overview of financial instruments classified according to class for 2007

Type of financial instrument	Value as at 31/12/2007	Historical cost of the investment	Allocation to equity (revaluation surplus)	Impairments	Total interest revenue in 2007 (effective interest method)
3. Loans and receivables (at cost)					
Loans receivable (total)	**20,242,076**	**21,048,406**		**-769,323**	**1,336,373**
Long-term loans receivable	**11,617,133**	**11,823,106**		**-205,973**	
household loans to employees	789,821	845,999		-56,178	
loans to other legal entities	813,013	962,808		-149,795	
bonds and deposits	10,014,299	10,014,299			
Short-term loans receivable	**8,624,943**	**9,225,299**		**-563,350**	
loans to other legal entities	6,000	606,356		-563,350	
deposits	8,618,943	8,618,943			
Receivables	**29,004,092**	**29,368,128**		**-364,036**	**279,536**
long-term operating receivables from collaterals	217,293	217,293			
short-term operating trade receivables	18,063,702	18,427,738		-364,036	
short-term receivables from others	10,723,096	10,723,096			
4. Financial instruments measured at fair value through equity ("available-for-sale assets")					
Investments in marketable securities	92,643,513	36,894,826	55,748,687		
5. Investments measured at cost					
Investments in non-marketable securities (shares and interests)	6,421,902	7,328,282		-906,380	

Overview of financial instruments classified according to class for 2006

Type of financial instrument	Value as at 31/12/2006	Historical cost of the investment	Allocation to equity (revaluation surplus)	Impairments	Total interest revenue in 2006 (effective interest method)
3. Loans and receivables (at cost)					
Loans receivable (total)	**33,512,484**	**33,726,547**		**-214,064**	**1,964,808**
Long-term loans receivable	**17,191,653**	**17,394,283**		**-202,630**	
household loans to employees	1,059,133	1,111,968		-52,835	
loans to other legal entities		149,795		-149,795	
bonds and deposits	16,132,520	16,132,520			
Short-term loans receivable	**16,320,831**	**16,332,264**		**-11,434**	
loans to other legal entities	579,685	591,119		-11,434	
deposits	15,741,146	15,741,146			
Receivables	**22,343,245**	**22,767,649**		**-424,404**	**120,965**
long-term operating receivables from collaterals	11,730	11,730			
short-term operating trade receivables	16,084,390	16,508,794		-424,404	
short-term receivables from others	6,247,125	6,247,125			
4. Financial instruments measured at fair value through equity ("available-for-sale assets")					
Investments in marketable securities	51,870,263	25,650,880	26,219,383		
5. Investments measured at cost					
Investments in non-marketable securities (shares and interests)	25,961,766	27,112,908		-1,151,142	

Note 23: Cash

The balance of cash totalled EUR 2,012,893 as at 31 December 2007 and consists of deposit money and short-term bank deposits with the maximum maturity of 3 months. The Group has not arranged any facilities for automatic borrowing through current accounts with banks. To manage daily cash surpluses in transaction account, the companies of the Luka Koper Group concluded a framework deposit contract and a surplus transfer contract with a commercial bank. This ensures optimal liquidity of operations.

Note 24: Deferred costs and accrued revenue

(IN EUR)	31/12/2007	31/12/2006
Deferred costs and accrued revenue	**199,138**	**90,994**
Insurance premiums	88,137	68,421
Short-term deferred other expenses	111,001	22,573

Note 25: Equity

(IN EUR)	31/12/2007	31/12/2006
Equity	**340,663,798**	**294,887,189**
Equity - majority shareholder	**337,791,792**	**292,942,931**
Called-up capital	**58,420,965**	**58,420,965**
Share capital	58,420,965	58,420,965
Capital surplus	**89,562,703**	**89,562,703**
Revenue reserves	**114,597,316**	**101,294,487**
Legal reserves	18,868,358	18,864,125
Other revenue reserves	95,728,958	82,430,362
Revaluation surplus	**44,598,950**	**20,188,925**
Retained earnings	**13,025,799**	**13,530,245**
Net profit for the period	**17,586,058**	**9,945,606**
Equity - minority shareholders	**2,872,006**	**1,944,258**
Share capital	236,898	49,795
Capital surplus	25,651	25,651
Legal revenue reserves	4,980	4,980
Other revenue reserves	1,087,560	784,586
Retained earnings	776,272	302,974
Net profit for the period	740,645	776,272

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

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

Reserves

Capital surplus, legal reserves and revaluation surplus (fair value reserves), which together amount to EUR 153,030,011, cannot be distributed.

Profits

Other revenue reserves, net profit for the year and retained earnings, which can be distributed, total EUR 126,340,815.

Revaluation surplus

Equity revaluation surplus represents fair value reserves arising from changes in the market value of available-for-sale financial assets. The market value of most shares classified into this category and traded in an organised securities market increased. However, this item decreased by the amount of a reserve arising from an increase in the value of the disposed of shares.

Equity of minority shareholders

The equity of minority shareholders includes stakes of minority owners in the subsidiary company Adria-Tow, d.o.o. in the amount of EUR 2,685,316 and the subsidiary company TOC, d.o.o. in the amount of EUR 186,690.

Total equity of the Luka Koper Group

After offsetting long-term investments of the parent company against equity of subsidiary companies in proportion to the parent company's stake in these companies, the Group's total equity equals the sum of the equity of the majority shareholder and the equity of minority shareholders. Total equity of the Group thus equals EUR 340,663,798.

Equity is thus composed of the following items:
1. Majority shareholder EUR 337,791,792
2. Minority shareholders EUR 2,872,006

Earnings per share

(IN EUR)	2007	2006
Net profit of majority shareholder	30,124,485	18,040,960
Weighted average number of ordinary shares	14,000,000	7,140,000
Basic earnings per share	**2.15**	**2.53**
Net profit of majority shareholder		19,926,275
Weighted average number of all shares		14,000,000
Diluted earnings per share		**1.42**

In 2007 only basic earnings per share have been presented because on its 13th meeting held on 19 July 2007, the General Meeting of the parent company adopted a resolution for the conversion of 6,860,000 participating preference shares with limited voting rights into ordinary no-par value shares.

Note 26: Provisions

(IN EUR)	31/12/2007	31/12/2006
Provisions	**11,718,551**	**10,080,972**
Provisions for pensions and similar items	3,074,748	1,742,807
Other provisions - damages and compensation	1,941,905	2,840,578
Long-term accrued costs and deferred revenue	6,701,898	5,497,587

Changes in provisions

(IN EUR)	Provisions for damages and compensation	Provisions for severance pay upon retirement	Provisions for jubilee benefits	Government grants received (long term accrued costs and deferred revenue)	Total
Opening balance as at 1/1/2007	1,625,819	1,466,275	276,532	6, 712,346	10,080,972
Payment or utilisation in 2007		-130,681	-117,671	-1,677,038	-1,925,390
New provisions	316,086	825,474	754,819	1,666,590	3,562,969
Total balance as at 31/12/2007	**1,941,905**	**2,161,068**	**913,680**	**6,701,898**	**11,718,551**

Other provisions comprise provisions for damages, which were increased in 2007 by EUR 316,086. The existing provisions were not utilised or reversed as they are still current.

Provisions for severance pay upon retirement and jubilee benefits include a liability amounting to the present value of expected future expenses. Severance pay upon retirement and jubilee benefits for 2007 decreased the provisions set aside. On 31 December 2007, the balance of contingent liabilities was reassessed and additional provisions were set aside on the basis of an actuarial calculation for which a 5.5% discount rate and 3.5% average salary increase were used.

Long-term accrued costs and deferred revenue include deferred revenue from fixed assets acquired free of charge or from subsidies for the purchase of fixed assets, as well as retained contributions on the salaries of employees of our social firm Luka Koper INPO, d.o.o. The retained funds have a dedicated purpose and are mostly used to cover the costs of depreciation of fixed assets.

Note 27: Long-term liabilities

(IN EUR)	31/12/2007	31/12/2006
Financial and operating liabilities	**17,926,907**	**45,323,711**
Long-term financial liabilities	**6,622,990**	**33,280,071**
Long-term financial liabilities to banks	6,622,990	33,280,071
Long-term operating liabilities	**154,180**	**6,013,183**
Long-term operating liabilities	154,180	92,468
Long-term finance lease liabilities		5,920,715
Deferred tax liabilities	**11,149,737**	**6,030,458**

Long-term financial liabilities
In 2007 long-term financial liabilities of the Luka Koper Group decreased considerably, primarily as a result of the accounting presentation of maturity, which is explained in more detail in the Note 28 to the consolidated financial statements. The bulk of long-term financial liabilities belong to the parent company; the financial liabilities of subsidiary companies amount to a mere EUR 357,452.28. In 2007 the interest rate for long-term bank loans raised ranged between 4.78% p.a. and 5.33% p.a.

All long-term financial liabilities fall due in 2009.

Long-term operating liabilities
Long-term operating liabilities include long-term collaterals received for leased business premises and deferred liabilities for deferred taxes arising from the valuation of investments at fair value, which is recorded as a specific equity component. Deferred taxes are disclosed in Note 11.

Note 28: Short-term liabilities

(IN EUR)	31/12/2007	31/12/2006
Financial and operating liabilties	**90,487,510**	**15,249,933**
Short-term financial liabilities	**52,014,429**	**2,250,797**
Short-term financial liabilities to banks	51,919,045	2,173,823
Short-term financial liabilities to others	95,385	76,974
Short-term operating liabilities	**38,473,080**	**12,999,136**
Short-term operating liabilities for advances	4,864	9,510
Short-term trade payables	26,370,202	8,957,636
Short-term liabilities arising out of finance lease	6,457,206	
Short-term operating liabilities to others	5,640,808	4,031,990

Short-term financial liabilities
Short-term financial liabilities for loans raised totalled EUR 51,919,045 as at 31 December 2007. The amount of EUR 34,312,151 was transferred from long-term financial liabilities to short-term financial liabilities that fall due in 2008. The difference represents new loans raised with banks. Although this is considered a long-term aspect of financing the operations, the Group decided to take advantage of more flexible, accessible and, above all, more favourable, i.e. cheaper, short-term sources.

Long-term and short-term financial liabilities primarily consist of liabilities at variable interest rate, which account for 89.9% of total financial liabilities. Variable interest rates that were restated on the last day of the financial year 2007 according to a single nominal annual interest rate ranged between 4.288% and 5.364%. Most contracts are linked to 1M Euribor. Only 1.98% of financial liabilities to banks are linked to 3M Euribor, and 2.84% to 1M Libor.

Short-term operating liabilities
At Adria-Tow, d.o.o., finance lease liabilities relate to a fixed asset under finance lease in the amount of EUR 6,457,206. The interest rate for this liability equals 5% p.a. The entire liability falls due in 2008.

Short-term operating liabilities, which totalled EUR 38,473,080 as at 31 December 2007, increased due to changes in the parent company's financial policy used for the extension of payment dates of suppliers and due to increased investment activities, with outstanding trade liabilities for fixed assets amounting to EUR 19,049,017 as at 31 December 2007.

Structure of financial liabilities according to interest rate type for 2007

Type of financial instrument	Value as at 31/12/2007	Structure by maturity	Interest rate type (nominal/ variable)	Total interest expense in 2007 (effective interest method)
3. Financial liabilities measured at amortised cost (using the effective interest method)				
Total financial liabilities:	**58,637,419**	**100%**		**1,939,744**
Long-term financial liabilities	**6,622,990**	**11%**		
long-term financial liabilities to banks	6,622,990		variable	
Short-term financial liabilities	**52,014,429**	**89%**		
short-term financial liabilities to banks	51,919,045		variable	
other short-term financial liabilities	95,385		non-interest bearing	

Structure of financial liabilities according to interest rate type for 2006

Type of financial instrument	Value as at 31/12/2006	Structure by maturity	Interest rate type (nominal/ variable)	Total interest expense in 2006 (effective interest method)
3. Financial liabilities measured at amortised cost (using the effective interest method)				
Total financial liabilities:	**35,530,864**	**100%**		**1,237,129**
Long-term financial liabilities	**33,280,070**	**94%**		
long-term financial liabilities to banks	33,280,070		variable	
Short-term financial liabilities	**2,250,795**	**6%**		
short-term financial liabilities to banks	2,173,821		variable	
other short-term financial liabilities	76,974		non-interest bearing	

Note 29: Accrued costs and deferred revenue

(IN EUR)	31/12/2007	31/12/2006
Accrued costs and deferred revenue	**362,631**	**862,161**
Foreign commercial discounts	214,457	812,390
Accrued costs	148,174	49,771

Note 30: Off-balance sheet items

Off-balance sheet accounts include items that do not qualify for recognition in the balance sheet: collaterals given or received.

(IN EUR)	31/12/2007	31/12/2006
Total off-balance sheet assets and liabilities	**14,899,609**	**9,360,499**
Liability for a guarantee issued to the Ministry of Finance	728,647	730,262
Liability for outstanding letters of credit issued to suppliers	3,777,700	473,164
Centroprom liabilities	831,206	831,206
Guarantee received for a loan	563,350	
Guarantee received for advances for fixed assets	3,517,500	
A guarantee and a lien on a fixed asset received	4,600,000	5,244,661
Other guarantees received	50,000	1,250,000
Centroprom receivables	831,206	831,206

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

In connection with our liabilities to the suppliers of fixed assets (ongoing investments), outstanding documentary credits have been issued while the payment of excise duty and customs duties has been secured with a bank guarantee.

Because the secured receivables arising from loans granted have been repaid, the bank guarantee in the amount of EUR 1,200,000 expired in 2007.

Note 31: Risk management at the Group level
Management of fair value change risk at the Group level

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

How the value of investments responds to a change in fair value is shown in the table below.

Sensitivity analysis of investments with regard to changes in fair value for 2007 and 2006

Item	Item's balance at the end of the financial year	Increase in comparable class (in %)	Envisaged increase in item's value	Decrease in comparable class (in %)	Envisaged decrease in item's value
Year 2007					
Shares and interests at fair value	92,643,513	2.61%	2,415,294	-1.73%	-1,607,247
Shares and interests at fair value (10% deviation)	92,643,513	10.00%	9,264,351	-10.00%	-9,264,351
Shares and interests at fair value (annualised maximum change in the last 5 years)	92,643,513	78.13%	72,377,799	-5.59%	-5,182,920
Year 2006					
Shares and interests at fair value	51,870,263	1.82%	945,417	-2.49%	-1,293,891
Shares and interests at fair value (10% deviation)	51,870,263	10.00%	5,187,026	-10.00%	-5,187,026
Shares and interests at fair value (annualised maximum change in the last 5 years)	51,870,263	37.86%	19,636,559	-5.59%	-2,901,870

The sensitivity analysis of investments at fair value is conducted on the assumption that past changes in fair values (the SBI or SBI20 index is used for this purpose) will be reflected in future periods. The average variability of the class was estimated over a past five-year period by calculating the average deviation of daily figures (both in terms of increase and decrease) from the annual trend of the SBI index.[1] On the basis of the above analysis, we can assume that in the financial year 2008 the fair value of the available-for-sale investments portfolio could decrease by 1.73% or increase by 2.61%. Considering the highest growth levels of the index over the past five-year period, the value of risk item could increase by 78,13% or decrease by 5.59%.[2] If we further simplify our expectations and envisage the possibility of a 10% growth in the value of the index, such growth would result in an increase in the value of the market securities portfolio by EUR 9,264,351.28. A 10% decrease in the value of a comparable class would have the opposite effect, i.e. decrease in the fair value of such investments by the same amount. All amounts would be recognised in the increase or decrease in equity.

