

ANNUAL REPORT 2015

THE LUKA KOPER GROUP AND LUKA KOPER, D.D.

CONNECTING CENTRAL EUROPE TO THE SEA



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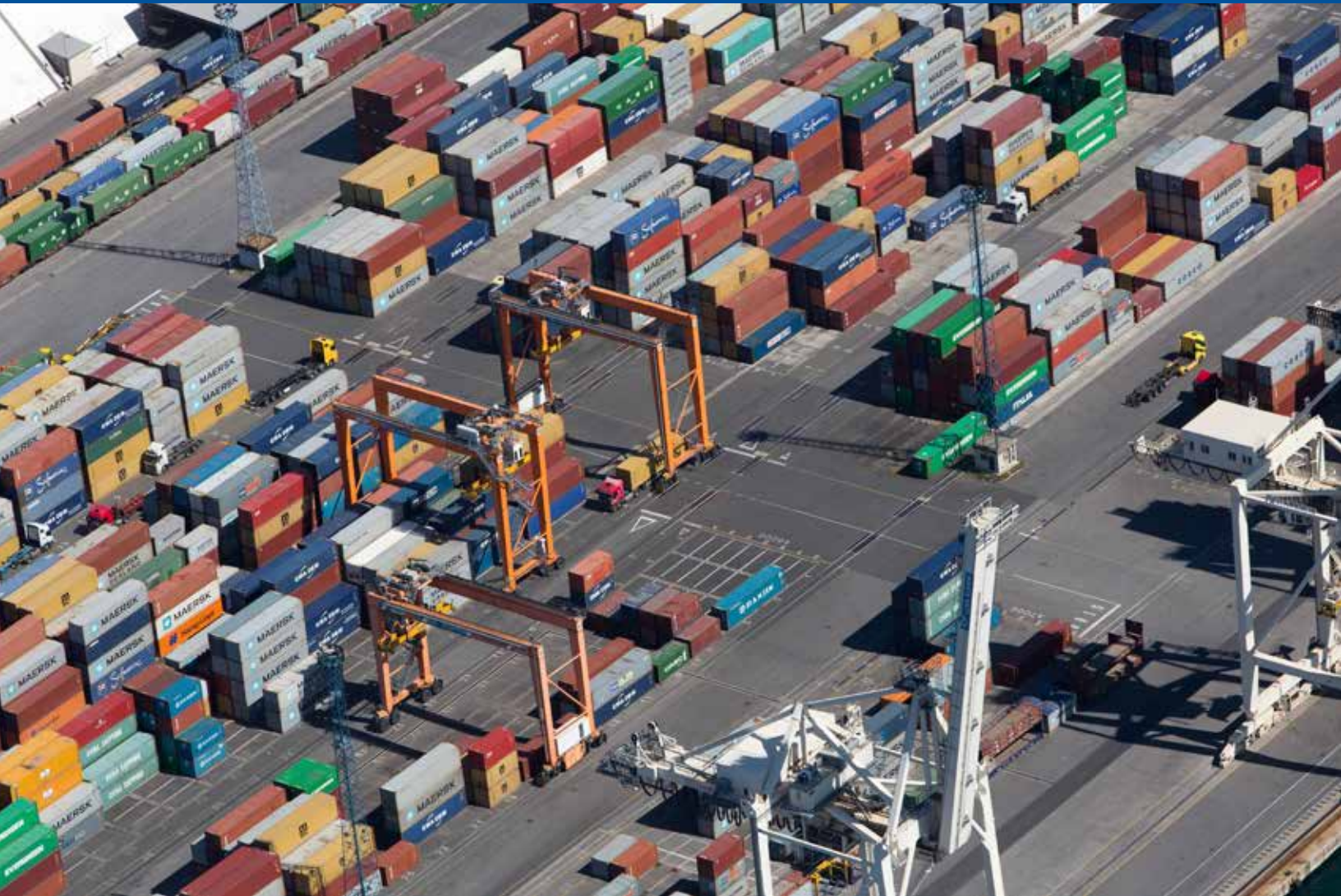
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BUSINESS REPORT



1 BUSINESS PERFORMANCE HIGHLIGHTS OF THE LUKA KOPER GROUP IN 2015

THE LUKA KOPER GROUP
HAD AN EXTREMELY
SUCCESSFUL YEAR 2015

Maritime throughput stood at 20.7 million tons of goods and exceeded the quantities of the year 2014 by 9%. The throughput quantity marks a new milestone in the history of the Port of Koper. The change in the throughput in 2015 compared to 2014 was recorded in the following key cargo groups:

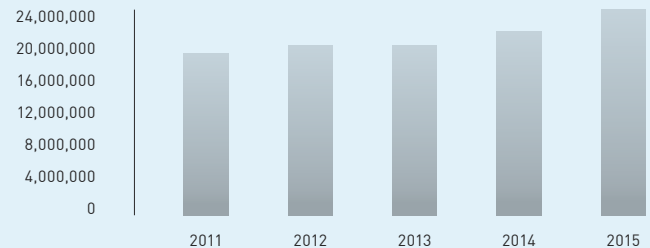
- vehicles: 18% increase,
- containers: 15% increase,
- dry bulk cargoes: 8% increase,
- liquid cargoes: 7% increase and
- general cargoes: 10% downturn.

20,711,872 TONS

MARITIME THROUGHPUT 2015/2014

+9 %

Maritime throughput (in tons)



In 2015, a record throughput was achieved also in the container terminal and stood at 791 thousand TEU, a record throughput at the vehicle terminal amounted to 607 thousand vehicles, and a record 0.8 million tons of soy throughput was achieved at the dry bulk cargo terminal.

790,736 TEU

CONTAINERS 2015/2014

+17 %

607,326 PIECES

VEHICLES 2015/2014

+17 %

0.8 MILLION TONS

SOY THROUGHPUT 2015/2014

+29 %

Luka Koper, d.d. has become one of the central export ports of the German Corporation Daimler AG for the export of vehicles to the Far East, produced in the Mercedes-Benz factories in Germany and some other European countries.

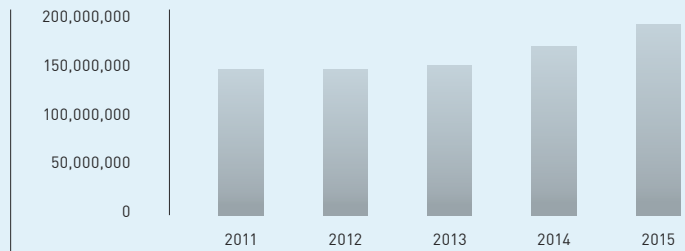
In 2015, net sales were generated in the record amount of EUR 184.3 million and were higher by 13% when compared to the year 2014.

EUR 184,273,472

NET SALES 2015/2014

+13 %

Net sales (in EUR)



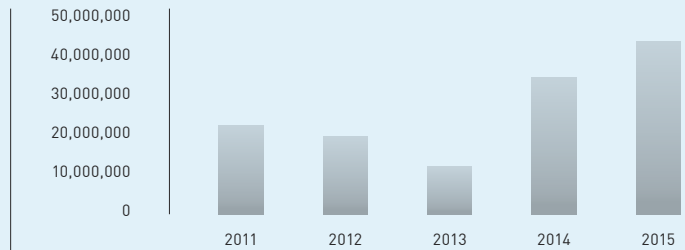
In 2015, operating profit exceeded the operating profit of the year 2014 by 27% in spite of the recognised impairment of property being acquired in the amount of EUR 1.2 million.

EUR 42,420,503

OPERATING PROFIT 2015/2014

+27 %

Operating profit - EBIT (in EUR)



In 2015, the Luka Koper Group reduced the volume of debts by 13% compared to the year 2014.

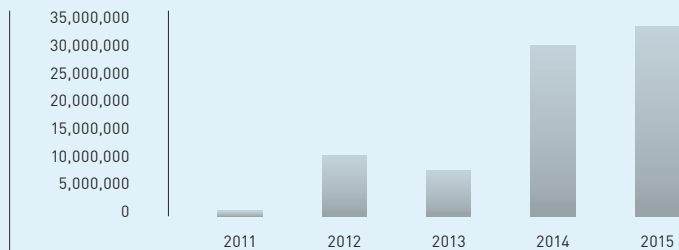
In 2015, net profit or loss amounted to EUR 32.4 million, which is an increase of 11% over the year 2014, in spite of the recognised impairment of property being acquired in the amount of EUR 1.2 million and the recognised impairment of investment in the amount of EUR 4.3 million.

EUR 32,414,723

NET PROFIT OR LOSS 2015/2014

+11 %

Net profit or loss (in EUR)



In 2015, the Luka Koper Group invested EUR 37.4 million.

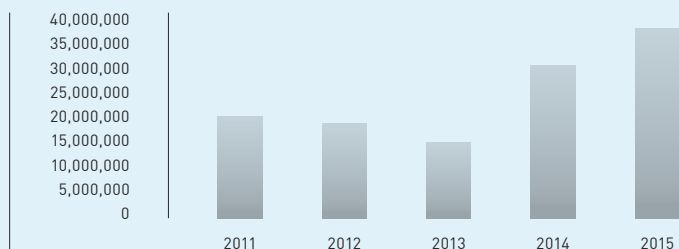
- The second phase of deepening the seabed in the aquatorium to -15 meters was completed in line with the strategy of container terminal development. Eleven new high-capacity cranes for container throughput were ordered and new storage areas were prepared.
- The construction of three new reservoirs for the needs of the liquid cargo terminal started.

EUR 37,402,753

INVESTMENTS 2015/2014

+25 %

Investments (in EUR)



The Supervisory Board of the company Luka Koper, d.d. approved the Strategic business plan of the company and the Luka Koper Group in the period 2016 – 2020, Business strategy of the company and the Luka Koper Group to the year 2030 and Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan.

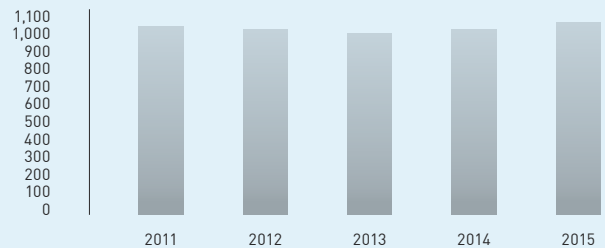
In the open tendering procedure Luka Koper, d.d. was able to ensure funds totalling EUR 6.7 million from Connecting Europe Facility (CEF).

In 2015, the company had 62 new employees. Thus the number of employees increased to 1,040 viz. by 3% at the end of the year 2015.

1,040

NUMBER OF EMPLOYEES 2015/2014 **+3 %**

Number of employees



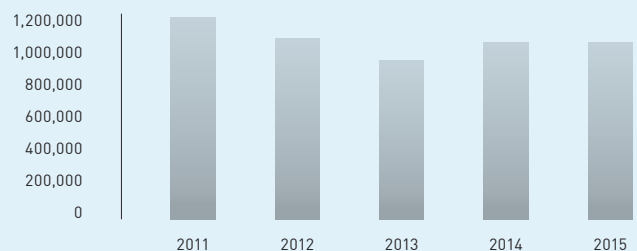
At the beginning of 2016 Luka Koper, d.d. obtained a credit rating of the recognised credit rating agency Dun & Bradstreet. It was assessed as the excellent company and rewarded the high rating viz. 5A1, which is an improvement compared to the previous credit rating - 5A2. The obtained rating of 5A1 is the highest possible credit rating, which describes excellent general operation and the lowest rating of operational risk.

In November 2015, the European Commission awarded Luka Koper, d.d. a special recognition in the field of environmental management. As a national pioneer in this field we have maintained the EMAS certificate for the seventh year.



In 2015, Luka Koper, d.d. allocated EUR 1 million to sponsorships and donations.