Management of currency risk at the Group level

The initial risk of the changing foreign exchange rates stems from the asset item of trade receivables denominated in US dollars. In the previous years, the structure of trade receivables denominated is US dollars was streamlined and, as a result, the extent of the Group's exposure to currency risks decreased significantly. As at 31 December 2007, outstanding receivables denominated in US dollars accounted for 15.32% of total trade receivables (in the previous year: 13.77% of total outstanding trade receivables).

The financial liabilities of the company are only denominated in the domestic currency, i.e. the euro. The only exception is the parent company's loan in US dollars totalling USD 2.45 million, which was included in its portfolio of financial liabilities to internally offset currency risks. The loan is used to partially hedge trade receivables denominated in USD. Due to small amounts of receivables denominated in USD, other group companies do not resort to such hedging.

In 2007 the Group's average invoiced sales totalled USD 2.28 million. Via the parent company, the Group manages and partly offsets its exposure to currency risks by creating financial liabilities in the same currency. In the previous years, the parent company's financial liabilities included a loan in US dollars, the principal of which was repaid on a quarterly basis. It was shown, however, that the amount of the principal was too low. For this reason, an approximate equilibrium was established in 2007 between the amount of monthly invoiced sales denominated in USD and financial liabilities in USD, and the parent company intends to maintain this equilibrium in the future. Luka Koper, d.d. therefore included in its financial liabilities portfolio a loan in the amount of up to USD 2.5 million to internally offset currency risks.

The sensitivity analysis of receivables and financial liabilities with regard to changes in foreign exchange rates is presented below.

[1] For the purpose of sensitivity analysis, all types of risk were considered using a method according to which the variability of each class has been calculated over a past 5 year period preceding the year to which the sensitivity analysis refers (i.e. for 2008, the figures from the period 2003-2007 were used). The process of calculating the variability of individual class is provided below:
- the calculation of annual trend on the basis of daily figures for a chosen class for each financial year included in the period under consideration;
- the calculation of linear deviations of daily figures from the annual trend calculated;
- the average annual deviation of the class from the annual trend line was obtained by summing up all positive deviations on the one hand or negative deviations on the other, dividing them with the number of data for an individual positive or negative deviation;
- finally, the five-year average was calculated from annual averages.

[2] The highest absolute increase or decrease of the stock exchange index over a financial year is excluded from the past five-year period and the financial effect of such change on the value of investments measured at fair value is determined.

Sensitivity analysis of receivables and financial liabilities with regard to changes in foreign exchange rates in 2007

2007		Financial effect of eventual decrease in the value of US dollar (historical data)		Financial effect of eventual increase in the value of US dollar (historical data)		Financial effect (+/-) of eventual decrease in the value of US dollar by 10%
Financial instrument	**item's value in USD**	**data in %**	**financial effect in EUR**	**data in %**	**financial effect in EUR**	**financial effect in EUR**
Trade receivables in USD						
average monthly invoiced sales in USD	2,283,112	0.93	-14,352	-1.62	25,519	-140,993
average amount of outstanding receivables in USD as at the last day of the month	3,947,756	0.93	-24,815	-1.62	44,125	-243,792
Financial liabilities in USD						
Amount of loan in USD as at 31/12	2,450,000	0.93	15,401	-1.62	-27,384	151,299

Sensitivity analysis of receivables and financial liabilities with regard to changes in foreign exchange rates in 2006

2006		Financial effect of eventual decrease in the value of US dollar (historical data)		Financial effect of eventual increase in the value of US dollar (historical data)		Financial effect (+/-) of eventual decrease in the value of US dollar by 10%
Financial instrument	**item's value in USD**	**data in %**	**financial effect in EUR**	**data in %**	**financial effect in EUR**	**financial effect in EUR**
Trade receivables in USD						
average monthly invoiced sales in USD	1,855,374	1.07	-14,961	-1.82	26,177	-128,072
average amount of outstanding receivables in USD as at the last day of the month	3,024,769	1.07	-24,390	-1.82	42,676	-208,792
Financial liabilities in USD						
Amount of loan in USD as at 31/12	**649,384**	**1.07**	**5,236**	**-1.82**	**-9,162**	**44,825**

By creating a USD denominated financial liability in an amount close to average monthly invoiced sales, the Group offsets, via its parent company, approximately 60% of foreign exchange differences arising from receivables denominated in US dollars. This very ratio is evident from the analysis of foreign exchange differences because the decrease in the value of the US dollar led to foreign exchange gains amounting to slightly more than 63% of foreign exchange losses accounted for in 2007. In 2006 this percentage stood a bit over 46%, which means that the decision to increase the liability item denominated in US dollars was correct.

Management of the risk of variable interest rate change

In 2007 the Group increased considerably its financial liabilities, which amounted to EUR 58,637,419 on the last day of the financial year 2007. The share of financial liabilities in the overall structure of equity and liabilities rose from 9.7% (in 2006) to 12.7%, meaning that the Group is improving the structure of liabilities, primarily through borrowing by the parent company, thus taking advantage of the positive effects of leverage and interest tax shield. The structure of financial liabilities is dominated by short-term liabilities to commercial banks arising from bank loans raised. The ratio began to shift towards short-term liabilities in 2007 when the parent company transferred more than EUR 34 million from long-term to short-term financial liabilities, which fall due in 2008. Moreover, the parent company financed its current operations, especially investments in its main line of business, by taking out cheaper short-term loans. The share of long-term financial liabilities thus decreased from 94% to 11%, while the share of short-term liabilities rose from 6% to 89%. All recognised long-term financial liabilities mature at the beginning of 2009. Over the next medium-term period, the Group will continue increasing the share of total financial liabilities in its financing sources to generate higher return on equity, primarily on account of the parent company.

The Luka Koper Group did not additionally secure its financial liabilities linked to variable interest rates. This can be attributed to the predominately short-term nature of loan agreements and to the small share of financial liabilities in the company's total financing sources. It is estimated that because the company's indebtedness is so low, the risk of variable interest rate change is negligible.

The sensitivity analysis of financial liabilities with regard to variable interest rate change is presented in the table below.

Sensitivity analysis of financial liabilities with regard to variable interest rate change for 2007 and 2006

						Sensitivity analysis for 2007
Balance of liabilities linked to a variable interest rate	**31/12/2007**	**Potential increase in interest rates (historical data)**		**Potential decrease in interest rates (historical data)**		**Hypothetical increase or decrease in interest rate by 10%**
	amount of liabilities	**data in %**	**value in EUR**	**data in %**	**value in EUR**	**value in EUR**
1M EURIBOR	55,716,000	0.08	-43,221	-2.50	1,395,578	5,571,600
3M EURIBOR	1,161,473	0.33	-3,789	-2.02	23,482	116,147
1M LIBOR	1,664,289	2.74	-45,631	-1.79	29,799	166,429
Total effect:	58,541,762		-92,642		1,448,859	5,854,176

						Sensitivity analysis for 2006
Balance of liabilities linked to a variable interest rate	**31/12/2006**	**Potential increase in interest rates (historical data)**		**Potential decrease in interest rates (historical data)**		**Hypothetical increase or decrease in interest rate by 10%**
	amount of liabilities	**data in %**	**value in EUR**	**data in %**	**value in EUR**	**value in EUR**
1M EURIBOR	31,902,963	0.80	- 255,343	-2.54	811,590	3,190,296
3M EURIBOR	1,423,624	1.05	- 14,963	-2.20	31,307	142,362
1M LIBOR	476,604	1.88	-8,982	-1.64	7,805	47,660
Total effect:	33,803,191		- 279,289		850,702	3,380,319

The sensitivity analysis of financial liabilities to changes in variable interest rates relies on the following assumptions:
- potential interest rates decrease or increase in line with historical data for the five-year period[3] or
- potential decrease or increase in variable interest rate by 10%.

If an increase in variable interest rates were to be recorded in 2008, as historical data suggests, the Luka Koper Group would have incurred a negative effect on interest expense in the amount of EUR 92,642.25 (assuming that the amount of financial liabilities remained unchanged). On the other hand, a decrease in interest rates would have resulted in 2008 in a decrease in interest expense by EUR 1,448,859.31. If in 2008 variable interest rates increased or decreased by 10%, profit or loss would have been affected in the amount of EUR 5,854,176.21, either as extra interest (in the case of increase) or savings (in the case o decrease).

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

11. CASH FLOW STATEMENT DISCLOSURES

The cash flow statement has been prepared using the indirect method. Material increases or decreases in individual items affecting the cash flows of the Luka Koper Group have been disclosed in the income statement, balance sheet and in the statement of changes in equity. This information enables users to evaluate changes in the company's net assets and its financial structure.

12. STATEMENT OF CHANGES IN EQUITY DISCLOSURES

Movements to equity

Revaluation surplus increased by EUR 24,410,025, which is the result of the valuation of available-for-sale investments at fair value.

Equity was further increased by the majority owner's net profit for the year in the amount of EUR 30,124,485.

Movements within equity

In accordance with management body decisions, half of net profit for 2007 was allocated to other revenue reserves (EUR 12,534,194) while EUR 4,233 was allocated to legal reserves.

Movements from equity

In accordance with a resolution of Luka Koper, d.d's General Meeting, other revenue reserves were distributed as dividends in the amount of EUR 9,667,912.

13. TRANSACTIONS WITH RELATED ENTITIES

Key financial information concerning associated companies

(IN EUR)	2007	2006	2007	2006	2007	2006
	Intereuropa, d.d.		Avtoservis, d.o.o.		Golf Istra, d.o.o.	
Revenue	170,609,000	129,894,000	5,334,300	3,462,600		
Assets	253,616,000	226,678,000	3,163,700	2,214,100	597,563	264,346
Liabilities	152,110,000	59,324,000	518,400	1,184,800	88,513	130,547
Profit - loss	19,383,000	4,659,000	283,200	271,900	-123,852	-172,851

Key financial information concerning joint ventures

(IN EUR)	2007	2006	2007	2006	2007	2006
	Adriafin, d.o.o.		Kopinvest Netherlands B.V.		Adria Transport, d.o.o.	
Revenue	1,099,864	1,826,952			195,361	855
Assets	14,172,468	16,651,228	3,155,353	2,714,708	181,973	100,989
Liabilities	53,454	2,356,591			83,361	2,770
Profit - loss	153,871	927,400	-8,805	-6,395	393	-1,931

Relations between the parent company and subsidiaries, and between subsidiaries

(IN EUR)	31/12/2007	31/12/2006
Long-term investments	**5,827,135**	**4,208,436**
Receivables	**677,824**	**548,384**
Short-term trade receivables	677,824	548,384
Short-term investments	6,570,055	3,199,307
Liabilities	**7,247,879**	**3,747,691**
Short-term operating liabilities	677,824	548,384
Short-term financing liabilities	6,570,055	3,199,307
Revenue	**3,701,266**	**2,789,990**
Operating revenue	3,465,099	2,782,926
Financing revenue	236,167	7,064
Costs and expenses	**3,701,266**	**2,789,990**
Costs of materials	177,573	109,798
Costs of services	3,167,203	2,594,792
Labour costs	3,632	16,164
Other costs	116,691	62,172
Financing expenses	236,167	7,064

Relations between the parent company, associates and joint ventures

(IN EUR)	Adriafin, d.o.o.		Avtoservis, d.o.o.		Intereuropa, d.d.		Adria Transport, d.o.o.	
Turnover for the period	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**	**2006**	**2007**
The parent company's services used	13,437	13,440	39,272	41,949	12,995,620	15,323,181	2,770	4,104
The parent company's lease services used			176,314	178,277	37,970	54,131		
Services performed for the parent company			13,133	5,243	211,423	166,657		
Lease services performed for the parent company					174,531	161,128		
Interest on loan to the parent company	4.293							
Balance as at	**31/12/2006**	**31/12/2007**	**31/12/2006**	**31/12/2007**	**31/12/2006**	**31/12/2007**	**31/12/2006**	**31/12/2007**
Outstanding receivables from services performed by the parent company	1,344	1,344	6,433	7,262	2,085,073	2,361,355	2,770	
Outstanding liabilities for services used by the parent company			1,323	5,348	14,368	11,362		

14. EVENTS AFTER THE BALANCE SHEET DATE

Changes affecting associated companies

• The subsidiary company Adria Terminali, d.o.o. got a new co-owner - the company Trade Trans Terminal - which belongs to a logistics business system Trade Trans Invest from Bratislava. In January 2008, the said company purchased a 49% interest from Luka Koper.

Establishment of associated companies

• In January 2008, Luka Koper, d.d. and the company Ekološka energija Koper, d.o.o. co-founded a new company Ecoporto Koper, d.o.o. with a nominal capital of EUR 10,000, which is engaged in the production of alternative energy. Luka Koper has a 24.9% stake in the company.
• In January, Luka Koper, d.d. and the company Altena, d.o.o. co-founded a limited liability company Adriasole, d.o.o. with a nominal capital of EUR 10,000, in which Luka Koper holds a 24.9% stake. The company is engaged in the production of alternative energy.
• Luka Koper d.d. became a one-third owner of the company Rail Port Arad (the other two partners being MAV Cargo from Hungary and Trade Trans Invest from Slovakia), which will construct an inland container terminal in Romania's Arada - a strategic point along axis 4 of the European corridor. The investment is worth EUR 1,500,000, and the annual throughput capacity of the new terminal, which measures 10 hectares, will equal 60,000 TEU (container units). As a result, the throughput of containers in the port of Koper can be increased as well (305,648 TEU in 2007). The port or its European logistics centre in Sežana will be connected with the Arad terminal via block trains.

Acquisitions of companies

• In February 2008, Luka Koper, d.d. took full ownership of the company Investicije Novamark, d.o.o., for the amount of EUR 2,081,552.

President of the Management Board
Robert Časar

Member of the Management Board
Marjan Babič

Head of the Accounting Department
Neda Ritoša

15. INDEPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to owners of LUKA KOPER d.d.

We have audited the accompanying consolidated financial statements of the Luka Koper Group, which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Luka Koper Group as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the company's business report. In our opinion, the business report is consistent with the audited financial statements.

DELOITTE REVIZIJA d.o.o.

Lidija Jezernik
Certified Auditor
Member of the Board

Ljubljana, 21 March 2008

Deloitte.
DELOITTE REVIZIJA D.O.O.
Ljubljana, Slovenija 1

UNCONSOLIDATED FINANCIAL REPORT OF LUKA KOPER, D.D. FOR 2007

1. INCOME STATEMENT - audited and unconsolidated

(IN EUR)	Notes	2007	2006
Operating revenue		**111,331,815**	**97,363,795**
Net sales revenue	1	108,950,005	94,166,749
Other operating revenue	2	2,381,810	3,197,046
Operating costs		**90,732,104**	**80,675,154**
Costs of goods, materials and services	3	41,672,259	36,160,133
Labour costs	4	25,073,937	21,986,024
Write-downs in value	5	15,175,580	13,724,660
Other operating expenses	6	8,810,328	8,804,337
Operating profit		**20,599,711**	**16,688,641**
Total financial revenue	**7**	**10,194,595**	**7,670,634**
Financial revenue from interests		8,481,730	5,711,237
Financial revenue from loans		1,005,776	1,520,854
Financial revenue from operating receivables		707,089	438,543
Total financial expenses	**8**	**3,430,862**	**1,920,434**
Financial expenses arising from impairment and write-downs of investments		780,002	83,703
Financial expenses for financial liabilities		1,981,546	1,117,496
Financial expenses for operating liabilities		669,314	719,235
Total profit	**9**	**27, 363,444**	**22,438,841**
Corporate income tax	10	2,285,975	2,720,547
Deferred taxes	11	-9,081	234,881
Net profit	**12**	**25,068,388**	**19,953,175**
Earnings per share	13	1.79	1.42

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

2. BALANCE SHEET - audited and unconsolidated

(IN EUR)	Notes	31/12/2007	31/12/2006
Assets		**434,312,786**	**340,140,666**
Long-term assets		**405,307,103**	**307,382,721**
Intangible fixed assets	14	**1,077,540**	**648,598**
Property, plant and equipment	15	**217,180,278**	**149,276,880**
Land and buildings		130,972,114	109,285,189
Manufacturing plant and equipment		44,440,930	29,897,442
Other plant and equipment		135,220	51,505
Property, plant and equipment being acquired		41,632,014	10,042,744
Investment property	16	**14,254,814**	**7,853,164**
Long-term investments	17	**171,681,824**	**148,687,915**
Long-term investments, excluding loans		160,718,249	138,051,877
Long-term loans		10,963,575	10,636,038
Long-term operating receivables	18	**217,293**	**11,730**
Deferred tax assets	19	**895,354**	**904,434**
Current assets		**28,848,131**	**32,673,208**
Assets (disposal groups) held for sale	20	**103,865**	**125,092**
Short-term investments	21	**43,006**	**11,237,883**
Short-term operating receivables	22	**27,194,812**	**19,931,219**
Short-term corporate income tax assets	22	**207,859**	**1,063,225**
Cash	23	**1,298,589**	**315,789**
Short-term deferred costs and accrued revenue	24	**157,552**	**84,737**
Off-balance sheet assets	30	**17,539,666**	**14,605,160**

Equity and liabilities		**434,312,786**	**340,140,666**
Equity	25	**325,158,610**	**285,348,110**
Called-up capital	25	**58,420,965**	**58,420,965**
Capital surplus	25	**89,562,703**	**89,562,703**
Revenue reserves	25	**114,494,073**	**101,195,476**
Revaluation surplus	25	**44,598,950**	**20,188,925**
Retained earnings	25	**5,547,725**	**6,003,453**
Net profit for the period	12	**12,534,194**	**9,976,588**
Provisions and long-term accrued costs and deferred revenue	26	**4,160,511**	**3,637,505**
Long-term liabilities	27	**17,481,844**	**34,615,451**
Long-term financial liabilities	27	**6,265,538**	**28,512,012**
Long-term operating liabilities	27	**66,569**	**72,981**
Deferred tax liabilities	27	**11,149,737**	**6,030,458**
Short-term liabilities	28	**87,172,026**	**15,684,846**
Short-term financial liabilities	28	**56,514,874**	**3,817,112**
Short-term operating liabilities	28	**30,657,152**	**11,867,734**
Short-term accrued costs and deferred revenue	28	**339,795**	**854,754**
Off-balance sheet liabilities	30	**17,539,666**	**14,605,160**

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

3. CASH FLOW STATEMENT

	(IN EUR)	2007	2006
A.	**Cash flows from operating activities**		
a)	**Net profit**		
	Profit before tax	27,363,444	22,438,842
	Income taxes and other taxes not included in operating expenses	-2,295,056	-2,485,666
		25,068,388	**19,953,175**
b)	**Adjustments for**		
	Depreciation or amortisation (+)	14,610,380	13,134,743
	Revaluation operating revenue associated with investing and financing items (-)	-379,806	-534,791
	Revaluation operating expenses associated with investing and financing items (+)	85,568	151,098
	Financial revenue less financial revenue from operating receivables (-)	-9,487,506	-7,232,091
	Financial expenses less financial expenses from operating liabilities (+)	3,219,191	1,543,848
		8,047,827	**7,062,806**
b)	**Changes in net operating assets in the operating balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)**		
	Opening less closing operating receivables	-6,613,790	-3,014,917
	Opening less closing deferred costs and accrued revenue	-72,815	-30,529
	Opening less closing deferred tax assets	9,081	-234,875
	Opening less closing assets (disposal groups) held for sale	21,227	-125,092
	Closing less opening operating liabilities	18,783,006	-417,669
	Closing less opening accrued costs and deferred revenue, and provisions	8,047	533,537
	Closing less opening deferred tax liabilities	5,119,279	3,492,155
		17,254,035	**202,609**
c)	**Net cash from operating activities (a + b)**	**50,370,251**	**27,218,591**
B.	**Cash flows from investing activities**		
a)	**Cash receipts from investing activities**		
	Interest and dividends received from investing activities	3,384,375	6,843,225
	Cash receipts from disposal of property, plant and equipment	1,045,689	718,896
	Cash receipts from disposal of long-term investments	26,129,383	1,769,158
	Cash receipts from disposal of short-term investments	110,365,244	33,858,292
		140,924,690	**43,189,572**
b)	**Cash disbursements from investing activities**		
	Cash disbursements to acquire intangible assets	-775,649	
	Cash disbursements to acquire property, plant and equipment	-83,772,628	-23,540,945
	Cash disbursements to acquire investment property	-6,983,206	
	Cash disbursements to acquire long-term investments	-14,271,276	-23,047,362
	Cash disbursements to acquire short-term investments	-104,330,712	-14,398,861
		-210,133,471	**-60,987,167**
c)	**Net cash from investing activities (a + b)**	**-69,208,781**	**-17,797,596**
C.	**Cash flows from financing activities**		
a)	**Cash receipts from financing activities**		
	Cash proceeds from increase in long-term financial liabilities	43,670,000	34,870,000
	Cash proceeds from increase in short-term financial liabilities	29,447,889	3,274,766
		73,117,889	**38,144,766**
b)	**Cash disbursements from financing activities**		
	Interest paid on financing activities	-1,422,659	-1,037,913
	Cash repayments of long-term financial liabilities	-31,581,772	-39,440,874
	Cash repayments of short-term financial liabilities	-10,624,216	-619,069
	Dividends and other profit shares paid	-9,667,912	-9,631,932
		-53,296,559	**-50,729,787**
c)	**Net cash from financing activities (a + b)**	**19,821,330**	**-12,585,021**
Č.	**Closing balance of cash**	**1,298,588**	**315,798**
x)	**Net cash inflow or outflow for the period (sum total of net cash Ac, Bc and Cc)**	**982,800**	**-3,164,026**
y)	**Opening balance of cash**	**315,789**	**3,479,824**

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

4. STATEMENT OF CHANGES IN EQUITY

(IN EUR)

	Called-up capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Net profit for the period	Revaluation surplus	Total
Balance as at 1 January 2006	**58,420,965**	**89,562,703**	**18,765,115**	**73,739,853**	**5,609,152**	**8,740,154**	**7,614,919**	**262,452,861**
Movements to equity						**19,953,175**	**12,574,006**	**32,527,181**
Net profit for the period						19,953,175		19,953,175
Change in the fair value of available-for-sale investments							12,574,006	12,574,006
Movements within equity				**18,322,440**	**394,301**	**-18,716,741**		
Creation of other revenue reserves based on a decision of the management and the supervisory board				9,976,588		-9,976,588		
Movement to other revenue reserves based on a decision of general meeting				8,345,852	-5,609,152	-2,736,700		
Movement of net profit for the previous year to retained earnings					6,003,453	-6,003,453		
Movements from equity				**-9,631,932**				**-9,631,932**
Payment of dividends				-9,631,932				-9,631,932
Net profit and revenue recognised directly in equity						19,953,175	12,574,006	32,527,181
Balance as at 31 December 2006	**58,420,965**	**89,562,703**	**18,765,115**	**82,430,361**	**6,003,453**	**9,976,588**	**20,188,925**	**285,348,110**
Movements to equity						**25,068,388**	**24,410,025**	**49,478,413**
Net profit for the period						25,068,388		25,068,388
Change in the fair value of available-for-sale investments							24,410,025	24,410,025
Movements within equity				**22,945,005**	**-455,728**	**-22,489,278**		
Creation of other revenue reserves based on a decision of the management and the supervisory board				12,534,194		-12,534,194		
Movement to other revenue reserves based on a decision of general meeting				10,432,315	-6,003,453	-4,428,862		
Movement of net profit for the previous year to retained earnings					5,547,726	-5,547,726		
Movements from equity				**-9,667,912**				**-9,667,912**
Payment of dividends				-9,667,912				-9,667,912
Balance as at 31 December 2007	**58,420,965**	**89,562,703**	**18,765,115**	**95,707,454**	**5,547,726**	**12,512,690**	**44,598,950**	**325,158,610**
Net profit and revenue recognised directly in equity						25,068,388	24,410,025	49,478,413

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

5. NOTES TO THE FINANCIAL STATEMENTS

Luka Koper, d.d., port and logistic system, based in the Republic of Slovenia, is the controlling company of the Luka Koper Group. The financial statements of the controlling company have been prepared for the year ended 31 December 2007.

5.1 Statement of compliance

The financial statements have been prepared in accordance with the Companies Act and International Financial Reporting Standards (IFRS) as adopted by the EU.
They were approved by the Management Board of Luka Koper, d.d. on 11 March 2008.

5.2 Basis of preparation

The financial statements are presented in euros without cents. By preparing its stand-alone financial statements, Luka Koper, d.d. wishes to bring information on its financial position, performance and changes in its financial position in 2007 and, for comparison, in 2006 to the widest range of users.

Fair value

Financial assets available for sale have been stated at fair value, whereas all other financial statement items have been presented at cost or amortised cost.

Transactions in foreign currencies

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

Estimates and assessments

In preparing the financial statements, the Management Board discloses estimations, judgements and assumptions that have an effect on the application of accounting policies and on the disclosed amounts of assets and liabilities as well as revenue and expenses, as required by International Financial Reporting Standards. The estimations are made on the basis of experience from previous years and expected developments during the accounting period. As actual results may differ from these estimations, these are regularly checked and adjusted.

5.3 Summary of significant accounting policies and disclosures

Individual categories are disclosed in accordance with International Financial Reporting Standards governing the disclosures. All material issues are disclosed. The accounting policies applied and the nature and relevance of individual disclosures have been set out in the Company's internal acts. For all material amounts contained in the financial statements, comparative data from the previous period have also been disclosed and included in numeric and descriptive information. Comparative data has been adjusted to reflect the presentation of information for the current year.

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

Property, plant and equipment

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

If the cost of an item of property, plant and equipment is significant, it is allocated to asset's parts, provided these have different useful lives. Each part is treated separately. Land is disclosed separately and is not subject to depreciation.

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

Finance lease

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

No fixed assets have been leased under a finance lease in 2007.

Additional costs

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

Depreciation

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

Estimated depreciation rates for the current and comparable period:

Asset	2007	2006
Buildings	3 - 6%	2 - 5%
Transportation and cargo handling equipment	5,6 - 25%	5,6 - 25%
Computer equipment	20 - 25%	20 - 25%
Other equipment	10 - 25%	10 - 25%

Derecognition

The recognition of the carrying amount of an item of property, plant and equipment is derecognised:
- on disposal or
- when no future economic benefits are expected from its use or disposal.

Intangible assets

An intangible fixed asset is initially recognized at cost. After initial recognition, intangible assets are disclosed at cost less any depreciation and any impairment losses.

Depreciation

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

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

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

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

Investment property

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

Depreciation is calculated on a straight-line basis, taking into account the estimated useful life of individual assets. Land is not subject to depreciation. Leased buildings are divided into parts with different useful lives, as are proprietary buildings with useful lives ranging from 16 to 33 years. The carrying amount of investment property accounts for 6.5% of the carrying amount of total fixed assets.

Investments in associated companies

Investments in subsidiaries, associates, joint ventures and other companies are carried at cost.

Financial instruments

Financial instruments have been classified into the following categories:

1. Financial instruments at fair value through profit or loss;
2. Held-to-maturity investments;
3. Loans and receivables;
4. Available-for-sale financial assets;
5. All other investments for which there is no active market and their fair value cannot be reliably measured are carried at cost.

1. Financial instruments at fair value through profit or loss

The first category has been created to include financial instruments that are recognised on the trade date, measured at fair value through profit or loss, and held for active trading. Because the company was not engaged in such activities, no instruments were included in this category in 2007 and 2006.

2. Held-to-maturity investments

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

3. Loans and receivables

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

• Operating receivables

In the company's books of account, long-term and short-term trade receivables, and receivables due from the Government and employees are recorded separately. Operating receivables also include receivables from interest on the above receivables. Long-term and short-term operating receivables are initially recognised at amounts derived from contracts or relevant bookkeeping documents. Operating receivables denominated in foreign currencies are translated into the domestic currency using the reference exchange rate of the Bank of Slovenia on the last day of the financial year.
The adequacy of the disclosed amount of a receivable is assessed at the end of the accounting period on the basis of substantiated evidence concerning the collectability of such receivables. A receivable is impaired when it is overdue for more than one year or when it is doubtful or disputed.

• Loans receivable

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

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

4. Available-for-sale financial assets

Available-for-sale financial assets include all investments in equity securities. At the time of initial recognition, they were measured at fair value plus transaction costs associated with the purchasing or issuing of the financial assets. Fair value is a market-based value, such as a share's average price or a published daily value of a mutual fund's unit. The changes in fair value are recognised directly in equity and are accounted for every quarter. Shares are derecognised on the basis of the average cost method. Derecognition gains or losses are transferred to profit or loss. Purchases and disposals are recorded at the trade date. The changes and valuation are shown in the table "Overview of financial instruments classified according to class" presented in Note 22.