Sponsorships and donors (in EUR)



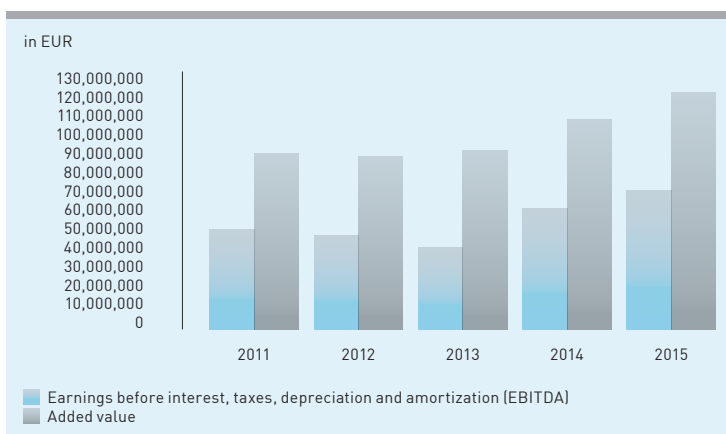
1.1 FINANCIAL RATIOS

(in EUR)	Luka Koper, d. d.			The Luka Koper Group		
	2015	2014	Index 2015/2014	2015	2014	Index 2015/2014
Income statement						
Net sales	173,277,749	154,464,507	112	184,273,472	163,595,376	113
Operating profit (EBIT)	38,826,283	30,474,904	127	42,420,503	33,381,026	127
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	65,194,564	56,341,285	116	69,935,252	60,792,878	115
Operating result from financing activities	-5,065,002	-1,520,908	333	-5,930,515	-2,039,593	291
Profit before tax	33,761,281	28,953,996	117	37,818,216	31,957,329	118
Net profit	28,845,074	26,448,414	109	32,414,723	29,098,342	111
Added value	108,912,973	95,235,916	114	120,029,932	105,591,082	114
Statement of financial position (as at 31 December)						
Assets	448,483,218	437,258,457	103	466,991,445	452,585,551	103
Non-current assets	412,427,964	405,240,457	102	421,332,909	414,412,047	102
Current assets	36,055,254	32,018,000	113	45,658,536	38,173,504	120
Equity	282,847,478	266,091,272	106	306,290,469	286,323,570	107
Non-current liabilities with provisions and long-term accruals	127,660,101	135,554,271	94	121,175,916	129,318,586	94
Short-term liabilities	37,975,639	35,612,914	107	39,525,060	36,943,395	107
Financial liabilities	121,896,953	138,202,764	88	111,866,534	128,146,556	87
Cash flow statement						
Investments in property, plant and equipment, investment property and intangible assets	36,871,798	28,485,811	129	37,402,753	29,958,975	125
Ratios (in %)						
Return on sales (ROS)	22.4 %	19.7 %	114	23.0 %	20.4 %	113
Return on equity (ROE)	10.5 %	10.4 %	101	10.9 %	10.7 %	103
Return on assets (ROA)	6.5 %	6.1 %	107	7.0 %	6.5 %	109
EBITDA margin	37.6 %	36.5 %	103	38.0 %	37.2 %	102
Financial liabilities/equity	43.1 %	51.9 %	83	36.5 %	44.8 %	82
Net financial debt /EBITDA	1.2	1.6	75	0.9	1.2	76
Dividend payout ratio	22.5 %	3.8 %	588	22.5 %	3.8 %	588
Maritime throughput (in tons)						
Maritime throughput	20,711,872	18,965,351	109	20,711,872	18,965,351	109
Number of employees						
Number of employees	852	824	103	1,040	1,009	103

¹ Added value = net sales + other revenue – costs of goods, material, services – other operating expenses excluding revaluation operating expenses.

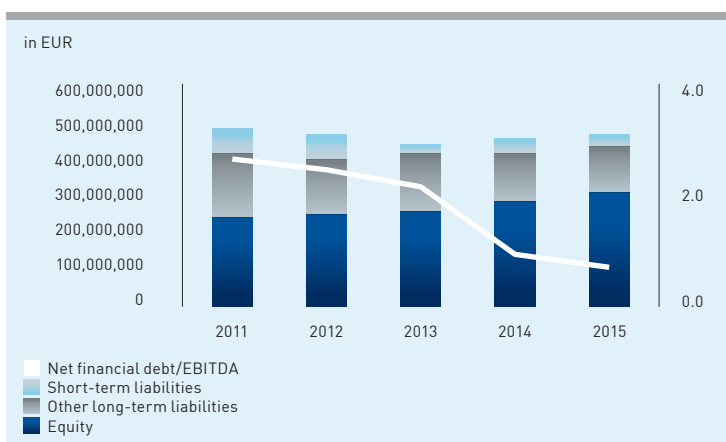
Earnings before interest, taxes, depreciation and amortisation (EBITDA) and added value

In 2015, earnings before interest, taxes, depreciation and amortisation (EBITDA) were by EUR 9.1 million higher than in 2014, in spite of the recognised impairment of property being acquired in the amount of EUR 1.2 million in 2015. The added value increased by EUR 14.4 million in 2015 compared to the year 2014.



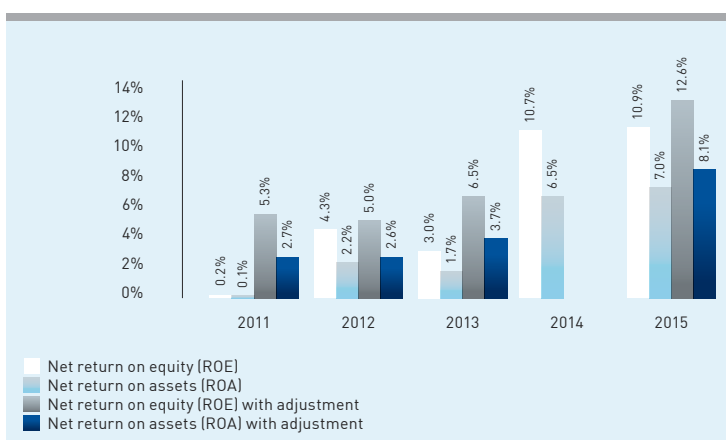
Liabilities and net financial debt (EBITDA)

As at 31 December 2015, the equity of the Luka Koper Group amounted to EUR 306.3 million, which accounts for 66% of the balance sheet total. The ratio of net financial debt to the generated EBITDA reduced in 2015 and amounted to 0.9 and the financial power of the Luka Koper Group additionally boosted.



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

In 2015, the net operating result of the Luka Koper Group was affected by the impairment of property being acquired and impairment of investments, hence ROE and ROA were adjusted and calculated excluding this financial category to ensure comparability. The adjustments also include effects on deferred taxes. In 2015, the adjusted indicator of ROE and the adjusted indicator of ROA were higher than ROE and ROA, generated in 2015, and higher than ROE and ROA for 2014.



2 PRESENTATION OF THE LUKA KOPER GROUP

2.1 HISTORY OF LUKA KOPER, D.D.

The history of the Port of Koper or about the Slovene origin of the "window to the world" dates back to the period after the Second World War and is associated with the search for new economic ideas in order to develop the impoverished coastal area of the Slovene Istria. The state leadership of the then Yugoslavia was not enthusiastic about the idea of construction a commercial port. Only owing to the courage and persistence of the original architects and contractors Slovenia has its own port of international importance that plays the role of an important crossroads of the world trade flows.

The first 135-meter berth on the operational coast in the Port of Koper was constructed by the Water Community of Koper. The initiators of this economic venture decided on the beginning of the port of Koper in spite of the opposition some Republic and Federal authorities and political bodies to constructing a modern port on the Slovene coast that would meet the domestic and European economic conditions. Its construction began with the excuse that the Water Community of Koper started the melioration of the extensive section of the Koper bay.

Petrinja, The construction of Luka Koper and the railway Koper – Prešnica, 1999, p. 5



Gorica

The company Port of Koper was founded on 23 May 1957. The company was renamed into Luka Koper five years later. In 1958, the construction of the first 135 m long operational coast was completed and in December 1958 the first ocean liner Gorica arrived in the port.

The construction of the first coast was followed by building new berths and by simultaneous development of the infrastructure and warehouses in the hinterland. The transport grew rapidly from year to year and the company rose above the local and republic borders. The number of services performed for the partners from transit markets increased. At that time the coast was not connected with the railway and the roads hardly tolerated the increasing quantity of throughput. In order to be able to accelerate the construction of the rail Luka Koper acted as the investor of the construction of a 31.4 km long railway track from Prešnica to Koper in spite of the fact that the then authorities did not support the project. The construction started in 1964 and was completed three years later.

The Slovene authorities rejected the construction of the railway track Koper-Prešnica as they did not believe in the economic feasibility and profitability of the construction of the port and the railway.

Petrinja, Construction of Luka Koper and railway track Koper – Prešnica, 1999, p. 52



Development of the port through the years (1955, 1971, 2015)

New development opportunities opened up to the Port of Koper by the railway connection, the transport increased and exceeded a million tons in 1968. A period of considerable investments followed, the first pier was constructed at which the container terminal was built. After that the second pier, new warehouses were constructed, new equipment and modern technology were purchased. In 1989, over five million tons of cargo were loaded and unloaded from the ships. A period of political and economic changes followed and Slovenia became independent. Gradually, the transport from the ex-Yugoslav republics was replaced by the transport from Central European markets. In 1996, the process of ownership transformation (privatisation) was completed and the company was entered into the court register as a public limited company. The state has become the owner of

the 51% share, the 49% share accounted for preference participating shares with a limited voting right, and 2% accounted for ordinary shares. In the same year the LKPG shares were listed on the Securities Exchange of Ljubljana for the first time. On its 40th anniversary the company obtained the quality management system certificate ISO 9001 for the quality performance of services and the environmental certificate ISO 14001 three years later.

Based on the contract and against payment Luka Koper, d.d. all the state land and infrastructure rented from the Republic of Slovenia in 2000. In 2001, the Slovene Parliament adopted the Maritime Code that stipulated among others that the concession for the management of the Port of Koper should be concluded with a public sector entity performing port activities in the Port on the date of putting the Code into force.

In 2002, the Government of the Republic of Slovenia adopted the Regulation on awarding the concession for the administration, management, development and regular maintenance of the port infrastructure in the cargo port of Koper (Official Gazette of the Republic of Slovenia, No. 103/02). The Regulation required that a concession relation should be regulated by a special contract, but the concession based on this Regulation was never awarded to Luka Koper, d.d.

In 2004, when Slovenia became an equal member state of the European Union the Port of Koper became the official logistic entry point for goods intended for the European Union. In 2005, cargo activities were supplemented by new ones, namely passenger transport and an appropriate landing area was constructed in the following years. In 2007, the company's General Meeting of Shareholders transformed 49% of the preference participating shares with the limited voting right into ordinary shares.

In 2008, the state of Slovenia awarded Luka Koper, d.d. a 35-year concession for the performance of port activities based on the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure to Luka Koper concluded in line with the Regulation on the management of the Koper cargo port, performance of port activities, awarding of the concession for the administration, management, development and regular maintenance of the port infrastructure in this port (Official Gazette of the Republic of Slovenia, No. 71/2008). Three years later it outlined the spatial development of the port in the State Spatial Plan for the complete spatial preparation of the port for international transport. Luka Koper, d.d. successfully overcame the consequences of the global economic crisis and after the year 2010 the transport increased significantly. The strategic meaning of the transport route via Koper was recognized also by the European Union in 2013 as it placed the Port of Koper in the Mediterranean and Baltic-Adriatic European corridor.

Maritime throughput in history



The most important milestones in the development of the port

- 1957** The company Port of Koper was founded.
- 1958** The first ocean liner Gorica was moored to the newly built pier.
- 1962** The company was renamed into Luka Koper.
- 1963** The port obtained the status of a duty-free zone.
- 1967** By the newly built railway Luka Koper was connected to the European railway system.
- 1974** The first regular container line with the Mediterranean was established.
- 1979** The container terminal was constructed.
- 1984** The dry bulk cargo terminal was constructed.
- 1996** When the process of ownership transformation was completed Luka Koper was entered into the register as a public limited company (the state became the owner of a 51% share; there are 49% of preference participating shares with a limited voting right and 2% of ordinary shares).

- 1996 The shares of Luka Koper (LKPG) were listed in the Ljubljana Stock Exchange.
- 1996 The new vehicle terminal was put into use.
- 1997 Luka Koper was awarded the ISO 9002 certificate.
- 1999 Luka Koper was awarded the ISO 14001 environmental certificate.
- 2000 Luka Koper signed the lease agreement for the operational coast and land owned by the Republic of Slovenia in the port of Koper with the state.
- 2001 The Slovene Parliament adopted the Maritime Code.
- 2002 Baed on the regulation the Government of the Republic of Slovenia determined that the concession for the administration, management, development and regular maintenance of the port infrastructure in the cargo port of Koper was awarded to the company Luka Koper, d.d., but it was not awarded in line with this regulation.
- 2004 The EU granted Luka Koper the status of the Border Inspection Point (BIP).
- 2005 The first passenger ship was moored.
- 2007 The General Meeting of Luka Koper, d.d. transformed 49% of the preference participating shares of the state with the limited voting right into ordinary shares.
- 2008 Based on the Regulation on the administration, management, development and regular maintenance of the port infrastructure in this port (Official Gazette of the Republic of Slovenia, No. 71/2008) the state awarded the 35-year concession for the performance of the port activities in the port of Koper to Luka Koper, d.d.
- 2010 The EMAS- European system of the environmental management was established.
- 2011 The State Spatial Plan was adopted for the complete spatial preparation of the port for the international transport in Koper.
- 2013 The EU placed Luka Koper in the Mediterranean and Baltic-Adriatic corridor.
- 2015 A record annual throughput of 20 million tons of goods was achieved.

In all these years Luka Koper, d.d. constructed and invested in the port infrastructure, piers, warehouses and equipment without the State aid.