Cash

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

Derivative financial instruments

The company does not hold or issue derivatives for trading.

Equity

Share capital

The share capital of Luka Koper, d.d. consists of 14,000,000 registered ordinary no-par value shares that are freely transferable. At its 13th meeting held on 19 July 2007, the General Meeting adopted a decision for the conversion of 6,860,000 participating preference shares with limited voting rights to ordinary no-par value shares, thus changing the number of ordinary shares which now amounts to 14,000,000. For more information on this topic see chapter Shareholder value in the business report.

Dividends

Dividends are recognised in the company's financial statements once a General Meeting's decision on the distribution of dividends has been adopted. The dividend distribution policy has been set out in the company's statutory acts.

Repurchase of own shares

The company did not set up a reserve for own shares in 2007 nor did it trade in own shares.

Authorised capital

The company had no authorised capital as at 31 December 2007.

Provisions

Provisions for lawsuits

Provisions have been created for lawsuits related to presumed misconduct in operations. The amount of provisions is determined on the basis of a claim for compensation or according to an estimated amount, if the claim has not yet been made. The basis on which the provisions have been made is tested regularly.

Provisions for severance pay and jubilee benefits

Pursuant to the Enterprise collective agreement and regulations, the company is obliged to account for and pay jubilee benefits and severance pay upon retirement. These benefits are measured using the simplified method of accounting, which requires that the valuation of actuary liability be made in accordance with the anticipated growth in wages and salaries from the date of the valuation up to the expected retirement of an employee. Benefits are thus accrued in proportion to the work performed. The estimated liability is recognised in the amount of the present value of expected future expenditure. The expected turnover of employees and salary increases are also assessed in this measurement.

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

Operating liabilities

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

Corporate income tax

Income tax is accounted for in accordance with the Corporate Income Tax Act as well as with the Economic Zones Act, because the company is also a user of en economic zone. The latter provides us with a possibility of tax breaks on investments in new fixed assets located in the economic zone. The base for the calculation of income tax is gross profit increased by non-deductible costs and decreased by allowed tax breaks. The corporate income tax liability is then calculated from this tax base. For 2007 the applicable tax rate stood at 23%.

Deferred taxes

Deferred taxes have been accounted for to ensure relevant presentation of the income statement during the reporting period. Deferred taxes are disclosed as deferred tax assets and deferred tax liabilities. Deferred taxes were accounted for using the balance sheet liability method. The carrying amount of assets and liabilities was compared with their tax values, and the resulting difference was defined as either permanent or temporary. Temporary differences were classified as taxable and deductible. Taxable temporary differences increase taxable amounts and deferred tax liabilities. Deductible temporary differences decrease taxable amounts and increase deferred tax assets.

Earnings per share

Basic earnings per share have been calculated by dividing net profit for 2007 with the weighted average number of ordinary shares.

Revenue

Revenue from services rendered

Operating revenue is recognised when it can be reasonably expected it will result in receipts, provided that these had not been realised when incurred and can be reliably measured.

Revenue from services rendered is recognised using the percentage of completion method, taking into account the state as it is on the balance sheet date. Under this method, revenue is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised during the period and revenue generated on the domestic and foreign markets are disclosed. Revenue generated on the domestic market represents revenue generated in Slovenia, whereas foreign markets stand for EU member states and third countries.

Rental income

Rental income mainly comprises revenue from investment property, i.e. buildings and land under operating lease.

Other revenue

Other revenue includes the reversal of provisions, donations, bonuses and revaluation revenue generated from the disposal of fixed assets disclosed.

Financial revenue and expenses

Financial revenue comprises revenue from interest on loans receivable, revenue from dividends, revenue from the disposal of available-for-sale financial assets, and revenue from foreign exchange rate gains. Interest revenue is recognised when incurred using the effective interest method. Revenue from dividends is recognised in profit or loss when the right to receive payment is established.

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

Expenses - costs

Costs are recognised as expenses in the period in which they are incurred. They are classified according to their nature. They are presented and disclosed according to their natural functions as shown in the company's three-digit chart of accounts. Expenses are recognised if a decrease in economic benefits in the accounting period is related to a decrease in assets or increase in debt and this decrease can be reliably measured.

Impairment of assets

Impairment of property, plant and equipment

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

Impairment of intangible assets

On the reporting date, intangible assets are reviewed for impairment.

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

Impairment of financial assets

On each reporting date, the company assesses whether there is any objective evidence that an investment has been impaired. If there is objective evidence, the company is obliged to assess and determine the amount of any impairment loss. If the company determines that it is necessary to impair investments carried at amortised cost, the amount of loss is measured as the difference between the carrying amount of the investment and the present value of estimated future cash flows discounted at original effective interest rate. The amount of loss is recognised in profit or loss. If the reasons for the impairment of such an investment cease to exist, the reversal of the impairment of the investment that is carried at amortised cost is recognised in profit or loss.

The impairment of investments carried at cost is recognised in profit or loss if there is objective evidence of a decline in the value of such investments. The amount of impairment loss is measured as the difference between the carrying amount of the investment and its estimated fair value obtained using the dividend discount model. The discount rate is determined using the CAPM model. The resulting impairment loss cannot be reversed.

Investments in associated and other companies operating as joint stock companies are impaired using the dividend discount model. The discount rate is determined using the CAPM model.

Cash flow statement

The company reports cash flows from operating activities using the indirect method and on the basis of balance sheet items as at 31 December 2007 and 31 December 2006, the income statement for the year 2007, and additional information required for the adjustment of inflows and outflows. Considering the previous comparable period, cash flows from investing and financing activities have been adjusted so that the disbursements and receipts were not offset.

Statement of changes in equity

The statement of changes in equity shows changes in individual components of equity during the year, including the allocation net profit. It shows that net profit for the current year has been increased by revenue that had been recognised directly in equity.

Segment reporting

The company did not determine business and geographical segments as it does not provide services with significantly differing risks and returns. Geographical segments are only reported in the consolidated financial report of the Luka Koper Group.

New standards, amendments and interpretations effective in the current period and in issue but not yet adopted

Below we indicate all standards and interpretations effective from 1 January 2007 and considered in the preparation of financial statements for the year ended 31 December 2007, and new standards and interpretations the application of which has not been required for this reporting period or that enter into force subsequently.

IFRS 7 - Financial Instruments: Disclosures - this standard combines the disclosure requirements of two standards, i.e. IAS 30 and IAS 32, to establish a single, general standard on the disclosure of financial instruments. The standard became effective on 1 January 2007 and its requirements have been included in the annual report of Luka Koper, d.d.

Amendment to IAS 1 - Presentation of Financial Statements - the standard is effective for periods beginning on 1 January 2007. The requirements of the standards have already been included in the Group's annual report.

Four Interpretations issued by the International Financial Reporting Interpretations Committee are effective for the current period. These are: IFRIC 7 - Applying the Restatement Approach under IAS 29 - Financial Reporting in Hyperinflationary Economies; IFRIC 8 - Scope of IFRS 2; IFRIC 9 - Reassessment of Embedded Derivatives; and IFRIC 10 - Interim Financial Reporting and Impairment. The adoption of these interpretations has not led to any changes in the company's accounting policies.

IAS 23 - The revised standard suggests that the method of capitalisation of borrowing costs should be applied in connection with the value of assets and that it is not allowed, within the framework of International Financial Reporting Standards, to classify borrowing costs as an item that directly reduces profit or increases loss. The application of the standard is required from 1 January 2009 onwards. The company has already launched activities in connection with its effect on the financial statements as all of the company's fixed assets are valued at cost, excluding interest expense which is immediately recognised as cost for the period.

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

The envisaged disclosures will have no financial effect on the company's operations.

IFRIC 11 - IFRS 2- Group and Treasury Share Transactions - effective for the period 1 March 2007 to 1 March 2008. The standards has not yet entered into force and will not affect the financial statements.

IFRIC 12 - Service Concession Arrangements: effective date is 1 January 2008. This interpretation applies to contracts for the supply of public services granted to private operators if the infrastructure constructed or acquired by an operator falls within the scope of the contract or is put into use by a concession provider.

The company has not yet determined potential effects of this interpretation on its financial statements.

IFRIC 13 - Customer Loyalty Programmes - effective for the period beginning 1 July 2008. The interpretation requires that the company shall treat credits granted to customers in return for their loyalty separately from selling transactions for which credits have been granted.

IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction explains when the refunds of or increases in future contributions relating to defined benefit assets are considered as available, and provides instructions with regard to the effect of minimum funding requirements applicable to such assets. We do not expect IFRIC 14, which we will be required to apply in the financial year 2008, to affect the financial statements.

Assessment and sources of uncertainty

Risk management

The company monitors risks and aims to manage them at all levels of its operations. In assessing them, it considers various factors and measures the cost of monitoring against its benefits. Appropriate management of risks is achieved by identifying and controlling the risks in time on the basis of guidelines and policies defined in documents for integrated management system.

The company's operations are exposed to strategic, business and financial risks that are subject to market characteristics, meaning they have to be actively monitored. Risk identification, exposure levels and loss probability are outlined in the chapter Risk management in the business report. Besides strategic and business risks, the company encounters financial risks, the most significant of which are the risk of fair value change, currency risk, interest rate risk, liquidity risk and credit risk. How financial risks are identified and managed is described in Note 29: Risk mangement.

6. ADDITIONAL NOTES TO THE INCOME STATEMENT

Note 1: Net sales revenue

(IN EUR)	2007	2006
Net sales revenue	108,950,005	94,166,749
Revenue from sales in the domestic market	**28,022,634**	**21,089,863**
Revenue from services sold in the domestic market	26,364,812	18,462,702
Revenue from rents in the domestic market	1,560,556	2,586,355
Revenue from sales of goods and materials	97,266	40,806
Revenue from sales abroad	**80,927,371**	**73,076,886**
Revenue from services sold abroad	80,925,323	73,067,575
Revenue from rents abroad	2,048	9,311

Luka Koper, d.d. ended the financial year 2007 with revenue from the main line of business amounting to EUR 108.9 million, which accounts for 90% of total operating revenue and represents a year-on increase of 15.6%. The bulk of revenue (73.6%) was generated abroad.

Note 2: Other operating revenue

(IN EUR)	2007	2006
Other operating revenue	**2,381,810**	**3,197,045**
Elimination of provisions	563,310	156,484
Other operating revenue - despatch bonus	1,220,375	641,461
Revaluation operating revenue	379,806	534,791
Subsidies, grants	85,264	188,141
Other revenue	133,055	1,676,168

Despatch bonus, which amounted to EUR 1,220,375, represents a bonus or a premium for quicker loading and unloading of ships.

Note 3: Costs of materials and services

(IN EUR)	2007	2006
Costs of materials	**6,998,366**	**5,145,696**
Costs of auxiliary materials	2,171,924	1,309,575
Costs of energy	4,380,678	3,397,043
Costs of office supplies and specialised literature	190,555	157,175
Other costs of materials	255,209	281,903

The costs of auxiliary materials indicate an increase relative to the previous year. It should be noted, however, that the costs did not increase, rather, the recording of building and equipment maintenance costs was changed. Having introduced a new information system module for the monitoring of materials, the company records the costs of auxiliary materials separately from the costs of maintenance services, which is also why the costs of maintenance services in the table below decreased in comparison with 2006. For more information on this topic see the chapter Analysis of operations in the business report.

(IN EUR)	2007	2006
Costs of services	**34,673,893**	**31,014,437**
Costs of physical services	12,956,778	9,316,760
Costs of transportation services	3,737,125	3,564,575
Costs of maintenance services	6,886,109	8,888,601
Rents	1,865,650	1,552,494
Reimbursement of work-related costs to employees	658,881	469,950
Payment processing costs and insurance premiums	436,847	345,732
Costs of professional and personal services	859,529	496,873
Costs of fairs, advertising and entertainment	1,779,603	770,843
Costs of services performed by natural persons	301,095	217,231
Other costs of services	5,192,276	5,391,477

The costs of professional and personal services include the costs of auditing. Total costs of the audit of the financial statements of Luka Koper, d.d. and consolidated financial statements of the Luka Koper Group for 2007 stood at EUR 24,000. The figure relates in its entirety to the costs of annual report audit. The costs of other services include a significant item of information support costs totalling EUR 3,144,620.

Note 4: Labour costs

(IN EUR)	2007	2006
Labour costs	**25,073,937**	**21,986,024**
Salaries	16,020,543	13,782,254
Salary compensations	2,504,142	2,219,173
Costs of supplementary pension insurance	673,190	602,753
Pay for annual leave, reimbursements and other costs	2,125,888	1,939,194
Employer's contributions on salaries	2,941,111	2,530,534
Other employer's contributions on remunerations	809,063	912,116

Luka Koper, d.d. had 774 employees on 31 December 2007 and the average number of employees stood at 744. On 31 December 2006, the company had 693 employees. Labour costs exceeded the figure for the previous year by 14% due to increase in the number of employees and a 5% salary increase in September 2007.

In 2006 the pay for annual leave totalled EUR 705 per employee while in 2007 it was EUR 830. Because the planned added value, as a criterion for awarding bonuses, was attained, all employees received in 2007 an additional salary (13th salary) in the amount of their average monthly salary. Other benefits include the payment of the supplementary pension insurance premium by the employer, which has been financing the pension scheme for the 6th consecutive year.

Receipts by employee groups

(IN EUR)					2007
Surname and name	Gross salary - fixed	Gross salary - variable (2006 bonuses)	Pay for annual leave	Bonuses and other receipts	Total receipts
Časar Robert, President of the Management Board	177,486	68,118	830	2,416	248,850
Babič Aldo, Deputy president of the Management Board	171,053	66,070	830	11,405	249,358
Babič Marjan, Member of the Management Board	157,691	62,590	830	10,724	231,835
Krumenaker Pavle, member of the Management Board	161,560	62,317	1,558	6,144	231,579
Total	**667,790**	**259,095**	**4,048**	**30,689**	**961,622**

(IN EUR)				2007
Employee groups	Gross salary - fixed and variable	Pay for annual leave	Bonuses and other receipts	Total receipts
Supervisory board members (9)			24,204	24,204
Employees with individual contracts	3,288,606	41,295	97,294	3,427,194
Total	**18,087,433**	**41,295**	**121,498**	**3,451,398**

(IN EUR)	Balance of loan receivables as at 31/12/2007	Balance of loan receivables as at 31/12/2006
Employee groups		
Members of the Management Board		
Supervisory board members (9)		
Employees with individual employment contracts	33,137	61,291
Total loans to employee groups	**33,137**	**61,291**

Loans to employees with individual contracts:

(IN EUR)	Total amount of outstanding loans		Repayment of principal	
	31/12/2007	31/12/2006	2007	2006
Employees with individual employment contracts	33,137	61,291	28,154	29,866

These figures apply to employees with individual contracts. All housing loans bear interest at a 6% nominal annual interest rate and are repaid according to an amortisation schedule. Pursuant to internal regulations, loans are secured with assignment statements (attachment of earnings) and blank bills of exchange accompanied with a signed settlement and realisation authorisation.