2.2 COMPANY PROFILE OF LUKA KOPER, D.D. AS AT 15 APRIL 2016

Company name	Luka Koper, pristaniški in logistični sistem, delniška družba
Shortened company name	Luka Koper, d.d.
Registered office	Vojkovo nabrežje 38, Koper
	Telephone: + 386 5 66 56 100
	Fax: + 386 5 63 95 020
	E-mail: portkoper@luka-kp.si
	Website: www.luka-kp.si/eng/
Entered in the court register of	District Court of Koper, entry number 066/10032200
Company registration number	5144353000
Tax number	SI 89190033
Share capital	EUR 58,420,964.78
No. of shares	14,000,000 ordinary no-par-value shares
Share listing	Ljubljana Stock Exchange, first listing
Share ticket symbol	LKPG
President of the Management Board	Dragomir Matić
Member of the Management Board	Andraž Novak
Member of the Management Board	Irena Vincek
Member of the Management Board – Employee Director	Stojan Čepar
Chairperson of the Supervisory Board	Dr Alenka Žnidaršič Kranjc
Core activity of the company	Seaport and logistics system service provider
Activities performed in the Luka Koper Group	Various support and ancillary services

2.3 ORGANISATION OF THE LUKA KOPER GROUP

The Luka Koper Group includes related parties that provide various services rounding off the offer of the port. In addition to Luka Koper, d.d. as the controlling company the Luka Koper Group was comprised of the following subsidiaries, jointly controlled and associated companies as at 31 December 2015².

The Luka Koper Group as at 31 December 2015

- Luka Koper, d. d.
- Luka Koper INPO, d.o.o., 100 %
- Adria Terminali, d.o.o., 100 %
- Luka Koper Pristan, d.o.o., 100 %
- Logis Nova, d.o.o., 100 %
- Adria Investicije, d.o.o., 100 %
- TOC, d.o.o., 68,13 %
- Adria Transport, d.o.o., 50 %
- Adria-Tow, d.o.o., 50 %
- Adriaфин, d.o.o., 50 %
- Avtoservis, d.o.o., 49 %
- Golf Istra, d.o.o. – in bankruptcy, 20 % (in bankruptcy since 9 October 2014)

Further details regarding changes in subsidiaries, jointly-controlled and associated companies are presented in the Consolidated Accounting Report under the Composition of the Luka Koper Group in Section 6.

² The company Adriasole, d.o.o. was deleted from the register after the completed bankruptcy and excluded from the Luka Koper Group in December 2015.

2.4 ACTIVITIES OF THE LUKA KOPER GROUP

The Port of Koper is the only Slovene multipurpose port and therefore it is extremely important for the state, affecting the development of the Slovene economy and logistics in this part of Europe.

The port includes the complete water and coastal area where port activities intended for cargo and passenger transport are carried out.

The basic port activities are throughput and warehousing of a variety of goods. They are supplemented by a range of services on goods and other services providing customers with a comprehensive logistic support. Luka Koper d.d. has set an ambitious objective to meet the wishes of its customers, company owners and the employees of the company. The Port is a cross-border entry point to the European Union and has the free zone status of type I. Luka Koper, d.d. has also a status of an authorised economic operator, and the AEO certificate confirms that the duty free zone is a safe area with the lowest risk for goods transported through the port of Koper.

In 2008, Luka Koper, d.d. concluded with the State the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure in the area of the Koper cargo port. The Concession Agreement was concluded for a period of 35 years, as it was stipulated in the Maritime Code. The agreed concession fee amounts to 3.5% of the sales revenue of the company, but the revenue from port fees is excluded. The Concession Agreement includes also the water right, water charges and other duties related to the use of the sea belonging to the Republic of Slovenia. Luka Koper, d.d. pays the total concession fee to the Republic of Slovenia that allocates half of the amount to the local communities, the Municipality of Koper and since 1 January 2015 also to the Municipality of Ankaran.

Port and logistic activities

The basic port activities of throughput and warehousing are carried out at twelve specialised port terminals. All the terminals are organised according to the goods/ cargo they receive:

- general cargo terminal,
- timber terminal,
- reefer terminal,
- live stock terminal,
- container terminal,
- car and RO-RO terminal,
- liquid cargoes terminal,

- iron ore and coal terminal,
- dry bulk terminal,
- alumina terminal,
- terminal for cereals and fodder,
- cruise terminal.

Each terminal has its own characteristics determined by goods-specific work process, technological procedures and technology. The terminals are organised in six profit centres. In cooperation with our business partners, we also offer our customers a wide range of additional services to increase the value of goods. A detailed description of terminals can be found on the website <https://luka-kp.si/slo/terminali-191>.



The port area consists of 270 hectares of land, with 48.4 hectares of covered warehouses and 111 hectares of open storage areas.

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

- Services provided by the collection and distribution centre for every cargo group;
- Services involving the assortment of goods (sorting, palletising, sampling, protection, labelling, weighing, cleaning and other services), which are regularly

enhanced, based on the development of the transport industry and the needs of our clients;

- Management of the port area; and
- Integrated logistic solutions.

The services of individual terminals are supplemented by the companies Luka Koper INPO, d.o.o., Adria-Tow, d.o.o., and Adria Transport, d.o.o., which enables us to quickly adjust to customers' needs. Luka Koper INPO, d.o.o. performs maritime services, i.e. berthing and casting off of ships and deepening of the seabed; it also manages the truck terminal intended for parking of trucks when truck drivers hand over the documents required for the entry in the area of Luka Koper. With its five modern tugs, Adria-Tow, d.o.o. provides vessel towing services, ship supply services, as well as sea rescue and vessel assistance at the Port. Adria Transport, d.o.o. is in charge of setting up an efficient logistic route between the Port of Koper and its hinterland. It ensures a greater volume of railway transport, both in and out of the Port.

Performance of the economic public service

In line with the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure in the area of the cargo port of Koper that Luka Koper, d.d. concluded with the Republic of Slovenia for a period of 35 years in September 2008, the company permanently and continuously performs the economic public service of maintenance of the port infrastructure intended for the public transport.

Other activities

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

Support services / Disability

Luka Koper INPO, d.o.o. is specialised in performing support services of maintenance and public utility services. The basic mission of this company is the successful market-oriented operation as well as employment and training of disabled persons. Therefore they mostly introduce and develop business programmes interested for the market and those that the disabled persons can follow under consideration of their abilities. Services are rendered at a high-quality level, which is confirmed by the ISO 9001 certificate and the ISO 14001 certificate for the responsible relation to the environment.

Since 1 January 2006 Luka Koper INPO, d.o.o. has performed the economic public services of collecting waste from the vessels in line with the Concession Agreement on the basis of Article 26, paragraph 1 of the Regulation on the method, subject and conditions for the provision of national public utility service of collecting waste from vessels (Official Gazette of the Republic of Slovenia, No. 59/2005). Initially, the company performed this services on the basis of the authorisation of the parent company as the manager of the Port of Koper. After the conclusion of the Concession Agreement between the Republic of Slovenia and Luka Koper, d.d. in 2008 it has performed it on the basis of the new agreement.

Catering

Luka Koper Pristan, d.o.o. offers hotel, accommodation, catering and congress services. It organises various kinds of events. The company manages also the facility in Prisoje that has become a student dormitory and obtained the subsidy of the state.

Quality control

TOC, tehnološko okoljski in logistični center, d.o.o. is a market-oriented company that provides services in the field of technological and ecology research and quality assurance. The centre is specialised in research, technological research from the field of engineering and technology with a special emphasis on renewable sources of energy, waste processing, technology of acquiring natural medicinal substances and sea ecology. The operation is focused on the research and development of market-oriented projects. The company's assistance is intended for small and medium-sized companies that do not have their own development and technological personnel and/or adequate equipment. Tests carried out by the company include laboratory analyses of liquid fuels, gases, chemicals and water.

Hinterland logistic activity

Sežana

Luka Koper, d.d. owns in Sežana:

- the property in the area of the operating terminal managed by Adria Terminali, d.o.o. (Luka Koper, d.d. holds the 100% ownership share),
- the property in the immediate vicinity of the operating terminal is not used.

Adria Terminali, d.o.o. manages the hinterland logistic terminal in Sežana. The operation is focused on the throughput and warehousing of various kinds of goods, mainly on the general cargo with iron products and wood pellets as well as packaged timber and logs, and on LCL and classical throughput.

The terminal is well-connected to the railway system and road transport. It has

almost 50,000 m² of storage facilities and the machinery for handling goods and good connections to the railway and road infrastructure. The company operates in the role of a land terminal manager and endeavours to attract goods flows in the inland transport in the areas of Central and East European markets. In spite of the strategic location of the terminal in the hinterland of two important Northern Adriatic ports of Koper and Trieste its function has not developed fully to support the transoceanic logistics. Although the operation of the terminal was modest in the first years within the Luka Koper Group, it has improved in the recent years.

Prekmurje

In 2008, the company Logis Nova, d.o.o. was established in order to make an acquisition of land in the area of the originally planned logistic centre in the Municipality of Beltinci. In June 2014, all the procedures relating to the capital increase by contributions in land were completed by the entry into the court register. All the planned procedures of purchasing agricultural land were performed and the ownership consolidation implemented. Luka Koper, d.d. is the 100% owner of the company and 64.9ha of land is available, of which all the agricultural land is cultivated, but the project of logistic centre has not been carried out. Part of land has been cultivated by contractors and part by previous owners who has leased it.

3 BUSINESS DEVELOPMENT STRATEGY

3.1 DEVELOPMENT OUTLINED IN THE NEW STRATEGIC DOCUMENTS

In 2015, the validity of the strategic documents of the Luka Koper Group and Luka Koper, d.d. expired and hence three new ones were adopted. They outline and plan the key development priorities to the year 2020 and highlights to the year 2030:

- Strategic business plan of the company and the Luka Koper Group in the period 2016 - 2020,
- Business strategy of the company and the Luka Koper Group to the year 2030 and
- Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan.

When preparing the documents an analysis of the internal and external business environment was conducted, the trends of the industry and macroeconomic expectations were verified and the established tools of strategic planning were used for setting the objectives of future operation.

The previous period was undoubtedly marked by the following business circumstances:

- awakening after the period of recession and revitalisation of some markets in spite of a still risky global political situation that has significantly affected the industry,
- transformation of the flows of goods and setting up new global partnerships in logistics, as the main actors strive for streamlining the costs in the supply chains,
- limited investments due to high debts, some less successful projects from the past that do not belong to the core activity of the port and instable situation in the market,
- efficient increase in throughput has resulted in the high utilisation of the present capacities,
- unstable political situation that does not provide any support to large-scale development projects and encourages constant speculations about the manner of port management,
- measures for the improvement in operation enabled also an important deleveraging of the company.

In future, the following can be expected / anticipated:

- continuation of the trend of goods containerisation and consequently the growth

in container transport, mainly due to the developed network of regular railway connections to all hinterland markets, connections with the regular direct ship routes from the Far East, and renowned, reliable port services,

- increase in car throughput owing to the revival of economic activities in the hinterland and the overseas exchange, where Koper plays an important role on the transport route in this part of Europe because of its previous experience and the results achieved,
- stable flows of goods of the traditional cargo groups - dry bulk and liquid cargoes and potential novelties relating to the alternative energy products,
- intensified activity of loading and unloading containers as a result of increased container throughput, which will require additional warehouse capacities for general goods,
- in order to reduce the costs and improve the logistics the shipping companies and other logistic specialists will search for solutions in larger ships, longer trains, process standardisation, technological novelties with the aim to provide reliability and green logistics etc. The infrastructure and process requirements in the port will have to be adjusted accordingly; the emphasis will be placed on solutions including public connecting infrastructure,
- continuation of agreements on the project of the second railway track Koper-Divača, where a number of key strategic problems has been unsolved, as the competent authorities in the Republic of Slovenia have not determined the timescale of project implementation and no additional capacities along the monorail track connecting the port with the hinterland of the state have been provided yet,
- strengthening of the competition that rapidly invests in the additional capacities and in the upgrade of complete solutions in the public connecting infrastructure that will focus on the efficient operation of the competitive transport routes,
- increased emphasis on the environmental and energy topics, mainly by the supply of alternative energy products to the port, which has been encouraged also by the EU policy,
- continuation of social responsibility and co-existence with the local community, where the company has been involved in the establishment of a constructive dialogue with the municipalities of Koper and Ankaran.

The present bottleneck of the monorail track from Koper to Divača proves the necessity of investments in the port capacities and therefore two scenarios are presented in the strategic documents: the development scenario with the second track and an alternative one without the second track. Both scenarios describe the same development to the year 2020 and foresee investments and increase in port capacities including the

- upgrade of the container terminal with the significant extension of the south part of the first pier,
- construction of the new berth, extension of the storage areas and establishment



Upgrading the container terminal at Pier I



Multi-purpose storage for liquid bulk and general cargo

of the infrastructure for the car throughput in the third basin,

- new closed warehouses for liquid, dry bulk and general cargoes on the second pier,
- construction of new entrances (Bertoki, Sermin) with the aim to decongest transport and increase port fluidity,
- upgrade of berths in the second basin.

In line with the present assessments investments in the amount of EUR 300 million will be made in the construction of new port capacities to the year 2020. The objective of using the EU funds in the amount of EUR 20 million has been specified. This will be a considerable challenge when the severe competition of other European ports and the scarcity of the cohesion envelope for Slovenia are taken into account. It is expected that new investments in the increase in port capacities that are now utilised up to 80% will be sufficient to increase the throughput by 17% to the year 2020 when compared to the year 2015 and thus they will exceed 24.3 million tons of total transport. The greatest emphasis will be placed on containers where a throughput of over 1 million TEU (container units) has been planned in the year 2020,



which is a 30% increase over the year 2015. A strong growth has been planned also in the transport of vehicles. Our objective is the throughput amounting to 850,000 cars or an increase of 40% over the year 2015 has been projected in the year 2020. It is expected that the operation will be increasingly focused on the foreign markets due to the increase in transport and will depend on foreign global logistic companies and multinational companies. In 2020, Luka Koper, d.d. plans to generate net sales amounting to EUR 218 million, the EBITDA margin has been planned in the amount of 39% and ROE in the amount of 10%. Net financial debt/EBITDA will be <3.

We are well aware of the fact that the consequences for the operation of the port and the company can be very serious if the solutions to the problems of railway transport are not positive, adequate and timely and can seriously affect the activities in the Port of Koper in long-term. In line with the alternative scenario a stagnation has been outlined to the year 2030 and/or utilisation of the port capacities has been estimated by the annual throughput of approx. 27 million tons. In case of the development scenario the transport will exceed 33 million tons at the annual level, which will result in the additional growth in transport. In spite of the fact that the port preserves the multi-purpose character and is engaged in the throughput of various kinds of goods at specialised terminals, containers and cars have the priority. In order to accelerate the local economy and support the tourism in the country we will keep focusing on passenger transport. The company will primarily devote its operation to the port activity in Koper and strive for the sale of non-strategic investments.

3.2 VISION, MISSION AND STRATEGIC ORIENTATIONS

Vision:

Port of Luka Koper will become the leading port system for global logistic solutions of the Central and East European countries.

Mission:

in line with the requirements of the economy and most demanding customers global logistic solutions to the heart of Europe are supported by a reliable and well-developed range of port services.

5 strategic orientations:

Flexible, modern and competitive port provider

Implementation of recognisable market potentials by the control of the markets and setting up partnerships with the customers.

Reliable and efficient contractor of quality port services

Achievement of a high-level of operational efficiency by the improvement in productivity of processes, synergies among terminals and optimal use of capacities.

A successful business system of long-term stability

Harmonisation between the core activity and support functions as well as care for the improvement in profitability of products and increase in property.

Promotor of complete logistic solutions

Care for connecting various links in the logistic chain and port community in order to create integrated transport solutions.

Diligent institutionalised stakeholder of sustainable development

Striving for long-term sustainable development of the natural and social environment and support to the development of the port in the wider regional and international areas.

3.3 CHARACTERISTICS OF THE ECONOMIC ENVIRONMENT IN 2015

The year 2015 was marked by the subdued world economy. The growth in the emerging markets and economies of the developing countries decreased for the fifth successive year, but a modest recovery continued in the developed economies.

Three factors affected the world economy: gradual moderation and balancing of the economic activity in China, lower prices of energy and other raw materials as well as gradual tightening of the monetary policy in the USA.

The Chinese economy grew in 2015 in accordance with the expectations, but the slowdown of the import and export was faster than expected, which partly reflected in modest investments and poor production. The development and market considerations about the future development of the Chinese economy affected other economies through trade routes and low prices of raw materials as well as by reduced confidence and increased uncertainty in the financial markets.

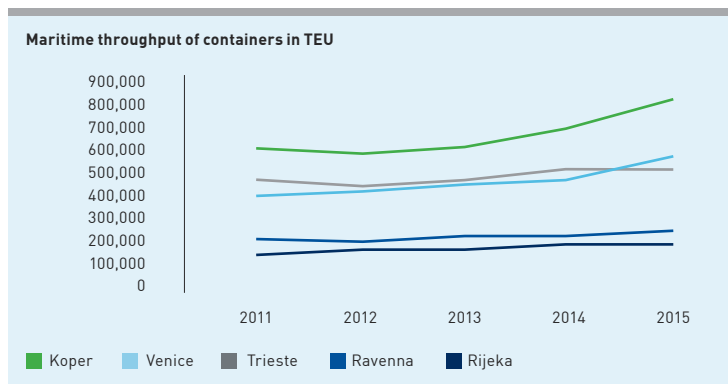
Since September 2015 oil prices have substantially decreased, which had a strong impact on the financial position of fuel exporters and the investments in the extraction of oil and gas.

The financial situation in the developed economies was still very flexible in the year 2015. The opportunities for a gradual increase in interest rates in the USA and financial volatility considering the growth in the market contributed to the difficult external financial conditions, reduction in capital flows and reduction in currencies in several emerging market economies.³

THE CONTAINER THROUGHPUT IN LUKA KOPER ACHIEVED A RECORD RESULT AMONG THE NORTHERN ADRIATIC PORTS FOR THE SIXTH SUCCESSIVE YEAR

INCREASE IN CONTAINER THROUGHPUT

In 2015, the global growth in the container throughput continued. In Europe mostly North Adriatic ports recorded good results.



³ Source: World Economic Outlook: Subdued Demand, Diminished Prospects. Update January 2016. Washington. International Monetary Fund. URL: <http://www.imf.org/external/pubs/ft/weo/2016/update/01/>
Source: Ekonomsko ogledalo (Slovenian Economic Mirror). January 2016. Ljubljana. Institute of macroeconomic analysis and development of the Republic of Slovenia.

Maritime throughput of containers in Northern Adriatic ports in TEU by port⁴

NORTHERN ADRIATIC PORTS	2015	2014	Index 2015/2014
Koper	790,734	674,029	117
Venice	560,301	456,068	123
Trieste	501,268	506,011	99
Ravenna	244,813	222,548	110
Rijeka	200,102	192,004	104

In 2015, the throughput increased in all Northern Adriatic ports, except in Trieste, where the container throughput dropped by 1% over the year 2014. The highest growth in container throughput was recorded in Venice in 2015 and accounted for 23%.

In 2015, the global alliances were established among the Major world shipping companies, such as 2M, including Maersk and MSC, Ocean3, consisting of CMA CGM, UASC and CSCL, and CKYHE consisting of Evergreen, MOL, Hanyin, K Line, Cosco and Yang Ming. By creating alliances the shipping companies want to achieve better cost-effectiveness per unit of cargo throughput as they face high operating costs, non-utilised ship space and low freight rates. In future, the consolidation of ship services is expected as the shipping companies will increasingly cooperate in order to optimize costs.

The trend of ordering and delivering container ships with the capacities of 20,000 TEU and more has continued and this will increase the ship space in the following years. Small ships up to 14,000 TEU will be transferred to less frequented routes (e.g. Asia – Mediterranean) and will regularly arrive in the port of Koper.

Luka Koper, d.d. follows the trend of shipping companies and in 2015 deepening of the first basin and dredging of the navigation channel at –15 meters was completed. New high-capacity STS super Post-Panamax cranes were ordered, and will enable the reception of ships up to 20,000 TEU.

In the world and in the Northern Adriatic ports the growth in container throughput is expected also in the year 2016. We will still try to acquire additional container shipping companies and new shipping lines, to introduce several direct container lines and to maintain the leading position in the Northern Adriatic region.⁵

In 2015, Rotterdam and Hamburg, belonging to three major ports of the northern Europe, recorded a decline in container throughput compared to the year 2014.

⁴ Source: Website of the ports mentioned.

⁵ Source: World Maritime News. URL: <http://worldmaritimeneews.com>.

The twenty major container ports in Europe recorded an average fall in the throughput in TEU by 2.6% in 2015⁶.

Maritime throughput of containers in the major three ports of the Northern Europe in TEU by port⁷

NORTHERN EUROPEAN PORTS	2015	2014	Index 2015/2014
Rotterdam	12,234,535	12,297,570	99
Antwerp	9,653,511	8,977,738	108
Hamburg	8,870,000	9,728,684	91

A decline in the container throughput in Hamburg is mainly a result of the lower volume of throughput with China, Russia and Poland. On the other hand, the container transport with Malaysia, India, United Arab Emirates and Mexico increased, but was not sufficient to replace the fall mentioned. As it is difficult to estimate the probable development of the foreign trade in the key markets, it is impossible to forecast the operation of the port in 2016. It is expected that the transport of 2015 will be maintained.

When considering the throughput volume, Rotterdam still holds the leading position among the European container ports, although 12.2 million TEU were transhipped there in 2015, which is a decrease of 4% over the year 2014. This port is of vital importance for the region and the Netherlands. Its objectives to the year 2030 are very ambitious and the port will try to achieve them by several adjustments if the situation changes.

GROWTH IN CAR THROUGHPUT

In accordance with the European Automobile Manufacturers' Association (ACEA)⁸ a growth in sales of new cars was observed in 2015 for the second successive year in the European Union after six years of reduction. The European Union produces 21% of the total world quantity of new cars. Due to this fact Luka Koper expects a further increase in the throughput of cars to be exported via Koper. All automobile manufacturers recorded an increase in growth in the European market.

In 2015, the production of vehicles increased by 6.8% in the EU. The EU exported the largest share of cars to the USA (+25.5%), Turkey (+61.4%) and China (-19.8%).

A significant growth in the sales of new cars continued in the European Union in

⁶ Source: Alphaliner. URL: <http://www.alphaliner.com>

⁷ Source: Websites of the ports mentioned.

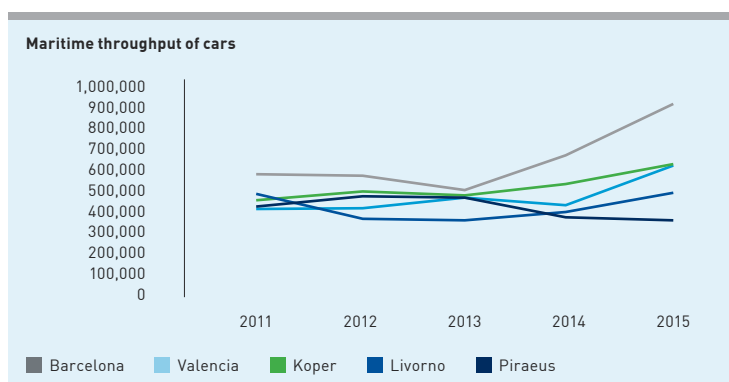
⁸ Source: ACEA – European Automobile Manufacturers Association. URL: <http://www.acea.be>.

2015. There were 13.7 million of new registered cars, which means that the number of registrations in 2015 exceeded the number of the year 2010, but 15.5 million of new registered cars from the year 2007 has remained an unreachable result so far.

Maritime throughput of cars in the five main Mediterranean ports – by port⁹

MEDITERRANEAN PORTS	2015	2014	Index 2015/2014
Barcelona	881,690	650,861	135
Valencia	607,547	417,497	146
Koper	607,326	518,893	117
Livorno	475,018	388,031	122
Piraeus	341,386	359,665	95

In the car throughput Barcelona holds the leading position in the Mediterranean region and Valencia recorded the quickest growth in 2015.



Maritime throughput of cars in the three major ports of the Northern Europe – by port

NORTHERN EUROPEAN PORTS	2015	2014	Index 2015/2014
Zeebrugge	2,427,950	2,200,422	110
Bremerhaven	2,263,000	2,195,000	103
Emden	1,407,570	1,309,306	108

In the period 2011 - 2013 Bremerhaven held the leading position in the car throughput in Europe and Zeebrugge was the leading port in the year 2014.

⁹ Source: Automotive Logistics - Finished Vehicle Logistics Magazine URL: <http://automotive-logistics.com/media/finished-vehicle-logistics/2015-european-ports-survey-rising-volume-and-risky-conditions>

3.4 FORECASTS OF THE MACROECONOMIC DEVELOPMENT IN 2016

In October 2015, the International Monetary Fund (IMF)¹⁰ forecast a 3.1% global economic growth in 2015 and the growth in the world economy should amount to 3.6% in 2016. In the corrigendum to the report published in January 2016 the forecast for the year 2016 was reduced to 3.4%¹¹. A slower recovery of the world economy was projected, especially in the emerging markets and economies in the developing countries.

The continuation of the modest and uneven recovery can be expected in the developed economies, but the recovery in the emerging markets and economies of developing countries should be very different and will represent a challenge. Moderating and balancing of the Chinese economy, lower prices of raw materials and tensions in some major emerging market economies will still affect the growth in the years 2016 and 2017. In spite of the slowdown in economic growth in China, the growth projected for the following two years affects the forecasts about the gradual improvement in the growth in the countries being in economic need at present, mainly Brazil, Russia and some Near East states, although the foreseen recovery may be reversed by new economic or political upheavals.

The risks that will affect the global growth, will be related to the continuous adjustments in the world economy: general economic slowdown in the emerging market economies, balancing of the Chinese economy, lower prices of raw materials and a gradual exit from the extremely flexible monetary situation in the USA. If the economies fail to face these key challenges successfully, the global growth can be suppressed.

In 2016 and 2017, the economic growth should amount to 2.1% in developed countries.

The Eurozone is not in such a poor position as in the previous years and therefore the International Monetary Fund forecasts a 1.7% growth in 2016.

Developing countries and emerging markets will achieve a 4.3% growth in 2016. Due to the sanctions and the reduction in oil prices the IMF forecasts a 1% reduction in the GDP in Russia in 2016, and the Chinese growth should record a slowdown to 6.3% in 2016. China has undergone major restructuring of the domestic economy, namely from the export-oriented economy to the economy with a strong domestic

¹⁰ Source: World Economic Outlook: Uncertainty, Complex Forces Weigh on Global Growth. October 2015. Washington. International Monetary Fund.