Note 5: Write-downs in value

(IN EUR)	2007	2006
Write-downs in value	**15.175.580**	**13.724.659**
Depreciation of fixed assets	14,610,380	13,134,743
Depreciation of investment property	454,103	359,510
Revaluation operating expenses for property, plant and equipment	89,108	151,098
Revaluation operating expenses for operating current assets	21,989	79,308

In assessing the useful life of fixed assets, the company changed the depreciation rates of cars (from 12.5 to 20%) and operational shores (from 2 to 3%) on the basis of a pattern describing the occurrence of economic benefits arising from these assets, which resulted in an increase in depreciation costs by EUR 316,269. The effect of the changed accounting estimate was reflected in the current period and will also be reflected in future periods. This affected the amount of profit, which would have amounted to EUR 20,915,980 had there been no effects of changes in depreciation and amortisation.

Note 6: Other operating expenses

(IN EUR)	2007	2006
Other costs	**7,497,645**	**7,486,537**
Charges unrelated to labour costs or other costs	5,052,803	6,448,702
Environment protection expenditure	1,263,303	447,254
Awards and scholarships to students	6,583	6,450
Other costs - fines, compensations, demurrage	1,174,956	584,131

Charges include a significant item comprising the fee for the building site use, which totalled EUR 4,222,880 in 2007, and donations for humanitarian, art, educational and sports purposes in the amount of EUR 538,224.

(IN EUR)	2007	2006
Long-term provisions	**1,312,683**	**1,317,799**
Provisions for damages	316,086	1,121,672
Provisions for severance pay and jubilee benefits	996,597	196,127

The changes and creation of long-term provisions are disclosed in Note 26: Long-term provisions.

Note 7: Financial revenue

(IN EUR)	2007	2006
Total financial revenue	10,194,595	7,670,634
Financial revenue from interests	**8,481,730**	**5,711,236**
Financial revenue from dividends from associated companies	1,636,215	3,880,756
Financial revenue from dividends from other companies	980,204	1,547,789
Financial revenue from disposal of securities	5,662,040	53,134
Financial revenue from disposal of interests	203,271	229,557
Financial revenue from loans	**1,005,776**	**1,520,854**
Financial revenue from loans to group companies	7,553	
Financial revenue from loans to others	998,223	1,520,854
Financial revenue from operating receivables	**707,089**	**438,543**
Financial revenue from operating receivables due from others	296,004	134,121
Foreign exchange gains	411,085	304,422

In 2007 financial revenue increased 30%, in particular on account of gains generated on the disposal of Banka Koper, d.d. shares in the amount of EUR 5,223,769. The company's interest in Banka Koper prior to the disposal equalled 10% but decreased to 1.67% as at 31 December 2007.

Significant were also dividends paid by the associated company Intereuropa, d.d. in the amount of EUR 1,636,215 and dividends from others in the amount of EUR 980,204. Furthermore, the interest in the company Actual, d.o.o. was disposed of, with financial revenue therefrom amounting to EUR 203,271.

Investment policy

For 2008 no major activities have been planned in the area of investing financial surpluses, as these will be allocated to developing and supporting the Company's core activity as well as its ambitious investment plans. Depending on the need for financial assets and the market situation, the company will decide in 2008 whether to sell certain financial investments.

Note 8: Financial expenses

(IN EUR)	2007	2006
Total financial expenses	**3,430,862**	**1,920,434**
Financial expenses from impairment of loans	**780,002**	**83,703**
Financial expenses for financial liabilities	**1,981,545**	**1,117,496**
Financial expenses for loans from group companies	221,576	7,064
Financial expenses for loans from associated companies		4,294
Financial expenses for loans received from banks	1,759,969	1,106,138
Financial expenses for operating liabilities	**669,314**	**719,235**
Financial expenses for suppliers and notes payable	16,114	
Financial expenses for other operating liabilities	3,642	65,457
Foreign exchange losses	649,558	653,778

The level of interest rates and the amount of financial liabilities are disclosed in Notes 27 and 28: Long-term and Short-term liabilities.

Note 9: Total profit

Operating profit which stood at EUR 20,599,711 rose 23% in comparison with 2006. This is primarily the result of higher revenue from the pursuit of the company's core, i.e. port activity. Together with financing profit in the amount of EUR 6,763,733, the company's total profit for 2007 stood at EUR 27,363,444, up 22% from the previous year.

Note 10: Corporate income tax

(IN EUR)	2007	2006
Corporate income tax assessment	**(zone activity)**	**(zone activity)**
Revenue determined in accordance with accounting regulations	120,599,062	104,585,933
Adjustment of revenue to the level of tax deductible revenue - decrease	5,952,119	5,385,621
Adjustment of revenue to the level of tax deductible revenue - increase		
Tax deductible revenue	**114,646,942**	**99,200,312**
Expenses determined in accordance with accounting regulations	93,235,617	82,137,060
Adjustment of expenses to the level of tax deductible expenses - decrease	3,224,592	4,635,919
Adjustment of expenses to the level of tax deductible expenses - increase		483,533
Tax deductible expenses	**90,011,025**	**77,984,674**
Difference between tax deductible revenue and taxable expenses	24,635,917	21,215,638
Increase in tax base	264,414	
Tax base	**24,900,331**	**21,215,638**
Decrease in tax base and tax reliefs	14,961,307	10,333,448
Income subject to tax (23%, 25%)	**9,939,023**	**10,882,190**
Income tax	**2,285,975**	**2,720,547**
Effective tax rate	8.4	12
Deferred taxes	-9,081	234,881

Corporate income tax was calculated in accordance with the Corporate Income Tax Act and the Economic Zones Act which grant tax benefits depending on investments in fixed assets intended for the development and expansion of activities in the economic zone. Tax reliefs were calculated on the basis of the tax authority's tax assessment decision for 2007.

Note 11: Deferred taxes

Deferred taxes, as means of accounting recognition of tax effects in relation to accounting and taxable profit, decreased net profit by EUR 9,081. In 2007 the company created deferred tax assets arising from temporary differences between tax non-deductible expenses for the revaluation of receivables and long-term provisions set aside, but those were decreased by the amount of provisions drawn in 2007 and due to the restatement of all deferred taxes as at 31 December 2007 to a lower tax rate, i.e. from 23% to 20%.

In 2007 the amount of deferred tax assets increased by EUR 233,043. Those assets were created on the basis of the amount of EUR 1,165,216 arising from newly created allowances for receivables, severance pay and jubilee benefit provisions, and provisions for damages. The tax rate applied was 20%.

The decrease in deferred tax assets results from the collection of receivables or the elimination of provisions from previous years, the utilisation of provisions for severance pay and jubilee benefits, and decrease in the tax rate applied from 23% to 20%. The base amount totals EUR 1,210,620.3 with the decrease in deferred tax assets arising from the application of a 20% tax rate amounting to EUR 242,124.

In 2007 the company created deferred tax liabilities arising from investment revaluation surplus in the amount of EUR 5,119,279 using a base amount of EUR 29,529,304. The tax rate applied was 20%.

Note 12: Net profit for the period

Net profit of Luka Koper, d.d. totalled EUR 25,068,388, up 26% from 2006. The increase is a result of better operating performance, higher net cash flow and lower effective tax rate, which stood at 8.4% in 2007 compared to 12.1% in 2006. Lower effective tax rate is the result of tax benefits or reliefs associated with investments in the economic zone and research and development reliefs. Pursuant to the Corporate Income Tax Act, lower tax rate entered into force in 2007, decreasing from 25% to 23%. As a result of the decrease, the company's net profit improved by 1%.

Note 13: Earnings per share

This information aims to provide a measure of the interest of each ordinary share in the company's performance.

(IN EUR)	2007	2006
Net profit	25,068,388	18,067,860
Weighted average number of ordinary shares	14,000,000	7,140,000
Basic earnings per share	**1.79**	**2.53**
Net profit		19,953,175
Weighted average number of all shares		14,000,000
Diluted earnings per share		**1.42**

In calculating basic earnings per share for 2007, net profit was used as a numerator and the average number of all share as a denominator. The calculation was made pursuant to the General Meeting resolution to convert all preference shares into ordinary shares at a ratio of 1:1. Share capital and changes therein are disclosed in Note 25: Equity and reserves.

In calculating diluted earnings per share for 2006, net profit decreased by the amount of estimated fixed and variable dividends payable to the owners of preference shares was used as a numerator, while the average number of ordinary shares was used as a denominator.

7. ADDITIONAL NOTES TO THE BALANCE SHEET

Note 14: Intangible assets

(IN EUR)	31/12/2007	31/12/2006
Intangible assets	**1,077,540**	**648,598**
Long-term property rights	1,077,540	648,598

The useful lives of intangible assets recorded in our books of account are final. The company uses a 10% amortisation rate and the straight-line amortisation method. Because there were no indications of their impairment, intangible assets were not impaired in 2007. The changes in their value and adjustments thereto are presented in the attached table for 2007 and comparatively for 2006. On 31 December 2007, no intangible assets were pledged. Trade liabilities totalled EUR 62,651.

Note 15: Property, plant and equipment

(IN EUR)	31/12/2007	31/12/2006
Property, plant and equipment	**217,180,278**	**149,276,880**
Land	21,542,361	1,944,012
Buildings	109,429,753	107,341,177
Plant and machinery	44,440,930	29,897,443
Other plant and equipment	135,220	51,505
Property, plant and equipment being acquired	41,632,014	10,042,743

In 2007 the value of fixed assets exceeded 50% of the structure of total assets, which stood at 43% in 2006. Significant investments were made to increase the capacity and upgrade the equipment used for cargo handling and warehouse services, and in hinterland terminals. The cost of assets increased by EUR 82.8 million. In 2008 we will continue to pursue intensive investment policy. We estimate that EUR 144 million will be used for investments.

Because some items of property, plant and equipment were impaired in 2002, we rechecked whether any indication exists for reversing the impairment, but calculations revealed no such indications. No item of property, plant and equipment has been pledged as a security for debts. Outstanding trade liabilities relating to fixed assets totalled EUR 19,049,017 on 31 December 2007.

Luka Koper, d.d. carries out its main line of business on operational shores and land owned by the Republic of Slovenia and leased to the company under an operating lease. So far no concession agreements have been concluded regarding the management, development and regular maintenance of port infrastructure. Luka Koper, d.d. thus uses operational shores and land in accordance with a lease contract concluded in 2000. Pursuant to the Maritime Code, the company shall use the port infrastructure for its intended purpose and the infrastructure cannot be included in bankruptcy estate.

Note 16: Investment property

(V EUR)	31/12/2007	31/12/2006
Investment property	**14,254,814**	**7,853,164**
Land	3,999,839	69,926
Buildings	10,254,975	7,783,238

Investment property consists of all buildings that are subject to operating lease. The equity interest in assets is checked every quarter. In 2007 investment property increased mainly as a result of the purchase of land and warehouse area in Sežana that has been leased to the subsidiary company Adria Terminali, d.o.o. under an operating lease. The amount of lease payments totalled EUR 1,144,769 in 2007. The depreciation of investment property equalled EUR 454,103.

The fair value of investment property has not been determined because more than half of it was acquired in 2007. Previously acquired buildings show no indications of impairment and their carrying amount is immaterial in comparison with the company's total assets.

On the basis of an assets inventory and a decision of the Management Board, the carrying amount of assets was adjusted to reflect the actual situation. No considerable inventory differences were recorded.

For 2007 and comparatively for 2006, the changes in property, plant and equipment, investment property, intangible fixed assets and adjustments thereto are presented in the tables below.

TABLE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2006

(IN EUR)	Land	Buildings	Equipment	Being acquired	Total changes in property, plant and equipment
Cost as at 01/01/2006	**1,776,577**	**221,940,044**	**130,542,851**	**3,193,917**	**357,453,389**
Acquisitions		5,963,178	8,873,874	17,231,956	32,069,008
Transfer from intangible assets		1,495,886			1,495,886
Decreases - eliminations, disposals		-602,182	-943,269	-10,367,138	-11,912,589
Transfer to investment property		-13,329,953		-15,991	-13,345,944
Transfer to the sales account		-232,695	-1,002,487		-1,235,182
Transfer to investment property from the sales account		-335,996			-335,996
Transfer to land	167,435	-167,435			
Cost as at 31/12/2006	**1,944,012**	**214,730,847**	**137,470,969**	**10,042,744**	**364,188,572**
Value adjustment as at 01/01/2006		**104,729,530**	**104,317,353**		**209,046,883**
Transfer from intangible assets		1,209,146			1,209,146
Depreciation or amortisation		7,458,775	5,084,453		12,543,228
Decreases - eliminations, disposals		-411,117	-950,230		-1,361,347
Transfer to investment property		-5,077,328	-3,255		-5,080,583
Transfer to the sales account		-220,514	-926,298		-1,146,812
Transfer to investment property from the sales account		-298,821			-298,821
Value adjustment as at 31/12/2006		**107,389,671**	**107,522,023**		**214,911,694**
Carrying amount 01/01/2006	**1,776,577**	**117,210,514**	**26,225,498**	**3,193,917**	**148,406,506**
Carrying amount 31/12/2006	**1,944,012**	**107,341,176**	**29,948,946**	**10,042,744**	**149,276,878**

TABLE OF CHANGES IN INVESTMENT PROPERTY AND INTANGIBLE ASSETS IN 2006

(IN EUR)	Total investment property	Intangible assets	Foreign FA	Being acquired	Total intangible assets
Cost as at 01/01/2006		**11,782,407**	**897,888**	**32,906**	**12,713,201**
Acquisitions	517	200		132,134	132,334
Decreases - eliminations, disposals			-897,888		-897,888
Transfer to investment property	13,345,946	-597,995			-597,995
Transfer to the sales account	-161,663				
Transfer to investment property from the sales account	335,996				
Cost as at 31/12/2006	**13,520,796**	11,184,612		165,040	**11,349,652**
Value adjustment as at 01/01/2006		**10,810,162**	**508,522**		**11,318,684**
Transfer from intangible assets		-700,626	-508,522		-1,209,148
Depreciation or amortisation	359,510	591,517			591,517
Transfer to investment property	5,080,583				
Transfer to the sales account	-71,282				
Transfer to investment property from the sales account	298,821				
Value adjustment as at 31/12/2006	**5,667,632**	**10,701,053**			**10,701,053**
Carrying amount 01/01/2006		**972,245**	**389,366**	**32,906**	**1,394,517**
Carrying amount 31/12/2006	**7,853,164**	**483,559**		**165,040**	**648,599**

TABLE OF CHANGES IN PROPERTY, PLANT AND EQUIPMENT IN 2007

(IN EUR)	Land	Buildings	Equipment	Being acquired	Total changes in property, plant and equipment
Cost as at 01/01/2007	**1,944,012**	**214,730,847**	**137,470,971**	**10,042,744**	**364,188,574**
Increases	19,436,984	10,223,351	21,080,418	58,691,244	109,431,997
Transfer from investment property	161,365				161,365
Decreases		-25,808	-1,935,722	-466,403	-2,427,933
Transfer into use				-26,635,571	-26,635,571
Transfer to the sales account			-994,507		-994,507
Increases from sales account			41,410		41,410
Balance as at 31/12/2007	**21,542,361**	**224,928,390**	**155,662,570**	**41,632,014**	**443,765,335**
Value adjustment as at 01/01/2007		**107,389,671**	**107,522,023**		**214,911,694**
Increases		2,593			2,593
Depreciation for the current year		8,022,937	6,240,609		14,263,546
Decreases		-8,003	-1,699,752		-1,707,755
Transfer to land		91,440			91,440
Transfer to the sales account			-977,332		-977,332
Increases (from sales account)			871		871
Balance as at 31/12/2007		**115,498,638**	**111,086,419**		**226,585,057**
Carrying amount 01/01/2007	**1,944,012**	**107,341,176**	**29,948,948**	**10,042,744**	**149,276,880**
Balance as at 31/12/2007	**21,542,361**	**109,429,752**	**44,576,151**	**41,632,015**	**217,180,278**

TABLE OF CHANGES IN INVESTMENT PROPERTY AND INTANGIBLE ASSETS IN 2007

(IN EUR)	Total investment property	Intangible assets	Being acquired	Total intangible assets
Cost as at 01/01/2007	**13,520,796**	**11,184,612**	**165,040**	**11,349,652**
Increases	6,983,206		775,649	775,649
Decreases	-226,762			
Transfer to investment property	3,650			
Transfer to land	-161,365			
Balance as at 31/12/2007	**20,119,525**	**11,184,612**	**940,689**	**12,125,301**
Value adjustment as at 01/01/2007	**5,667,632**	**10,701,053**		**10,701,053**
Increases				
Amortisation for the current year	454,103	346,833		346,833
Decreases	-165,584			
Transfer to land	-91,440			
Transfer to equipment		-125		-125
Balance as at 31/12/2007	**5,864,711**	**11,047,761**		**11,047,761**
Carrying amount 01/01/2007	**7,853,164**	**483,559**	**165,040**	**648,599**
Balance as at 31/12/2007	**14,254,814**	**136,851**	**940,689**	**1,077,540**

Note 17: Long-term investments

(IN EUR)	31/12/2007	31/12/2006
Long-term investments	**171,681,824**	**148,687,915**
Long-term investments, excluding loans	**160,718,249**	**138,051,877**
Interests in group companies - at cost	5,870,917	4,252,218
Impairment of interests in group companies	-43,782	-43,782
Interests in associated companies - at cost	55,844,495	56,133,033
Impairment of interests in associated companies	-18,796	-121,620
Other shares and interests	99,065,415	77,832,029
a) Other shares and interests - available for sale	92,643,513	51,870,263
b) Other shares and interests at cost	7,328,281	27,112,908
Impairment of shares and interests at cost	-906,379	-1,151,143
Long-term loans	**10,963,575**	**10,636,038**
Housing loans to employees	836,610	1,101,801
Value adjustment of housing loans	-56,178	-52,835
Loans to others	972,198	159,962
Adjustment of long-term loans	-149,795	-149,795
Bonds and deposits	9,360,740	9,576,905

Long-term investments, excluding loans

Long-term investments which accounted for 39.5% of total assets as at 31 December 2007 (in 2006 for 43%) decreased mainly due to considerable investments in the company's core port activity.

Luka Koper, d.d. sold 44,279 shares of Banka Koper, d.d. or 8.3% of the bank's total share capital to Intesa Sanpaolo S.p.A. The shares were sold at the price of EUR 563.345 per share, meaning that the total purchase price amounted to EUR 24,944,354.03. The proceeds were allocated to development projects, in accordance with the company's business strategy and business plan. Luka Koper still maintains a 1.67% stake in Banka Koper, d.d.

Luka Koper, d.d. sold a 26% stake in the company Actual I.T., d.o.o. Koper but kept business relations with the company.

Due to the disposal of investments carried at fair value through equity, the company eliminated in 2007 from its equity the amount of measurement effect (revaluation surplus) in the amount EUR 343,169.58 (in 2006: EUR 46,499.29), recognising it in the income statement.

Long-term loans

Long-term loans granted as at 31 December 2007 totalled EUR 10,963,575.
Housing loans to employees accounted for 7.6%, loans to other legal entities accounted for 7.3% and investments in bank deposits, certificates of deposit and bonds issued by commercial banks accounted for 84.6%.

Housing loans were partly approved on the basis of the Housing Act of 1991, and thereafter on the basis of the internal Housing rules. The longest repayment period is 20 years.

Loans to others amount to EUR 972,198 and they mature in January 2009 at the latest. The adjustment that was made for this group in the amount of EUR 149,794 is secured with a creditor's immovable property.

Investments in bank deposits, bonds and certificates of deposit with varying maturities of up to 2020 issued by various Slovene commercial banks accounted for the largest share of investments in fixed-income securities. Among bonds with the amortised cost of EUR 5.6 million as at 31 December 2007 (in 2006: EUR 5.9 million), 36.9% have variable interest rates, whereas 60.1% have fixed interest rates. Besides bonds, this category includes bank deposits in the amount of EUR 3.7 million with maximum maturity of up to 2010, and transferable certificates of deposit issued by Slovene commercial banks, which total EUR 3.7 million (in 2006: 3.6 million). The spread of interest rates for investments classified as loans granted ranges between the nominal level of 3,28% and 6%.

Note 18: Long-term operating receivables

(IN EUR)	31/12/2007	31/12/2006
Long-term operating receivables	**217,293**	**11,730**
Long-term operating receivables from others - collaterals	217,293	11,730

Note 19: Deferred tax assets

(IN EUR)	31/12/2007	31/12/2006
Deferred tax assets	**895,354**	**904,434**

Deferred tax assets are disclosed as temporary differences arising from provisions set aside in the amount of EUR 623,967, from the impairment of long-term investments in the amount of EUR 193,791, and from allowances for trade receivables in the amount of EUR 77,596.

Offset receivables and liabilities for deferred tax:

(IN EUR)	31/12/2007	31/12/2006
Offset receivables and liabilities for deferred tax:	**- 10,254,383**	**- 5,126,024**
Deferred tax assets	895,354	904,434
Deferred tax liabilities	11,149,737	6,030,458

In offsetting deferred tax assets and liabilities, liabilities arising from the revaluation of investments measured at fair value through equity were the most significant.

Note 20: Assets held for sale

(IN EUR)	31/12/2007	31/12/2006
Assets (disposal groups) held for sale	**103,865**	**125,092**

Note 21: Short-term investments

(IN EUR)	31/12/2007	31/12/2006
Short-term investments	**43,006**	**11,237,883**
Short-term loans to others	606,356	11,249,316
Short-term loan adjustment	-563,350	-11,433

Short-term investments include loans to other legal entities. The largest is the loan to a foreign company, which has been approved for the purchase price payment arising from the sale of company's property. Because the loan's impairment amount remained unpaid, the company initiated legal proceedings in 2007 to collect the entire unpaid amount of the loan. The loan is secured with owner's guarantee. In this category, the spread of nominal annual interest rates ranges between 4.15% and 7%. In comparison with the previous year, short-term investments decreased considerably. All standard deposits and certificates of deposit were allocated to other types of assets when they matured.

Note 22: Short-term operating receivables

(IN EUR)	31/12/2007	31/12/2006
Short-term operating receivables	**27,402,671**	**20,994,444**
Short-term trade receivables (domestic)	5,402,607	3,679,146
Allowance	-284,555	-283,540
Short-term operating receivables from group companies	165,570	79,211
Short-term trade receivables (abroad)	5,942,918	5,816,696
Allowance	-16,897	-18,486
Advances	4,522,721	248,990
Short-term operating receivables from exporters	5,774,822	5,925,713
Allowance	-30,392	-78,169
Short-term interest receivables	162,410	29,109
Allowance	-1,443	-1,443
Input VAT receivables	1,105,559	356,190
Other short-term receivables	165,539	1,697,943
Receivables from taxes and excise duties	4,493,812	3,543,104

In accordance with Article 167 of the Law of Property Code, Luka Koper, d.d. has, in connection with the majority of trade receivables, an option to enforce a legal lien over warehoused goods in its possession.

The company had no claims towards members of the Management and the Supervisory Board.

The advances paid for fixed assets in the amount of EUR 4,522,721 and disclosed under short-term receivables have been secured with bank guarantees as indicated in Note 30: Off-balance sheet records.

(IN EUR)	31/12/2007	31/12/2006
Maturity		
Outstanding trade receivables not yet due	**14,367,935**	**12,739,440**
Up to 30 days overdue	1,982,655	1,766,341
Up to 31 and 60 days overdue	379,949	370,501
Up to 61 and 90 days overdue	27,450	79,485
Up to 91 to 180 days overdue	86,413	93,160
Up to 181 and 365 days overdue	293,406	109,238
Overdue for more than 365 days	336,593	387,134
Total overdue	**3,106,469**	**2,805,862**
Impairment - overdue for more than 365 days	**-333,286**	**-381,638**
Total trade receivables	**17,474,404**	**15,545,302**

Impaired receivables in the amount of EUR 333,286 almost entirely refer to a receivable in the amount of EUR 279,411 due from a single client against which bankruptcy proceedings have been proposed

(IN EUR)	
Changes in allowances for receivables	
Allowance for receivables as at 01/01/2007	**381,638**
- write-offs during the year	22,767
- payments during the year	47,573
+ additional increase in allowance	21,989
Closing balance as at 31/12/2007	**333,286**

In the table below, in which financial instruments have been classified according to class, we present their cost, carrying amount and valuation effects that are reflected both in equity and in the income statement. The figures have been presented for 2007 and comparatively for 2006.

Overview of financial instruments classified according to class for 2007

Type of financial instrument	Value as at 31/12/2007	Historical cost of the investment	Allocation to equity (revaluation surplus)	Impairments	Total interest revenue in 2007 (effective interest method)
3. Loans and receivables (at cost)					
Loans receivable (total)	**11,006,580**	**11,775,903**		**-769,323**	**915,471**
Long-term loans receivable	**10,963,574**	**11,169,547**		**-205,973**	
household loans to employees	789,821	845,999		-56,178	
loans to other legal entities	813,013	962,808		-149,795	
bonds and deposits	9,360,740	9,360,740			
Short-term loans receivable	**43,006**	**606,356**		**-563,350**	
loans to other legal entities	43,006	606,356		-563,350	
deposits					
Receivables	**27,619,964**	**27,953,250**		**-333,286**	**266,935**
long-term operating receivables from collaterals	217,293	217,293			
short-term operating trade receivables	16,954,071	17,285,914		-331,843	
short-term receivables from others	10,448,600	10,450,043		-1,443	
4. Financial instruments measured at fair value through equity ("available-for-sale assets")					
Investments in market securities	92,643,513	36,894,825	55,748,687		
5. Investments measured at cost					
Investments in non-market securities (shares and interests)	6,421,902	7,328,281		-906,380	

Overview of financial instruments classified according to class for 2006

Type of financial instrument	Value as at 31/12/2006	Historical cost of the investment	Allocation to equity (revaluation surplus)	Impairments	Total interest revenue in 2006 (effective interest method)
3. Loans and receivables (at cost)					
Loans receivable (total)	**21,873,921**	**22,087,984**		**-214,063**	**1,479,004**
Long-term loans receivable	**10,636,038**	**10,838,667**		**-202,629**	
household loans to employees	1,059,133	1,111,968		-52,834	
loans to other legal entities		149,795		-149,795	
bonds and deposits	9,576,905	9,576,905			
Short-term loans receivable	**11,237,883**	**11,249,316**		**-11,434**	
loans to other legal entities	579,685	591,118		-11,434	
deposits	10,658,198	10,658,198			
Receivables	**21,006,174**	**21,386,369**		**-380,195**	**111,196**
long-term operating receivables from collaterals	11,730	11,733			
short-term operating trade receivables	15,120,548	15,500,742		-380,195	
short-term receivables from others	5,873,896	5,873,896			
4. Financial instruments measured at fair value through equity ("available-for-sale assets")					
Investments in market securities	51,870,263	25,650,879	26,219,383		
5. Investments measured at cost					
Investments in non-market securities (shares and interests)	25,961,766	27,112,908		-1,151,142	

Note 23: Cash

The balance of cash totalled EUR 1,298,589 as at 31 December 2007 and consists of deposit money and short-term bank deposits with the maximum maturity of 3 months. The company has not arranged any facilities for automatic borrowing through current accounts with banks. Daily cash surpluses in the transaction account are managed through a framework deposit contract and a surplus transfer contract concluded with a commercial bank. This ensures optimal liquidity of operations.

Note 24: Deferred costs and accrued revenue

(IN EUR)	31/12/2007	31/12/2006
Short-term deferred costs and accrued revenue	**157,552**	**84,737**
Short-term deferred costs	157,552	84,737

Note 25: Equity and reserves

(IN EUR)	31/12/2007	31/12/2006
Equity	**325,158,610**	**285,348,109**
Called-up capital	**58,420,965**	**58,420,965**
Share capital	58,420,965	58,420,965
Capital surplus	**89,562,703**	**89,562,703**
Revenue reserves	**114,494,073**	**101,195,476**
Legal reserves	18,765,115	18,765,115
Other revenue reserves	95,728,958	82,430,361
Retained earnings	**5,547,725**	**6,003,453**
Net profit for the period	**12,534,194**	**9,976,587**
Revaluation surplus	**44,598,950**	**20,188,925**
Deferred tax arising from the revaluation of investments	-11,149,737	-6,003,453
Surplus from the revaluation of investments	55,748,687	26,219,383

Share capital

The share capital of Luka Koper, d.d. consists of 14,000,000 registered ordinary no-par value shares that are freely transferable.

At its 13th meeting held on 19 July 2007, the General Meeting adopted a decision for the conversion of 6,860,000 participating preference shares with limited voting rights to ordinary no-par value shares, thus changing the number of ordinary shares which now amounts to 14,000,000. For more information on this topic see the chapter Shareholder value.