¹¹ Source: World Economic Outlook: Subdued Demand, Diminished Prospects. Update January 2016. Washington. International Monetary Fund. URL: <http://www.imf.org/external/pubs/ft/weo/2016/update/01/>

demand. The slowdown in rapid economic growth is thus unavoidable.

In accordance with the data of the Institute of macroeconomic analysis and development¹² Slovenia can expect a 2.3% economic growth in 2016. The key risks of the economic situation in 2016 remain related to the international and domestic environment, with the possibility of a slowdown in some most important economic partners, movement of prices in the oil markets, investing conditions in Slovenia and caution of the economic entities when taking decisions on private spending or investments.

Growth in the real gross domestic product by relevant hinterland market (in %)¹³

COUNTRY	ESTIMATE 2015	FORECAST 2016	DIFFERENCE 2016/2015
Euro area	1.6	1.7	0.1
Slovenia	2.5	1.8	-0.7
Italy	0.8	1.4	0.6
Germany	1.7	1.8	0.1
Austria	0.7	1.7	1.0
Hungary	2.7	2.1	-0.6
Slovakia	3.5	3.2	-0.3
Czech Republic	4.5	2.3	-2.2

In 2016 and in the following years, the economic policies of the countries representing the key hinterland markets for the Luka Koper Group, will be as follows:¹⁴

- in Italy the key objectives of the government will be management and reduction in the high public debt, insurance of the banking system and governance of Italy in the Eurozone. Risks of failure to fulfil contractual obligations, risks of a banking crisis, and risks of leaving the Eurozone exist in Italy. The greatest challenge that the Italian government will face is how to balance the measures for the reduction in the huge burden of the public debt by the measures for the stimulation of economic growth, how to stop the dramatic increase in the unemployment and to release social tensions. The budget deficit mainly remains under control.
- The German government will remain focused on the euro crisis and the state will be of crucial importance in the efforts to solve the crisis. It will have three priorities: to provide a sustainable medium-term budget surplus, re-establish a sound financial sector and gradually discontinue the production of nuclear

¹² Source: Survey of implementation of the autumn forecast of economic trends 2015. December 2015. Ljubljana. Institute of macroeconomic analysis and development of the Republic of Slovenia.

¹³ Source: European Commission: Economic and Financial Affairs. 4 February 2016. URL: http://ec.europa.eu/economy_finance/eu/countries/index_en.htm

¹⁴ Source: Survey of the economic movement. September 2015. Export mirror (EIU; Factiva). URL: www.izvoznookno.si.

energy and improve the ageing energy infrastructure in the following decade. Germany will remain the key country in solving the crisis in Ukraine and in preventing the trade war with Russia.

- In Austria the priorities of the Government in the year 2016 will be to reduce the budget deficit and debt, decrease a tax wedge on labour, increase expenses of research and development, to continue the reform of health expenses, financial sector reform and to increase the standards of education.
- The Hungarian Government faces two great challenges: consolidation of public finance and promotion of economic growth. A component of the Government plans is also the labour market reform with an increase in the employment and an increase in the work force share.
- In Slovakia the Government efforts will still be focused on the fiscal consolidation, decrease in differences in the regional development, strengthening of infrastructure, increase in expenses for R&D and stimulation of economic growth.
- In February 2015, the Czech Government adopted a package of laws concerning the fiscal responsibility, including the constitutional limitation of the debt amount and setting up an independent institution for the assessment of fiscal performance. Under the pressure of the EU the state administration act was adopted; its aim is to achieve better transparency in the public sector. In future, it will be necessary to introduce health and pension reforms for long-term fiscal sustainability and to face the ageing of population.

Forecasts in maritime transport

The growth in the global maritime transport was moderate in the year 2015. The prospects for the year 2016 remain uncertain and subordinated to the risks, such as moderate further growth in the global demand and world trade, poor recovery of the European economy, geopolitical tensions, slowdown in the emerging market economies and economies of the developing countries and uncertainty in the Chinese market.

At the end of the year 2015, the United Nations Conference on Trade and Development (UNCTAD) presented economic, environmental and social challenges in its survey of the maritime transport which the ports will have to face in future. This will be the growth and concentrated traffic volumes brought about by ever-increasing ship size, costs of adaptation of port and port hinterland infrastructure measures, a changed marketplace as a result of increased alliances of shipping lines, national budget constraints limiting the possibility of public funding for transport infrastructure, volatility in energy prices and the new energy landscape and the transition to alternative fuels, entry into force of stricter sulphur limits (in, for example, International Maritime Organisation (IMO), emissions control area (ECA)

countries) increasing societal and environmental pressure and potential changes in shipping routes from new or enlarged international passage ways¹⁵.

Maritime transport in Europe

Maritime transport has been a driving force of the economic development and welfare in Europe ever since. Almost 90% of the European foreign trade is seaborne. Some time ago the European Commission updated its strategic objectives and recommendations for the maritime transport policy of the European Union to the year 2018.

The target of the measures in the field of maritime transport is to provide long-term success of the European maritime transport system as a unit for the benefit of all other economic sectors and the final consumer¹⁶.

The European Commission estimates that the throughput volume will increase rapidly, and that ports have to prepare and adapt adequately to be able to manage such transport volume.

The majority of all goods intended for the European market are transhipped in Northern Europe, in the ports of the Northern Sea. The major ports are the Dutch Rotterdam, Belgian Antwerp and German Hamburg, where the throughput accounts for 20% of total goods delivered to Europe by sea. The port in the Andalusian Algeciras is the fastest growing port in Europe and the largest one in the Mediterranean. The shipping route from Asia to the north of Europe is longer than the route to the northern Adriatic ports. The objective of the northern Adriatic ports is to redirect the shipping companies from the north of Europe to the northern Adriatic.

¹⁵ Source: UNCTAD, 2015. URL: http://unctad.org/en/PublicationsLibrary/rmt2015_en.pdf

¹⁶ Source: European Commission: Maritime. URL: http://ec.europa.eu/transport/modes/maritime/index_en.htm

3.5 BUSINESS OBJECTIVES FOR 2016

Summary of key data from the business plan of Luka Koper, d.d. and the Luka Koper Group for 2016

(in EUR)	Luka Koper, d. d.			The Luka Koper Group		
	2015	Plan 2016	Index plan 2016/2015	2015	Plan 2016	Index plan 2016/2015
Income statement						
Net sales	173,277,749	183,807,299	106	184,273,472	194,662,753	106
Operating profit (EBIT)	38,826,283	42,429,640	109	42,420,503	45,696,534	108
Earnings before interest, tax, depreciation and amortisation (EBITDA)	65,194,564	67,729,606	104	69,935,252	71,962,529	103
Operating result from financing activities	-5,065,002	-763,805	15	-5,930,515	-1,821,346	31
Profit before tax	33,761,281	41,665,835	123	37,818,216	45,129,766	119
Net profit	28,845,074	34,874,304	121	32,414,723	37,776,901	117
Added value	108,912,973	112,272,666	103	120,029,932	122,520,540	102
Statement of financial position (as at 31 December)						
Assets	448,483,218	495,281,384	110	466,991,445	509,442,923	109
Non-current assets	412,427,964	457,558,987	111	421,332,909	468,205,677	111
Current assets	36,055,254	37,722,398	105	45,658,536	41,237,245	90
Equity	282,847,478	307,003,418	109	306,290,469	333,162,290	109
Non-current liabilities with provisions and long-term accruals	127,660,101	139,200,901	109	121,175,916	126,075,867	104
Short-term liabilities	37,975,639	49,077,065	129	39,525,060	50,204,766	127
Financial liabilities	121,896,953	146,771,337	120	111,866,534	131,076,473	117
Cash flow statement						
Investments in property, plant and equipment, investment property and intangible assets	36,871,798	77,001,767	209	37,402,753	78,907,927	211
Ratios (in %)						
Return on sales (ROS)	22.4 %	23.1 %	103	23.0 %	23.5 %	102
Return on equity (ROE)	10.5 %	11.9 %	113	10.9 %	11.9 %	109
Return on assets (ROA)	6.5 %	7.4 %	114	7.0 %	7.7 %	110
EBITDA margin	37.6 %	36.8 %	98	38.0 %	37.0 %	97
Financial liabilities/equity	43.1 %	47.8 %	111	36.5 %	39.3 %	108
Net financial debt/EBITDA	1.2	1.5	125	0.9	1.2	133
Dividend payout ratio	22.5 %	15.2 %	68	22.5 %	15.2 %	68
Maritime throughput (in tons)						
Maritime throughput	20,711,872	21,428,234	103	20,711,872	21,428,234	103
Number of employees						
Number of employees	852	883	104	1,040	1,070	103

The business plan of the Luka Koper Group for 2016 foresees that the maritime throughput will increase to 21.4 million tons, net sales will achieve a 6% growth compared to the net sales generated in the year 2015.

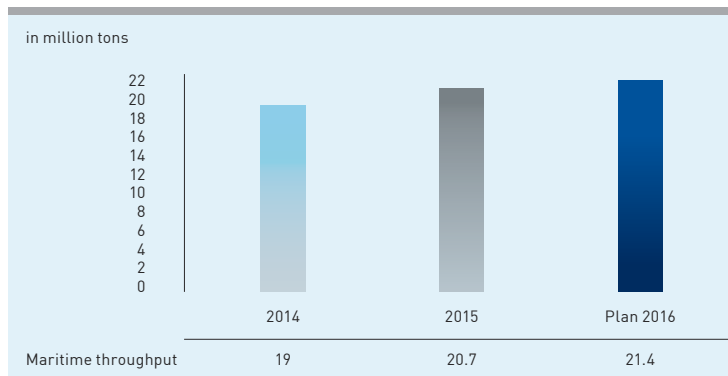
An increase in net sales in 2016 will be based on the rise of maritime throughput in all cargo groups, but the highest increase is anticipated in the throughput of cars due to new business deals. The growth in throughput on the container terminal will continue. Dredging activities along the container coast and deepening of the navigation channel in the first basin at – 15 metres were completed in November 2015 and will enable landing of larger ships. Heavy investments in the equipment and infrastructure of the container terminal will continue.

GROWTH IN THE MARITIME THROUGHPUT IS ANTICIPATED IN ALL CARGO GROUPS IN 2016, THE THROUGHPUT OF CARS AND CONTAINERS WILL GROW MOST

In 2016, Luka Koper, d.d. plans a 3% increase in the maritime throughput compared to the throughput in 2015. As a result, an increase in net sales by 6 % has been planned over the year 2015. Car and container terminals will mainly contribute to the increase in net sales. Substantial investments amounting to EUR 77 million are planned for 2016; the most important investment in 2016 will be made in the increase in container terminal capacities in the southern part of the first pier.

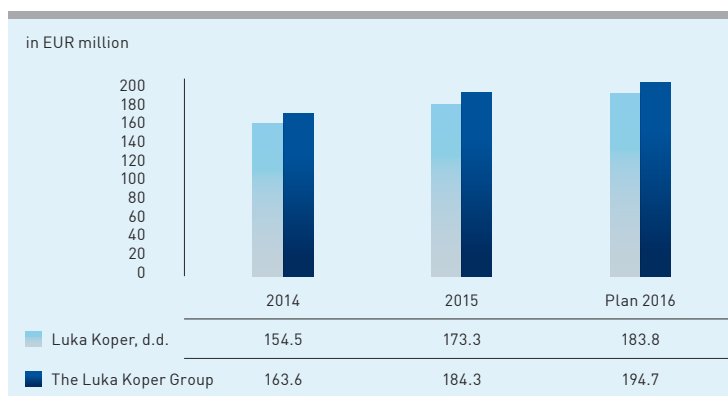
Maritime throughput in million tons

In 2016, maritime throughput is planned in the amount of 21.4 million tons, which is a 3% increase over the maritime throughput of 2015. The highest growth is planned in the throughput of cars and containers.



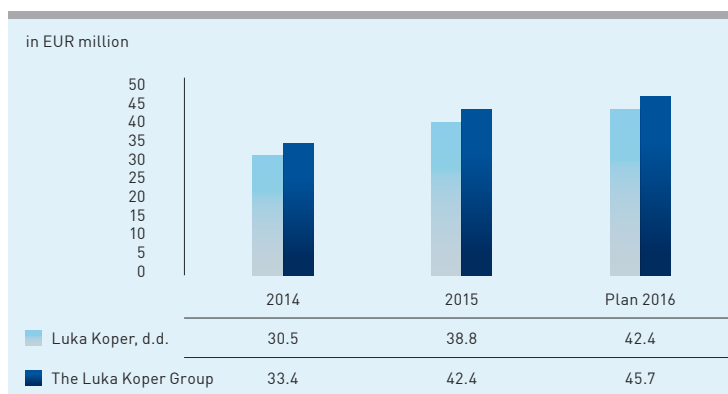
Net sales

The projected net sales of the Luka Koper Group will amount to EUR 194.7 million in 2016, which is an increase of 6% when compared to the net sales of 2015. Luka Koper, d.d. will also generate net sales higher by 6% in 2016 when compared to 2015.