Reserves

The company's legal reserves amount to 10% of reserves. Capital surplus and legal reserves are not distributed as accumulated profit. Capital surplus is disclosed at amounts resulting from the reversal of general equity revaluation adjustment. The company has not set aside statutory reserves as they are not envisaged in the Articles of Association.

Revaluation surplus

Equity revaluation surplus represents fair value reserves arising from changes in the market value of available-for-sale financial assets. The market value of most shares classified into this category and traded in an organised securities market increased. This item decreased, however, in the amount of a reserve arising from increase in the value of the disposed of shares.

Note 26: Provisions

(IN EUR)	31/12/2007	31/12/2006
Provisions	**4,160,511**	**3,637,504**
Provisions for severance pay and jubilee benefits	2,201,779	1,347,165
Provisions for damages	1,941,906	1,625,819
Provisions for onerous contracts		563,310
Long-term accrued costs and deferred revenue - donations	16,826	101,210

Provisions for severance pay upon retirement and jubilee benefits include a liability amounting to the present value of expected future expenses. Severance pay upon retirement and jubilee benefits for 2007 decreased the provisions set aside. On 31 December 2007, the balance of contingent liabilities was reassessed and additional provisions were set aside on the basis of an actuarial calculation for which a 5.5% discount rate and 3.5% average salary increase were used. Provisions also increased due to an increase in the number employees by 124 or 19% over the period from 2004 to 2007.

Other provisions comprise provisions for damages, which were increased in 2007 by EUR 316,086. The existing provisions were not utilised or reversed as they are still current.

Overview of changes in the amount of provisions

Provisions	Provisions for damages and compensation	Provisions for severance pay upon retirement	Provisions for jubilee benefits	Long-term accrued costs and deferred revenue	Total
Opening balance as at 1/1/2007	2,189,129	1,113,637	233,528	101,210	3,637,504
Provisions set aside in 2007	316,087	441,232	555,365	880	1,313,563
Payment or elimination of provisions in 2007	-563,310	-66,872	-75,111	-85,264	-790,557
Closing balance as at 31/12/2007	**1,941,906**	**1,487,997**	**713,782**	**16,826**	**4,160,511**

Note 27: Long-term liabilities

(IN EUR)	31/12/2007	31/12/2006
Financial and operating liabilities	**17,481,844**	**34,615,451**
Long-term financial liabilities	**6,265,538**	**28,512,012**
Long-term financial liabilities to banks - loan	6,265,538	28,512,012
Long-term operating liabilities	**66,569**	**72,981**
Long-term operating liabilities	66,569	72,981
Deferred tax liabilities	**11,149,737**	**6,030,458**

Long-term financial liabilities

Long-term financial liabilities are dominated by bank loans falling due at the beginning of 2009. The liabilities are secured with company blank bills of exchange.

Long-term operating liabilities

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

Note 28: Short-term liabilities

(IN EUR)	31/12/2007	31/12/2006
Financial and operating liabilities	**87,172,026**	**15,684,846**
Short-term financial liabilities	**56,514,873**	**3,817,112**
Short-term financial liabilities to banks	49,886,440	540,831
Short-term financial liabilities to group companies	6,533,048	3,199,306
Short-term financial liabilities to others	95,385	76,975
Short-term operating liabilities	**30,657,152**	**11,867,734**
Short-term operating liabilities for advances	715	918
Short-term trade payables	24,469,354	7,475,696
Short-term operating liabilities to group companies	541,101	429,711
Short-term operating liabilities to associated companies	944,297	555,100
Short-term operating liabilities to others	4,701,685	3,406,309

Short-term operating liabilities, which totalled EUR 32,657,152 as at 31 December 2007, increased due to changes in the financial policy used for the extension of payment dates of suppliers and increased investments, with outstanding trade liabilities for fixed assets amounting to EUR 19,049,017 as at 31 December 2007 (in 2006: EUR 3,334,452).

Short-term financial liabilities for loans raised totalled EUR 49,886,440 as at 31 December 2007. The amount of EUR 34,312,151 was transferred from long-term financial liabilities to short-term financial liabilities that fall due in 2008. The difference represents new loans raised with banks. Although this is considered a long-term aspect of financing the operations, the company decided to take advantage of more flexible, accessible and, above all, more favourable, i.e. cheaper, short-term sources, considering the existing economic situation.

Long-term and short-term financial liabilities primarily consist of liabilities at variable interest rate, which account for 89% of total financial liabilities. Variable interest rates that were restated on the last day of the financial year 2007 according to a single nominal annual interest rate ranged between 4.288% and 5.364%. Most contracts are linked to 1M Euribor. Only 0.6% of financial liabilities to banks are linked to 3M Euribor, and 3% to 1M Libor.

In the table below, the maturity structure of financial liabilities, interest rate type and the amount of interest expense are presented for 2007 and comparatively for 2006.

Structure of financial liabilities according to interest rate type for 2007

Type of financial instrument	Value as at 31/12/2007	Structure by maturity	Interest rate type (nominal/variable)	Total interest expense in 2007 (effective interest method)
3. Financial liabilities measured at amortised cost (using the effective interest method)				
Total financial liabilities:	**62,780,411**	**100%**		**1,981,546**
Long-term financial liabilities	**6,265,538**	**10%**		
long-term financial liabilities to banks	6,265,538		variable	
long-term financial liabilities from finance lease				
Short-term financial liabilities	**56,514,873**	**90%**		
short-term financial liabilities to group companies	6,533,048		nominal	
short-term financial liabilities to associated companies				
short-term financial liabilities to banks	49,886,440		variable	
other short-term financial liabilities	95,385		non-interest bearing	

Structure of financial liabilities according to interest rate type for 2006

Type of financial instrument	Value as at 31/12/2006	Structure by maturity	Interest rate type (nominal/variable)	Total interest expense in 2006 (effective interest method)
3. Financial liabilities measured at amortised cost (using the effective interest method)				
Total financial liabilities:	**32,329,124**	**100%**		**1,100,634**
Long-term financial liabilities	**28,512,012**	**88%**		
long-term financial liabilities to banks	28,512,012			
long-term financial liabilities from finance lease				
Short-term financial liabilities	**3,817,112**	**12%**		
short-term financial liabilities to group companies	3,199,307		nominal	
short-term financial liabilities to associated companies				
short-term financial liabilities to banks	540,831			
other short-term financial liabilities	76,974		non-interest bearing	

Accrued costs and deferred revenue

(IN EUR)	31/12/2007	31/12/2006
Accrued costs and deferred revenue	**339,795**	**854,754**
Commercial discounts	214,457	812,374
Accrued costs	125,338	42,366

Note 29: Risk management

• Management of fair value change risk

The exposure to the risk of the changing fair value of financial instruments is recorded under investments classified in the fourth group. These comprise market securities issued by successful Slovene companies and units of Slovene mutual funds. Specific risks were mostly managed through the diversification of the company's portfolio. How the value of investments responds to a change in fair value is shown in the table below.

Sensitivity analysis of investments with regard to changes in fair value for 2007 and 2006

Item	Item's balance at the end of the financial year	Increase in comparable class (in %)	Envisaged increase in item's value	Decrease in comparable class (in %)	Envisaged decrease in item's value
Year 2007					
Shares and interests at fair value	92,643,512	2.61	2,415,294	-1.73	-1,607,247
Shares and interests at fair value (10% deviation)	92,643,512	10.00	9,264,351	-10.00	-9,264,351
Shares and interests at fair value (annualised maximum change in the last 5 years)	92,643,512	78.13	72,377,798	-5.59	-5,182,919
Year 2006					
Shares and interests at fair value	51,870,262	1.82	945,417	-2.49	-1,293,890
Shares and interests at fair value (10% deviation)	51,870,262	10.00	5,187,026	-10.00	-5,187,026
Shares and interests at fair value (annualised maximum change in the last 5 years)	51,870,262	37.86	19,636,559	-5.59	-2,901,869

The sensitivity analysis of investments at fair value is conducted on the assumption that past changes in fair values (the SBI or SBI20 index is used for this purpose) will be reflected in future periods. The average variability of the class was estimated over a past five-year period by calculating the average deviation of daily figures (both in terms of increase and decrease) from the annual trend of the SBI index.[4] On the basis of the above analysis, we can assume that in the financial year 2008 the fair value of the available-for-sale investments portfolio could decrease by 1.73% or increase by 2.61%.

Considering the highest growth levels of the index over the past five-year period[5], the value of risk item could increase by 78,13% or decrease by 5.59%. If we further simplify our expectations and envisage the possibility of a 10% growth in the value of the index, such growth would result in an increase in the value of the market securities portfolio by EUR 9,264,351.28. A 10% decrease in the value of a comparable class would have the opposite effect, i.e. decrease in the fair value of such investments by the same amount. All amounts would be recognised in the increase or decrease in equity.

• Management of currency risk

The initial risk of the changing foreign exchange rates stems from the asset item of trade receivables denominated in US dollars. In the previous years, the structure of trade receivables denominated is US dollars was streamlined and, as a result, the extent of the company's exposure to currency risks decreased significantly. As at 31 December 2007, outstanding receivables denominated in US dollars accounted for only 15% (in the previous year: 14%) of total outstanding trade receivables.

[4] For the purpose of sensitivity analysis, all types of risk were considered using a method according to which the variability of each class has been calculated over a past 5 year period preceding the year to which the sensitivity analysis refers (i.e. for 2008, the figures from the period 2003-2007 were used). The process of calculating the variability of individual class is provided below:
- the calculation of annual trend on the basis of daily figures for a chosen class for each financial year included in the period under consideration;
- the calculation of linear deviations of daily figures from the annual trend calculated;
- the average annual deviation of the class from the annual trend line was obtained by summing up all positive deviations on the one hand or negative deviations on the other, dividing them with the number of data for an individual positive or negative deviation;
- finally, the five-year average was calculated from annual averages.

[5] The highest absolute increase or decrease of the stock exchange index over a financial year is excluded from the past five-year period and the financial effect of such change on the value of investments measured at fair value is determined.

The financial liabilities of the company are denominated only in the domestic currency, i.e. the euro. The only exception is a loan in US dollars totalling USD 2.45 million. The loan was included in Luka Koper, d.d.'s portfolio of financial liabilities to internally offset currency risks. The loan is used to partially secure trade receivables denominated in USD.

In 2007 the company's monthly invoiced sales ranged between USD 1.9 million and USD 2.6 million, while the average value of monthly invoiced sales in US dollars stood at USD 2.2 million. The company manages and partly offsets its exposure to currency risks by creating financial liabilities in the same currency. Because in the previous years the company's financial liabilities included a loan in US dollars whose principal was repaid on a quarterly basis, it was determined that its amount was too low. For this reason, an approximate equilibrium was established in 2007 between the amount of monthly invoiced sales denominated in USD and financial liabilities in USD, and the company intends to maintain this equilibrium in the future. The company therefore included in its financial liabilities portfolio a loan in the amount of up to USD 2.5 million to internally offset currency risks.

The sensitivity analysis of receivables and financial liabilities with regard to changes in foreign exchange rates is presented below.

Sensitivity analysis of receivables and financial liabilities with regard to changes in foreign exchange rates for 2007

2007		Financial effect of eventual decrease in the value of US dollar (historical data)		Financial effect of eventual increase in the value of US dollar (historical data)		Financial effect (+/-) of eventual decrease in the value of US dollar by 10%
Financial instrument	**item value**	**data in %**	**financial effect in EUR**	**data in %**	**financial effect in EUR**	**financial effect in EUR**
Trade receivables in USD						
average monthly invoiced sales in USD	2,227,609	0.93	-14,002	-1.62	24,898	-137,565
average amount of outstanding receivables in USD as at the last day of the month	3,809,072	0.93	-23,943	-1.62	42,575	-235,228
Financial liabilities in USD						
Amount of loan in USD as at 31/12	2,450,000	0.93	15,400	-1.62	-27,384	151,299

Sensitivity analysis of receivables and financial liabilities with regard to changes in foreign exchange rates for 2006

2006		Financial effect of eventual decrease in the value of US dollar (historical data)		Financial effect of eventual increase in the value of US dollar (historical data)		Financial effect (+/-) of eventual decrease in the value of US dollar by 10%
Financial instrument	**item value**	**data in %**	**financial effect in EUR**	**data in %**	**financial effect in EUR**	**financial effect in EUR**
Trade receivables in USD						
average monthly invoiced sales in USD	1,782,020	1.07	-14,369	-1.82	25,142	-123,008
average amount of outstanding receivables in USD as at the last day of the month	2,914,242	1.07	-23,499,	-1.82	41,117	-201,162
Financial liabilities in USD						
Amount of loan in USD as at 31/12	649,384	1.07	5,2365	-1.82	-9,162	44,825

By creating a USD denominated financial liability in an amount close to the average monthly invoiced sales, the company offset approximately 60% of foreign exchange differences arising from receivables denominated in the US dollar. This very ratio is evident from the analysis of foreign exchange differences because the decrease in the value of the US dollar led to foreign exchange gains amounting to slightly more than 63% of foreign exchange losses accounted for in 2007. In 2006 this percentage stood slightly over 47%, which means that the decision to increase the liability item denominated in US dollars was correct.

• Management of the risk of variable interest rate change

In 2007 the company increased considerably its financial liabilities which amounted to EUR 62,780,411.13 on the last day of the financial year 2007. The share of financial liabilities in the overall structure of equity and liabilities rose from 9.5% (in 2006) to 14.4%, meaning that the company is improving the structure of liabilities through borrowing, thus taking advantage of the positive effects of leverage and interest tax shield. The structure of financial liabilities is dominated by short-term liabilities to commercial banks arising from bank loans raised. It began to shift towards short-term liabilities in 2007 when the company financed its current operations, especially investments in its main line of business, by taking out cheaper short-term loans. The existing long-term loans that matured in 2007 were replaced with more flexible and cheaper short-term loans. The share of long-term financial liabilities thus decreased from 88% to 10% while the share of short-term liabilities rose from 12% to 90%. All recognised long-term financial liabilities mature at the beginning of 2009. Over the next medium-term period, the company will continue increasing the share of total financial liabilities in its financing sources to attain higher return of equity.

The company did not additionally secure its financial liabilities linked to variable interest rates (with the exception of partially offsetting changes in variable interest rates for investments in the bonds of commercial banks recorded under assets). This can be mostly attributed to the short-term nature of loan agreements and to the small share of financial liabilities in the company's total financing sources. It is estimated that because the company's indebtedness is so low, the risk of variable interest rate change is negligible. The effect of potential changes in the level of variable interest rates on future profit or loss is shown in the table below.

Sensitivity analysis of financial liabilities with regard to variable interest rate changes for 2007 and 2006

						Sensitivity analysis for 2007
Balance of liabilities linked to a variable interest rate	31/12/2007	Potential increase in interest rates (historical data)		Potential decrease in interest rates (historical data)		Hypothetical increase or decrease in interest rate by 10%
	amount of liability in EUR	data in %	value in EUR	data in %	value in EUR	value in EUR
1M EURIBOR	54,160,000	0.08	-42,014	-2.50	1,356,603	5,416,000
3M EURIBOR	327,688	0.33	-1,069	-2.02	6,625	32,768
1M LIBOR	1,664,289	2.74	-45,631	-1.79	29,798	166,428
Total effect:	56,151,978		-88,714		1,393,027	5,615,197

						Sensitivity analysis for 2006
Balance of liabilities linked to a variable interest rate	31/12/2006	Potential increase in interest rates (historical data)		Potential decrease in interest rates (historical data)		Hypothetical increase or decrease in interest rate by 10%
	amount of liability in EUR	data in %	value in EUR	data in %	value in EUR	value in EUR
1M EURIBOR	27,970,000	0.80	- 223,864	-2.54	711,538	2,797,000
3M EURIBOR	589,840	1.05	- 6,199	-2.20	12,971	58,984
1M LIBOR	493,078	1.88	-9,292	-1.64	8,074	49,307
Total effect:	29,052,918		- 239,357		732,584	2,905,291

The sensitivity analysis of financial liabilities to changes in variable interest rates relies on the following assumptions:
- potential interest rates decrease or increase in line with historical data for the five-year period[6] or
- potential decrease or increase in variable interest rate by 10%.

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

If an increase in variable interest rates were to be recorded in 2008, as historical data suggests, Luka Koper, d.d. would have incurred a negative effect on interest expense in the amount of EUR 88,714.79 (assuming that the amount of financial liabilities remained unchanged). On the other hand, a decrease in interest rates would have resulted in 2008 in a decrease in interest expense by EUR 1,393,027.30. If in 2008 variable interest rates increased or decreased by 10%, profit or loss would have been affected in the amount of EUR 5,615,197.81, either as extra interest (in the case of increase) or savings (in the case o decrease).

Note 30: Off-balance sheet items

Off-balance sheet accounts include items that do not qualify for being recognised in the balance sheet: collaterals given or received.

(IN EUR)	31/12/2007	31/12/2006
Total off-balance sheet assets and liabilities	**17,539,666**	**14,605,160**
Liability for a guarantee issued to the subsidiary company Adria-Tow in connection with a loan	2,390,057	5,244,661
Joint collateral for a guarantee given by the subsidiary company Adria Terminali	250,000	
Liability for a guarantee issued to the Ministry of Finance	728,647	730,262
Liability for outstanding letters of credit issued to suppliers	3,777,700	473,164
Centroprom liabilities	831,206	831,206
Guarantee received for a loan	563,350	
Guarantee received for advances for fixed assets	3,517,500	
A guarantee and a lien on a fixed asset received	4,600,000	5,244,661
Other guarantees received	50,000	1,250,000
Centroprom receivables	831,206	831,206

The company Luka Koper, d.d. guarantees a loan taken out by the subsidiary company Adria-Tow, d.o.o. in the amount of EUR 2,390,056. The contingent liability is secured with a lien on fixed assets the fair value of which totals EUR 4,600,000.

Advances for fixed assets have been secured with supplier guarantees issued by foreign banks which will reimburse the funds invested should the suppliers fail to honour their obligations.

In connection with our liabilities to the suppliers of fixed assets (ongoing investments), outstanding documentary credits have been issued while the payment of excise duty and customs duties has been secured with a bank guarantee.

Because the secured receivables arising from loans granted have been repaid, the bank guarantee in the amount of EUR 1,200,000 expired in 2007.

8. ADDITIONAL NOTES TO THE CASH FLOW STATEMENT

Cash flows from operating activities are presented under the indirect method. Material increases or decreases in individual items affecting the cash flows of the company Luka Koper have been disclosed in the income statement, balance sheet and in the statement of changes in equity.

9. ADDITIONAL NOTES TO THE STATEMENT OF CHANGES IN EQUITY

Movements to equity

Revaluation surplus increased by EUR 24,410,025, which is the result of the valuation of available-for-sale investments at fair value. Equity was further increased by net profit for the year in the amount of EUR 25,068,388.

Movements within equity

In accordance with the resolution of the Management and the Supervisory Board, half of the 2007 net profit in the amount of EUR 12,534,194 was allocated to other revenue reserves.

In accordance with the General Meeting resolution, a portion of the 2006 net profit in the amount of EUR 4,428,862, which constituted accumulated profit, was allocated to other revenue reserves, while the difference in the amount of EUR 5,547,726 was allocated to retained earnings.

Movements from equity

In accordance with the General Meeting resolution, other revenue reserves were distributed as dividends in the amount of EUR 9,667,912..

10. REPORT PREPARED PURSUANT TO THE PROVISIONS OF ARTICLES 4 AND 5 OF THE CONTRACT FOR THE LEASE OF OPERATIONAL SHORES AND LAND OWNED BY THE REPUBLIC OF SLOVENIA IN THE PORT OF KOPER DATED 2 FEBRUARY 2000 FOR THE YEAR ENDED 31 DECEMBER 2007

Use of operational shores and land

In 2007 Luka Koper, d.d. extended the lease contract with the Republic of Slovenia governing the use of operational shores and land owned by the Republic of Slovenia in the port of Koper, which was concluded in 2000 and amended with annex No. 1 in 2006 and annex No. 2 in 2007.
In accordance with the contract, Luka Koper, d.d. shall use the subject of the lease and provide conditions for an uninterrupted and ongoing performance of port activities over the entire lease period.
Pursuant to the Provision 5 of the lease contract, the company accounted for and paid the lease payments for 2006 on the basis of maritime cargo throughput data, excluding petroleum products, in the amount of EUR 1,021,133. In 2007 lease payments totalled EUR 1,118,108.56. Lease payments per ton of cargo handled, excluding petroleum products throughput, equal EUR 0.0835 (the conversion from SIT into EUR was made at the exchange rate of 239,640) The payment of the lease falls due once a year in January of the current year for the previous year.

Year	Throughput in tons	Lease payments in EUR	Date of payment
2006	12,235,218	1,021,133.20	31/1/2007
2007	13,390,522	1,118,108.56	31/1/2008

Investments in the subject of the lease

Pursuant to the provisions 4.4.1 and 4.4.2 of the lease contract, the company Luka Koper, d.d. carried out the following investments in the subject of the lease in the period 1 January 2007 to 31 December 2007.

FA	Date of first use	Fixed asset name	Cost (IN EUR)
I646006	25/4/2007	Land surveys for Berth 12	2,053.89
I646110	22/12/2006	Construction of shore for Berth 11	34,223.00
I6461101	17/5/2007	Stress test on three steel piles of Berth 12	489,797.63
I646149	24/1/- 23/10/2007	Construction of Berth 7C	581,573.09
I647005	8/5/2007	Removal of fenders made out of old tires at Berths 1A, 2	74,246.50
I647007	26/10/2007	Static control of TRT shore for the purpose of purchasing shore lifts	39,200.00
I647016	12/12/2007	Shore reconstruction expert paper	25,000.00
I647104	20/3/2007	Hinterland storage for Berth 11 - projects	194,551.63
I396120	30/1/2007	Setting up of cassette 3A along customs fence	688,366.53
I647107	26/10/2007	Construction of cassette on Pier II	27,740.00
I647126	17/5/2007	Drawing up of PZR and PZI proj. for construction of drains 1A, 2A, 3A	2,812.00
I020006-5	29/01/2007	Project documentation for SE part of Pier II	12,164.08
I647001	12/06/2007	Construction of bollard on Pier II	7,728.00
I647009	12/12/2007	Mooring platform - Pool II	51,800.00
Total			**2,231,256.35**

Performance of public economic service

Under the existing lease contract and Article 35 of transitional provisions of the Decree on the granting of concessions for the administration, management, development and regular maintenance of port infrastructure at Koper port terminal, Luka Koper, d.d. shall perform public economic activity of maintaining port infrastructure in line with the requirements of public port traffic and safe navigation, for which it is entitled to receive payment out of port duties charged. Port duties shall be published in the Official Gazette of the Republic of Slovenia once the approval of the competent ministry has been obtained. Pursuant to the Maritime Code, port infrastructure cannot be included in bankruptcy estate.

Statement of operations associated with the performance of public economic service of port infrastructure maintenance

(IN EUR)	2007	2006
Revenue from port duties on the domestic market	4,163,591	4,855,422
Revenue from port duties on the foreign market	2,335,415	1,483,300
Other revenue	32,958	
Operating revenue	**6,531,964**	**6,338,722**
Operating costs	**6,794,132**	**7,228,709**
Costs of materials	139,764	193,414
Costs of services	2,850,178	3,527,405
Depreciation or amortisation	2,456,846	2,258,217
Labour costs	252,370	164,240
Other costs	1,094,974	1,085,433
Operating loss	**262,168**	**889,987**

Because until 31 December 2007, the company has not yet concluded a concession contract laying down criteria applicable to the indirect costs of administration, development management and regular maintenance of port infrastructure, the statement of operations only represents the best possible approximation of the applicable reporting standards and bases for allocating indirect costs to cost objects.

Intensive talks are underway between Luka Koper, d.d. and the Republic of Slovenia regarding the granting of a concession that would, over the long term, regulate relations concerning the right to the use of port infrastructure owned by the State, the obligation to administer, manage and develop port infrastructure owned by the State, and the obligation to maintain the core function of port infrastructure owned by Luka Koper, d.d.

11. RELATIONS OF THE PARENT COMPANY WITH SUBSIDIARIES AND RELATIONS BETWEEN SUBSIDIARY COMPANIES

(IN EUR)	31/12/2007	31/12/2006
Long-term investments	**5,827,135**	**4,208,433**
Receivables	**7,247,879**	**3,747,691**
Short-term trade receivables	677,824	548,384
Short-term investments	6,570,055	3,199,307
Liabilities	**7,247,879**	**3,747,691**
Short-term operating liabilities	677,824	548,384
Short-term financing liabilities	6,570,055	3,199,307
Revenue	**3,701,266**	**2,789,990**
Operating revenue	3,465,099	2,782,926
Financing revenue	236,167	7,064
Costs and expenses	**3,701,266**	**2,789,990**
Costs of materials	177,573	109,798
Costs of services	3,167,203	2,594,792
Labour costs	3,632	16,164
Other costs	116,691	62,172
Financing expenses	236,167	7,064

12. STATEMENT OF ACCUMULATED PROFIT

Luka Koper, d.d.

In 2007 the company Luka Koper, d.d. generated EUR 25,068,388.25 in net profit. The Management Board and the Supervisory Board allocated 50% of the 2007 net profit in the amount of EUR 12,534,194.13 to the increase in other revenue reserves. The remaining portion of net profit for 2007 was allocated to accumulated profit. The accumulated profit was also increased by the amount of the 2006 profit of EUR 5,547,725.51 and other revenue reserves from previous years amounting to EUR 7,472,274.49. The accumulated profit for the year 2007 amounted to EUR 25,554,194.12.

(IN EUR)	2007	2006
Total accumulated profit	**25,554,194.12**	**25,647,952.58**
Other revenue reserves	7,472,274.49	9,667,911.93
Net profit for the year	12,534,194.12	9,976,587.45
Retained earnings	5,547,725.51	6,003,453.20

On the proposal of the Management and the Supervisory Board, the General Meeting of Shareholders will decide on the distribution of accumulated profit for the year 2007 in the amount of EUR 25,554,194.12.

On 19 July 2007, the General Meeting of Shareholders adopted resolutions concerning the proposal of the Management and the Supervisory Board regarding the allocation of the 2006 accumulated profit in the amount of EUR 25,647,952.58.

Based on the resolutions of the General Meeting:
A portion of accumulated profit in the amount of EUR 9,667,911.93 (formed from other revenue reserves) was allocated to shareholders, of which:

- EUR 725,119.97 to the fixed share of dividends pertaining to ordinary shares and EUR 1,160,191.96 to their variable share;
- EUR 7,782,600.00 to dividends pertaining to ordinary shares;
- a portion of accumulated profit in the amount of EUR 10,432,315.14 was allocated to other revenue reserves, namely, retained earnings from 2005 amounting to EUR 6,003,453.20 and net profit from 2006 amounting to EUR 4,428,861.94;
- the allocation of the remaining portion of accumulated profit (net profit for the year 2006) in the amount of EUR 5,547,725.51 was to be decided in the coming financial years.

Gross dividend per ordinary share totalled EUR 1.09 while gross dividend per preference share totalled EUR 0.27. The dividends were distributed to shareholders that had been listed in the share register of Luka Koper, d.d, on the second day after the General Meeting which adopted resolutions on the distribution of accumulated profit. Dividends were paid to shareholders on 15 September 2007.

13. EVENTS AFTER THE BALANCE SHEET DATE

Authorisation for the performance of VAT warehouse services

• On 26 February 2008, the Customs Office of Koper issued an authorisation to Luka Koper, d.d. for the performance of VAT warehouse services. Issued for an unlimited period, the authorisation is effective from 1 March 2008. A tax warehouse enables EU customers to be exempt from the levying and payment of VAT on services related to Community goods. For Luka Koper, d.d., the authorisation represents yet another competitive advantage over ports that do not offer this possibility and competition with EU ports, which already provide such services, on a more equal footing.

President of the Management Board
Robert Časar

Member of the Management Board
Marjan Babič

Head of the Accounting Department
Neda Ritoša

14. INDEPENDENT AUDITOR'S REPORT

Deloitte.

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INDEPENDENT AUDITOR'S REPORT
to owners of LUKA KOPER d.d.

We have audited the accompanying separate financial statements of the company Luka Koper d.d., which comprise the balance sheet as at 31 December 2007, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements present fairly, in all material respects, the financial position of the company Luka Koper d.d. as at 31 December 2007, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

Report on Other Legal and Regulatory Requirements

Pursuant to Article 57(1) of the Companies Act (ZGD-1), we have reviewed the company's business report. In our opinion, the business report is consistent with the audited financial statements.

We have reviewed the attached report prepared by Luka Koper d.d. pursuant to the provisions of Articles 4 and 5 of the Contract for the lease of operational shores and land owned by the Republic of Slovenia in the port of Koper dated 2 February 2000 for the year ended 31 December 2007 (Chapter 10 of the financial report of Luka Koper d.d.). In our opinion, the company Luka Koper d.d. complied in all material respects with the provisions of Articles 4 and 5 of the Contract for the lease of operational shores and land owned by the Republic of Slovenia in the port of Koper.

DELOITTE REVIZIJA d.o.o.

Lidija Jezernik
Certified Auditor
Member of the Board

Deloitte.
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Ljubljana, 21 March 2008

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