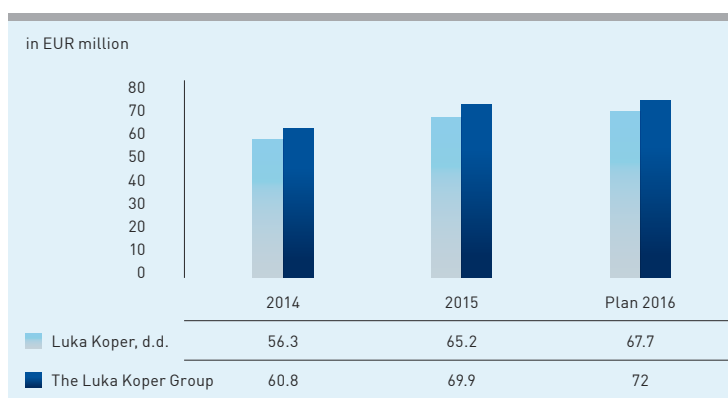
Operating profit (EBIT)

In 2016, operating profit (EBIT) of the Luka Koper Group is planned in the amount of EUR 45.7 million, which is an increase of 8% compared to the year 2015. Operating profit of Luka Koper, d.d. will amount to EUR 42.4 million in 2016 or will be higher by 9% over the year 2015.



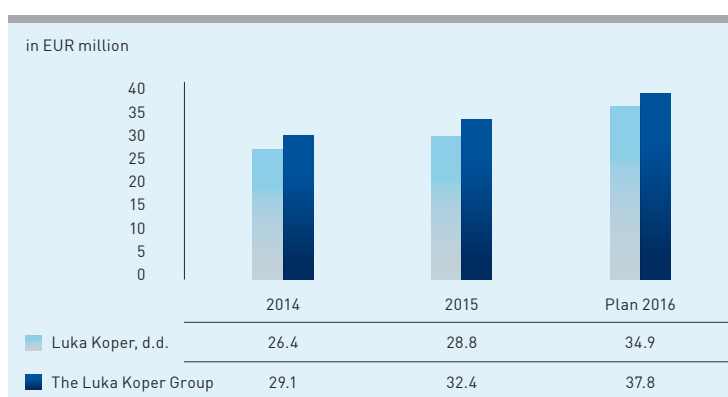
Earnings before interest, tax, depreciation and amortisation (EBITDA)

The simplified cash flow from operating activities (EBITDA) of the Luka Koper Group will be by 3% higher in 2016 than the cash flow generated in 2015 and will amount to EUR 72 million, and Luka Koper, d.d. will generate cash flow in the amount of EUR 67.7 million.



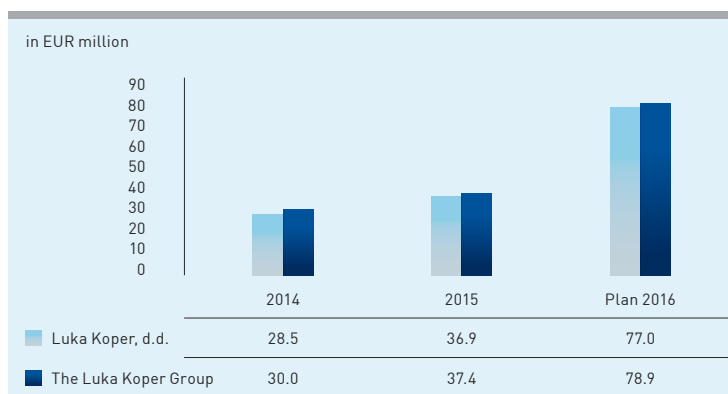
Net profit

Net profit of the Luka Koper Group will amount to EUR 37.8 million in 2016, which is an increase of 17% over the net profit of 2015. In 2015, net profit of the Luka Koper Group was lower by the recognised impairment of property being acquired in the amount of EUR 1.2 million and the recognised impairment of an investment in the amount of EUR 4.3 million. Without considering the impairment in 2015 the projected net profit of the Luka Koper Group for the year 2016 would be higher by 1% than the net profit generated in 2015. In 2016, net profit of Luka Koper, d.d. is planned in the amount of EUR 34.9 million.



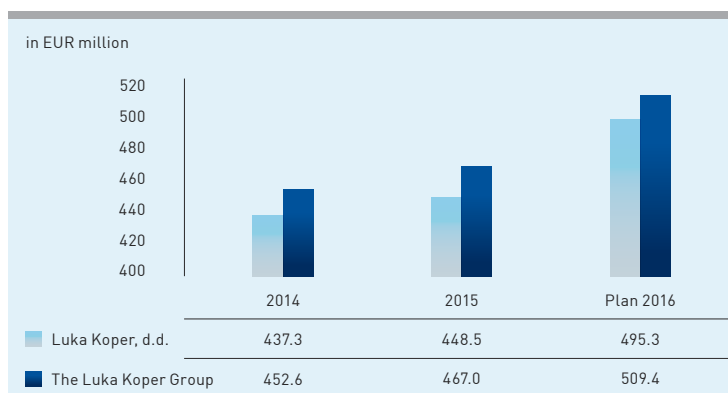
Investments in property, plant and equipment, investment property and intangible assets

In 2016, the Luka Koper Group foresees an increase in the value of investments when compared to the investments of 2015. Investments in property, plant and equipment, investment property and intangible assets of the Luka Koper Group are planned in the amount of EUR 78.9 million in 2016. In line with the company's strategy the majority of investments will be focused on the container terminal or extension of the first pier on the southern part and the completion of the investment in the construction of three new reservoirs for the needs of the liquid cargo terminal.



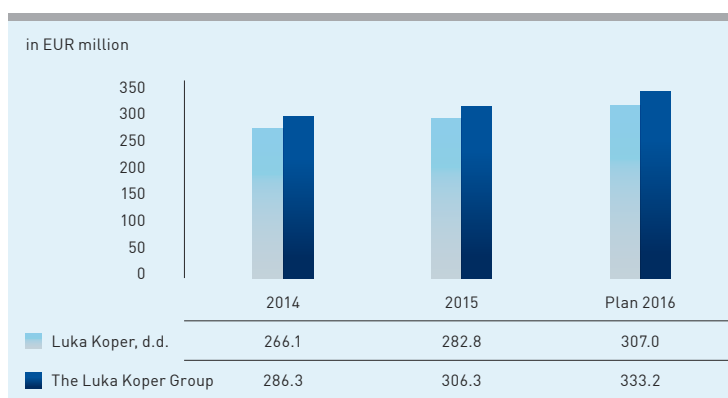
Assets

In 2016, assets of the Luka Koper Group are planned in the amount of EUR 509.4 million, which accounts for a 9% growth over the year 2015. Assets of Luka Koper, d.d. will go up by 10% in 2016 compared to 2015.



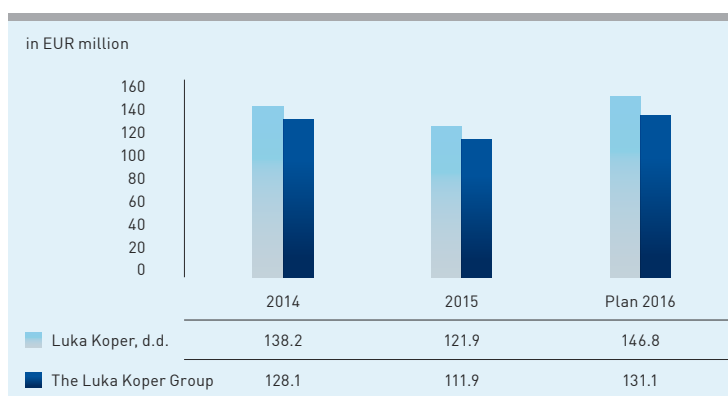
Equity

In 2016, equity of the Luka Koper Group will increase by 9% over the equity of 2015, and equity of Luka Koper, d.d. will increase in the same amount.



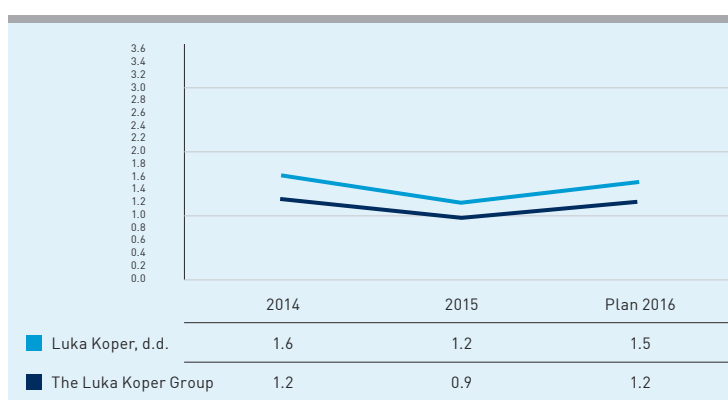
Financial liabilities

In 2016, financial liabilities of the Luka Koper Group will increase to EUR 131.1 million. The increase is the result of the higher planned volume of debt of the Luka Koper Group due to financing of investments projected in 2016.



Net financial debt /EBITDA

The Luka Koper Group will increase the debt volume in 2016 compared to the year 2015 and thus the ratio of net financial debt to EBITDA will rise to 1.2. The ratio of financial liabilities to equity of the Group will increase from 0.37 in 2015 to the projected 0.39 in 2016.



3.6 IMPLEMENTATION OF THE PLANS, STRATEGIC OBJECTIVES AND ORIENTATIONS

Implementation of the strategy

In spite of drawing up the new strategy for the period 2016–2020 with the orientations to the year 2030, the new strategic concept closely matches the applicable strategic documents and projections in force to the end of 2015. In 2015, the implementation of the strategy followed the strategic plan of the Luka Koper Group for the period 2011–2015 that was revised last in April 2013.

In 2015, the activities were mainly focused on the results of the port system, on boosting the further development of additional capacities of the port, accelerated marketing of our services in the overseas markets and on the provision of traditional presence in the hinterland markets. In line with the formulated strategy the record throughput was marked by the throughput volume of containers and cars. Due to the fact that the port capacities are most extensively utilised, we are aware of the challenges posed by the timely provision of new appropriate capacities. In 2015, four project groups of new investments were initiated: for containers on the first pier and in its immediate hinterland, for cars in the third basin, for reservoirs and multi-purpose warehouse on the third pier and new berths in the second basin.

It is worth mentioning that a certain progress was achieved in the field of the business system, where additional contribution was made towards the reduction in debts, project turnarounds and the recovery of previous investments. Certain processes were optimised and improvements in the organisation of company operation made, which produced favourable results.

Special attention was paid to the improvement in relations in the port community at the level of the logistic system and to connecting of actors on the transport route through Koper. The completed deepening of the first basin to –15 meters is a very important acquisition, as it will provide strengthening of the presence of the main container shipping companies. The pressure on the provision of adequate infrastructural connections with the hinterland was again intensified, it was mostly related to the second track project because of the railway and new entries because of the improvement in road access to the port.

Strategic documents were harmonised at the European, national and regional levels in terms of challenges of the institutionalised environment, mainly from the aspect of the new financial perspective 2014–2020 and the adequate placement and connection of the Port of Koper. In 2015, a lot of effort was put in the protection of the company's interests at the national and local levels under consideration of the centralised and uniform management and port priorities.

Key ratios of the operation of Luka Koper, d.d. and the Luka Koper Group in 2015 compared to the plan for 2015

(in EUR)	Luka Koper, d. d.			The Luka Koper Group		
	2015	Plan 2015	Index 2015/ Plan 2015	2015	Plan 2015	Index 2015/ Plan 2015
Income statement						
Net sales	173,277,749	167,634,395	103	184,273,472	177,866,199	104
Operating profit (EBIT)	38,826,283	31,603,934	123	42,420,503	33,746,955	126
Earnings before interest, tax, depreciation and amortisation (EBITDA)	65,194,564	58,197,398	112	69,935,252	61,463,217	114
Operating result from financing activities	-5,065,002	-1,265,051	400	-5,930,515	-1,622,136	366
Profit before tax	33,761,281	30,338,883	111	37,818,216	32,124,819	118
Net profit	28,845,074	26,091,439	111	32,414,723	27,489,771	118
Added value	108,912,973	100,015,207	109	120,029,932	108,974,274	110
Statement of financial position (as at 31 December)						
Assets	448,483,218	446,192,661	101	466,991,445	460,007,565	102
Non-current assets	412,427,964	418,803,773	98	421,332,909	428,039,478	98
Current assets	36,055,254	26,622,531	135	45,658,536	31,110,306	147
Equity	282,847,478	282,222,678	100	306,290,469	303,562,019	101
Non-current liabilities with provisions and long-term accruals	127,660,101	113,110,644	113	121,175,916	106,236,824	114
Short-term liabilities	37,975,639	50,859,338	75	39,525,060	50,208,721	79
Financial liabilities	121,896,953	130,623,027	93	111,866,534	116,623,027	96
Cash flow statement						
Investments in property, plant and equipment, investment property and intangible assets	36,871,798	45,185,502	82	37,402,753	45,966,862	81
Ratios (in %)						
Return on sales (ROS)	22.4 %	18.9 %	119	23.0 %	19.0 %	121
Return on equity (ROE)	10.5 %	9.6 %	109	10.9 %	9.4 %	116
Return on assets (ROA)	6.5 %	5.9 %	110	7.0 %	6.0 %	117
EBITDA margin	37.6 %	34.7 %	108	38.0 %	34.6 %	110
Financial liabilities/equity	43.1 %	46.0 %	94	36.5 %	38.4 %	95
Net financial debt/EBITDA	1.2	1.5	80	0.9	1.1	82
Dividend payout ratio	22.5 %	12.5 %	180	22.5 %	12.5 %	180
Maritime throughput (in tons)						
Maritime throughput	20,711,872	20,101,750	103	20,711,872	20,101,750	103
Number of employees						
Number of employees	852	858	99	1.040	1.047	99

4 LETTER OF THE PRESIDENT OF THE MANAGEMENT BOARD

A FIVE-YEAR STRATEGIC PERIOD ENDED WITH RECORDS

Answers of the President of the Management Board of Luka Koper, d.d., Dragomir Matić.

How do you assess the financial year 2015? Can it be named a record year?

Definitely. In several areas. Primarily when considering the throughput. The target of 20 million tons was never exceeded before, and in one year the total throughput increased by 1.7 million tons. In the past the throughput was never as high as 790,000 TEU. The car throughput amounting to 607,000 vehicles was also a record one. And the financial result of the Group marks a historic milestone, including the revenue (EUR 184.3 million) and net profit (EUR 32.4 million). If the bad investments from the period 2006–2009 were not impaired in the amount of EUR 4.3 million, the profit would be even higher. In every aspect, the year was a record one. And this includes also the number of working days as we worked also on important holidays, such as 1 May, Christmas and New Year.

Our thanks go in particular to the employees whose professionalism, motivation and loyalty reflected in their devoted work when taking crucial decisions for the future of the port.

And we would also like to thank our business partners who have supported us for decades and have grown with us, are satisfied with our services and reward us by their loyalty and confidence.

What do you mean by mention the moment of crucial decisions for the future of the port?

Three strategic documents that dictate our future development and growth were prepared and approved last year. They are the Strategic business plan of the company and the Luka Koper Group in the period 2016 - 2020, Business strategy of the company and the Luka Koper Group to the year 2030 and Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan. The company and the Group have never had such complex and complete documents. The validity of the previous five-year strategic plan expired at the end of 2015 and new professional bases were needed for a new investment phase. What I mean is a new development cycle, as over EUR 300 million will be invested in the port infrastructure and equipment in the next five years. After the year 2020 investments amounting to additional EUR 400 million will be made under the condition that the port will get an additional railway connection with the hinterland in the period concerned.

Why is the additional railway connection so important?

A very high percentage of goods – almost 60% – leaves or arrives in the port by rail.

If the throughput increases in line with our strategic plan and if the present ratio of cargo delivered by rail or road is maintained, the top limit of the railway track capacities between Koper and Divača will be reached no later than in 2020, as this is the most vulnerable and burdened section of the country. In short, if the state does not provide the additional railway track, a question will arise, to what extent we will invest in the port infrastructure or increase the capacities of the port after the year 2020. It has already been observed that the number of trucks has increased; in the last year there were 15% more trucks than in the previous year. The Slovene road network will most probably not be able to endlessly tolerate additional quantities of cargo, when the only railway track is saturated. Besides that, railway transport on long distances is cheaper than the road transport, is ecologically acceptable and the competitiveness of the Slovene logistic chain depends on it. Nevertheless, a proverb goes that a chain is as strong as the weakest link.

The monorail track connecting the port poses the highest risk. It is in a very poor condition as it was constructed 50 years ago. Nowadays, the volume and dynamics of transport by rail do not make regular maintenance possible.

How can you provide an increase in the throughput in future? The global economic growth is not as expected after the crisis.

The throughput in the Port of Koper increased in the previous years faster than the economic growth in the markets of Central and Eastern Europe that are supplied through Koper. This means that the cargo moves from the north of Europe to the south. Primarily, because the shortest logistic route between Far East and Central Europe runs through Koper. In the last years Luka Koper provided additional capacities and sufficient sea depth, improved services, increased productivity, which persuaded foreign business partners by diligence and reliability of other Slovene logistic companies to select Koper. Let us have a look at the case of containers, which are a strategic cargo for us. Twenty largest container ports in Europe recorded a total downturn in throughput by 2.6% in the last year. But the quantity of containers (the number of TU) increased by 17% in Koper. This is not and cannot be organic growth, as some would like to present. This is the evidence of tremendous effort, commitment, quality, reliability and potential of the Port of Koper or the Northern Adriatic in general.

Can the throughput grow also without any investments?

No, not at all. The capacities of the port are highly utilised. The case of containers can explain this. Each new investment, extension of the operational coast, additional warehousing areas, effective cranes and equipment for container handling, and deepening of the seabed brought about the above-average growth in the throughput. Without all these investments it would be impossible for the port to hold the leading position of the largest container terminal in the Adriatic for six years in a row. Nowadays, when all ports in the world invest most in container terminals, we can no

longer afford to fall behind the demand. Initially, it is necessary to provide sufficient capacities and only then we can foresee additional quantities of cargo. We should be a step before our competition. There are very rare investments in the port, where cargo would be provided or guaranteed in advance. When our services are marketed or when customers send their concrete inquiries, we have to be able to provide the expected services or customers will try to find solutions in other ports.

How do you intend to finance these investments?

Luka Koper, d.d. can finance the investments mentioned by own funds, in combination with loans and through co-financing by the European funds. In recent years, the debts of the company have decreased steadily; last year by 13% when compared to the year before. If the financial liabilities of the Group amounted to EUR 234.5 million in 2009, they amounted only to EUR 111.9 million at the end of 2015. If anyone doubts the necessity of borrowing for investments in port capacities, it does not know the nature of the port work. All the neighbouring ports have large-scale investment plans relating to the infrastructure in the following years.

What are the key investments of the year 2016?

The construction of three new reservoirs (each of 20,000 m³) for liquid cargoes will be completed. In these cases the customers are known, which means that the capacities are sold in advance and utilised. The construction of a multi-purpose warehouse for dry bulk and general cargoes will begin. This is the most significant investment in closed warehousing capacities in the last eight years. Additional warehousing areas have been prepared and extended for cars. Due to the breakthrough that we made by concluding the contract for the export of Mercedes cars to the Far East, the opportunities for new potential transactions opened up and include export from the EU to the Far East and in the opposite direction. Customers require a provision of warehousing capacities and therefore the preparation of new areas for cars is a precondition.

The container terminal will attract the largest share of investments. The seabed was deepened to -15 meters last year and this enables the reception of large container ships. The investment in new tracks and the extension of the existing ones at the terminal will be completed in this year, which means that handling at the terminal will be carried out on five trains simultaneously. The productivity will additionally increase after the delivery of two new overhead travelling cranes on rails, most probably this will be possible at the beginning of the following year, and seven electric overhead travelling cranes on wheels will be delivered this year. Obtaining of the building permit for the extension of the first pier, i.e. the operational coats of the container terminal, is expected this year; two new super post-panamax STS cranes will be positioned there to enable the throughput of the largest container ships in the world with the load-bearing capacity up to 20,000 TEU. Moreover, we have prepared the documents for the construction of new berths in the second and

the third basins. In order to be able to provide a better fluidity the existing truck gateway to the port has been widened. If adequate permits are obtained from the state and the Municipality of Koper, a new gateway for trucks can be built in the direction of the Bertoki roundabout in this year, which will significantly decongest the truck transport and eliminate standstills on the access road to Ankaran.

All these investments that amount to EUR 78.9 million at the level of the Group would have to reflect in the better operation of the Group. What about the forecast?

If there are no unforeseen events, the throughput in the amount of EUR 21.4 million tons and net sales in the amount of EUR 194.7 million are projected for the year 2016. Net profit higher than in 2014 viz. profit in the amount of EUR 37.8 million has been also planned. I believe that all stakeholders will be satisfied with such record results. Primarily the owners who expect dividends. And also trustees of public finance, as the budget of the state and municipalities will gain more concession fees, compensation for the use of building land, other taxes and contributions. Each eighth euro earned by Luka Koper is paid to the state budget, but the compensation for the use of building land is not included as it is paid to the budget of the municipality.

We should not forget the local environment as Luka Koper, d.d. is among the most important employers in the region. In the last two years it employed 90 new persons, and another 50 employments are planned for this year. The growth in operation will reflect also in the field of social responsibility as the business success of the company is a condition for the sustainable development of the port. Luka Koper, d.d. supported numerous projects by sponsorships and donations that totalled EUR 1 million in 2015.



Dragomir Matic

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

5 REPORT OF THE SUPERVISORY BOARD FOR 2015

Composition of the Supervisory Board

In 2015, the Supervisory Board worked in the following composition: Dr Alenka Žnidaršič Kranjc, Dr Elen Twrdy, Žiga Škerjanc, Andrej Šercer, MSc, Capt. Rado Antolovič MBA, Sabina Mozetič, Mladen Jovičič, Stojan Čepar and Nebojša Topič, MA. It has to be emphasised that the term of office of Sabina Mozetič expired on 12 July 2015, but she was re-appointed on 21 August. The term of office of Stojan Čepar finally expired on 30 November 2015 and the Supervisory Board ended the year 2015 with eight members.

In spite of the expiry of certain terms of office the core of the members remained unchanged and ensured the on-going implementation of the targets set by the Supervisory Board. Creation of conditions for the efficient work was also important. This includes the operation on the basis of a constructive dialogue that enables comprehensive discussion of the problems being the subject matter of the decisions taken by the Supervisory Board. Such method of work enables taking of adequate decisions without rejecting any different opinions and strengthening the confidence among the members. In this respect the Supervisory Board made some remarkable progress when compared to the year 2014.

Operation of the Supervisory Board

In 2015, the Supervisory Board duly monitored and supervised the operations of Luka Koper and assessed the work of the Management Board. In scope of its competence it was engaged in the performance of various tasks among which the following three have to be emphasised:

1. formulation of the long-term business strategy of Luka Koper, d.d.,
2. efforts to implement the key investments of Luka Koper, d.d.,
3. filling of vacancies in the Management Board of Luka Koper, d.d.

The Supervisory Board believes that the above-mentioned objectives were successfully achieved. An important milestone has to be mentioned in relation with the formulation of the business strategy of Luka Koper, d.d. Comprehensive documents dealing with the long-term business strategy of the company were adopted for the first time in the company history: Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan, and the Business strategy of the company and the Luka Koper Group to the year 2030. Furthermore, the Strategic business plan of the company and the Luka Koper Group was adopted for the period 2016 – 2020 and it deals with the medium-term development of the company and the Luka Koper Group, but it no less important. The development of the company and the Group was clearly outlined in them. The Supervisory

Board was active in striving for carrying out the key investments of the company and exerted its influence also through the Committee for Infrastructure. In 2015, deepening of the aquatorium in the first basin was completed in the port of Koper, and enabled arrivals of the largest container ships. In 2015, the Supervisory Board was active also in the field of filling vacancies in the Management Board. Due to the resignation of a member of the Management Board, responsible for accounting and finance, a new member of the Management Board had to be appointed for this field and who already worked for the port. The term of office of the Employee Director also expired and a new one was appointed.

The Supervisory Board held seven ordinary meetings and five sessions by correspondence in the above composition.

All the members of the Supervisory Board attended the majority of the meetings, and no one was frequently absent. The President, other members of the Management Board and professional employees mostly attended the meetings because of the items on the agenda. They currently explained the issues and provided information required for decision-making.

All the members actively participated and monitored the implementation of the decisions taken. They prepared well for the meetings and obtained additional information about the issues discussed. The composition and organisation of all three compositions of the Supervisory Board enabled efficient performance of the supervisory function.

In addition to the three issues mentioned above the Supervisory Board devoted most attention to the:

- criteria for the rewarding of the Management Board,
- adoption of the business plan,
- monitoring of the operation of the company and the Luka Koper Group,
- management of company investments,
- long-term development of the company,
- renewal of processes in the company,
- reduction in the company's exposure in legal actions against it,
- discussion of measures for the long- and short-term increase in the productivity of the company,
- measures for the improvement in operation of the Supervisory Board,
- investments of the company in other entities,
- preparation of the company's General Meeting of Shareholders,
- relations to the Republic of Slovenia and the bodies of the local community.

In its ordinary meetings the Supervisory Board discussed the following relevant issues:

- In the January meeting:
 - the adoption of the business plan of the Luka Koper Group for 2015;

- In the February meeting:
 - the discussion of the non-audited report on the operation of the Group and Luka Koper, d.d. in the period January - December 2014,
 - the discussion of the draft Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan,
 - the discussion of litigations where the company was exposed and involved;

- In the April meeting:
 - the discussion of the Annual Report of the Luka Koper Group and Luka Koper, d.d. for 2014,
 - the adoption of the amending Business plan of the Luka Koper Group and Luka Koper, d.d. for 2015,
 - the conduct of the analysis of the Supervisory Board self-assessment;

- In the May meeting:
 - the discussion of the proposal for changes in the Articles of Association of the company,
 - the discussion of convening the General Meeting of Shareholders,
 - the approval of the investments;

- in the August meeting:
 - the appointment of Irena Vincek a new member of the Management Board for finance and accounting,
 - the adoption of the Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan, Business strategy of the company and the Luka Koper Group to the year 2030 and Strategic business plan of the company and the Luka Koper Group for the period 2016 - 2020;

- In the November meeting:
 - the appointment of Stojan Čepar the member of the Management Board - Employee Director,
 - the discussion of the strategy of human resources management in the company in the period 2016 - 2020,
 - the approval of the investments,
 - the adoption of the financial calendar for 2016;

- In the December meeting:
 - the adoption of the business plan for 2016,
 - the approval of the investments.

Work of the Supervisory Board Committees

In 2015, the HR Committee, the Audit Committee and the Committee for Infrastructure and Operations worked regularly within the framework of the Supervisory Board and all of them positively contributed to the work of the Supervisory Board.

At the beginning of 2015 the HR Committee operated in the following composition: Capt. Rado Antolovič MBA (Chairman), Andrej Šercer, MSc (Member), Sabina Mozetič (Member) and Stojan Čepar (Member). During the year some changes were made in the composition of the memberships when Stojan Čepar was substituted by Nebojša Topič. In the period 12 July - 18 October the HR Committee consisted only of three members, the Chairman Capt. Rado Antolovič MBA and the members Andrej Šercer, MSc. and Stojan Čepar as the term of office of the HR Committee member Sabina Mozetič expired on 12 July. She was re-appointed the member of the Supervisory Board of Luka Koper, d.d. on 21 August, and the member of the HR Committee within the Supervisory Board on 18 October. The HR Committee held five meetings in 2015. On 17 April it discussed the remuneration of the Management Board for its work in the year 2014, on 13 July it discusses the proposal for the appointment of the candidate for the member of the Management Board in the field of finance and accounting, on 17 July it heard the candidate for the member of the Management Board for finance and accounting and confirmed the proposal of the HR Committee to support the candidature. On 30 November the HR Committee met and discussed the candidature for the member of the Management Board – Employee Director and confirmed the proposal of the Workers Council to support the candidature and to discuss the criteria for the determination of remuneration of the members of the Management Board for the year 2015 and to obtain information about the HR strategy of the company. On 18 December the HR Committee held its last meeting in 2015 when it discussed the criteria for the determination of the remuneration of the members of the Management Board for 2015.

The Audit Committee held seven meetings in 2015, of which one was extraordinary. Throughout the year the Committee operated in the following composition Žiga Škerjanc (Chairman), Dr Alenka Žnidaršič Kranjc (Member), Barbara Nose (external member) and Mladen Jovičič (Member). The Audit Committee regularly monitored the company's operation and discussed the following relevant issues in its meetings. In the meeting of 20 February 2015 the Audit Committee discussed the information on the operation of the Group and the Luka Koper, d.d., the Management letter of the audit firm KPMG, the Annual Report of the internal audit for 2014, the Annual plan of the internal audit for 2015 and a list of pending legal actions. In the meeting of 9 April 2015 the Audit Committee discussed the Audited Annual Report of the Group and company Luka Koper, d.d. and the Management letter after the audit of financial statements for 2014. In the extraordinary meeting of 17 April 2015 it discussed the risks relating to the IT support of the company. In the meeting of 22 March

2015 the Audit Committee discussed the non-audited report on the operation of the Group and Luka Koper, d.d. in the period January – March 2015. It was informed about the Report based on the Concession Agreement for the performance of the port activities, management, development and regular maintenance of the port infrastructure in the area of the cargo port of Koper for the period that ended on 31 December 2014 and the Report on the implementation of recommendations of the internal audit as at 31 March 2015 and confirmed the proposal for the selection of the audit firm for 2015. In the meeting of the Audit Committee of 21 August 2015 the Audit Committee discussed the non-audited report on the operation of the Group and Luka Koper, d.d. in the period January – June 2015, half-year report on the work of the internal audit and was informed about the Report on the conduct of the external audit of the internal audit quality. In the meeting of 30 November 2015 the Audit Committee discussed the non-audited report on the operation of the Group and Luka Koper, d.d. in the period January – September 2015, and the Report on the project of introducing the risk management system, introduction of the corporate integrity system in the company and implementation of Public Information Access Act. In the meeting of 18 December 2015 the Audit Committee was informed about the Report of the external auditor after the performance of the preliminary audit of the financial statements for 2015, financial calendar for 2016 and it adopted the calendar of meetings of the Audit Committee for 2016, and was informed about the Code of work of the internal audit, the Report on the implementation of recommendations of the internal audit as at 30 September 2015 and the plan for the implementation of recommendations of the external audit concerning the internal audit operation.

In 2015, the Committee for Infrastructure and Operations held six ordinary meetings. At the beginning of the year the Committee for Infrastructure and Operations consisted of Dr Elen Twrđy (Chairperson), Capt. Rado Antolovič MBA (Member), Stojan Čepar (Member) and Andrej Šercer, MSc (Member). On 30 November 2015 the membership of Stojan Čepar in the Supervisory Board expired and thus the membership in the Committee for Infrastructure and Operations expired as well. On 20 February 2015 the Committee for Infrastructure and Operations was informed about the status of projects in 2015 and the problems relating to the implementation of some key projects in Luka Koper, d.d., such as the new gateway and the second track. On 13 April 2015 the Committee for Infrastructure and Operations discussed the amending plan and economic reports on the implementation of individual investments. The economic reports on the investments were adopted in the meeting of the Committee for Infrastructure and Operations on 22 May 2015. On 21 August 2015 the Committee discussed the following documents: Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan, Business strategy of the company and the Luka Koper Group to the year 2030 and the Strategic business plan of the company and the Luka Koper Group for the period 2016 - 2020. On 30 November 2015 the Committee for Infrastructure and Operations discussed the

plan of investments for 2016 and the implementation of the projected investments of the company. In the meeting of 18 December 2015 the Committee for Infrastructure and Operations discussed the amendments to the investment plan for 2016 and the economic report on the multi-purpose warehouse.

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

Meeting Number	Date of the meeting	Absent members
Meetings of the Supervisory Board		
Ordinary meeting No. 12	9 January 2015	Sabina Mozetič
Ordinary meeting No. 16	21 August 2015	Andrej Šercer, MSc
HR Committee meetings		
		None
Meetings of the Committee for Infrastructure and Operations		
Ordinary meeting No. 16	21 August 2015	Andrej Šercer, MSc
Audit Committee meetings		
		None

Assessment of the work of the Supervisory Board

The present Supervisory Board has operated since October 2013. Some changes in the membership were made in the meantime, as it is evident from the data stated above. In 2015, the Supervisory Board continued the work it performed already in 2014.

After its constitutive meeting the current composition of the Supervisory Board set some very important objectives, such as the increase in productivity, increase in return on equity, more efficient implementation of investments and establishment of a dialogue between the employees and the capital. All the objectives were achieved. In 2015, the Supervisory Board met new challenges that are mainly related to the outlining of orientations of long-term development of Luka Koper. Two very important documents on this topic were adopted: Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan and the Business strategy of the company and the Luka Koper Group to the year 2030. These are the first documents in the history of the company and the Group that formulate their development in the long term under consideration of various factors and also those that depend only on them. This involves the question if the second track to the port of Koper will be constructed or not. The Supervisory Board was active also in the field of exposure of Luka Koper, d.d. in legal actions where significant progress

was made. The exposure of the company that amounted to EUR 20,635,851 at the beginning of 2015 reduced to EUR 3,487,324. The engagement of the Supervisory Board also contributed to the intensive implementation of investments in 2015 and some of them were completed. They mostly include deepening of the Port of Koper that enables the arrival of the largest container ships and further extension of the container terminal, which also significantly contributed to the growth in transport. In Luka Koper the growth in net profit is still evident and was by 9% higher in 2015 than in 2014. Certain activities in the field of cost reduction are still needed, but they are not affected only by the factors within the company, but also external factors, such as a decrease in the compensation for the use of building land.

In order to be able to achieve the objectives set the Supervisory Board strengthened the communication and cooperation with the Management Board that was present in the meetings when the majority of items on the agenda were discussed. In this way the exchange of information between the Management and Supervisory Boards substantially improved and enabled adoption of some documents that are of vital importance for the company. The Supervisory Board estimates that the communication between the Management and Supervisory Boards is adequate. The members of the Supervisory Board work on different professional fields and have the experience required. They showed motivation for work and each of them contributed to the operation of the Supervisory Board. The composition of the Supervisory Board was adequate in this respect. No conflict of interest was observed among the members. When decisions were taken, where an individual member could show a conflict of interest, it warned the other members and was excluded from the decision-making process. The Supervisory Board will have to make certain improvements when new members are introduced.

In line with the methodology of the Association of Supervisors of Slovenia the Supervisory Board carried out the self-assessment for the year 2015. It also appointed one of its members for the formulation of the proposal for measures aiming at the improvement in performance of the Supervisory Board in the fields that have to be improved. The members who operated in 2015, filled in also a questionnaire regarding the conflict of interest from the Corporate Governance Code. The company published their statements on its website.

Self-assessment questionnaire for self-assessment of the Audit Committee, as suggested by the Association of Supervisors of Slovenia for 2015 conducted by the audit committee of the Supervisory Board and at its meeting noted the analysis of the responses to the questions.

Costs of operation of the Supervisory Board

Based on the provisions of Article 25 of the Articles of Association of Luka

Koper, d. d., the General Meeting of Shareholders made a decision on 21 August 2015 on determining the payment for carrying out the function and attendance fee for the Supervisory Board Members and Members of the Committees of the Supervisory Board until revoked. In accordance with this Article the Supervisory Board Members are entitled to EUR 275 gross per session. The Members of the Supervisory Board, who are also Members of the Committees are entitled to 80% of this amount when they attend Committee meetings. The attendance fee for correspondence sessions amounts to 80% of the attendance fee. With respect to the facts mentioned and regardless of the attendance in the meetings in a separate financial year an individual member of the Supervisory Board is entitled to the payment of attendance fee, until the total amount of attendance fees reaches 50% of the basic pay for the performance of the function of the Supervisory Board Member at an annual level. Regardless of the number of attendances in the meetings of the Supervisory Board and Committees an individual member of Supervisory Board, who is the Member of the Committee or Committees of the Supervisory Board, is entitled to the payment of attendance fees in an individual financial year, until the total amount of attendance fees paid for the attendance of the meetings of the Supervisory Board and the Committees reaches 50% of the basic pay for the performance of the function of the Supervisory Board Member at the annual level, increased by 25%.

In addition to attendance fees, each Member of the Supervisory Board receives the basic pay for carrying out their functions in the amount of EUR 13,000 gross. The Chairman of the Supervisory Board receives a supplement of 50% of the basic pay for carrying out this function. The Deputy Chairman is entitled to the supplement in the amount of 10% of the basic pay for the performance of the function of the Supervisory Board Member. Members of Committees of the Supervisory Board receive a supplement amounting to 25% of the basic pay for the performance of the function of the Supervisory Board Member. The Chairperson of Committees is entitled to the supplement for the performance of the function in the amount of 50% of the pay for the performance of the function of the Supervisory Board Member. Regardless of the facts mentioned above and regardless of the number of the Committees it chairs or is a member of, an individual member of the Committee of the Supervisory Board is entitled to the payment of supplements, until the total amount of supplements reaches 50% of the basic pay for the performance of the function of the Supervisory Board Member at an annual level.

Should the term of an individual member of the Supervisory Board be shorter than the financial year, an individual member of the Committee of the Supervisory Board, is entitled to the payment of supplements for the duration of its term of office regardless of the facts mentioned above and the number of Committees it chairs or is a member of in an individual financial year until the amount of such supplements reaches 50% of the basic pay for the performance of the function of the Supervisory

Board Member. Members of the Supervisory Board and Members of Committees of the Supervisory Board receive the basic pay and supplement for the performance of the function in proportion of the monthly pay they are entitled to as long as they perform the function. The monthly payment amounts to one twelfth of the annual amounts stated above. The limitation of the total payments of attendance fees or payments of supplements to a Member of the Supervisory Board does not affect its duty to actively participate in all the meetings of the Supervisory Board and the meetings of the Committees whose member it is and its legally determined responsibility. Members of the Supervisory Board and Members of the Committees of the Supervisory Board are entitled to the refund of travel expenses and other expenses related to the arrival and participation in the meetings in line with the Articles of Association and regulations governing the refund of work-related costs and other income not included in the tax base.

In its 17th meeting of 30 November 2015 the Supervisory Board determined also the payment for the external member of the Audit Committee of the Supervisory Board. It decided that she is entitled to the payment in the amount of 25% of the basic gross payment that an individual member of the Supervisory Board is entitled to for the performance of the function in the Supervisory Board. The external member is also entitled to the payment of attendance fees in the same amount for the presence in the Audit committee meetings as the members of the Supervisory Board for their participation in the Committees of the Supervisory Board. If the external member of the Audit Committee attends a meeting of the Supervisory Board, she is entitled to the attendance fee only if there is no meeting of the Audit Committee on the date of the meeting of the Supervisory Board. In this case the amount of attendance fee is equal to the attendance fee for the participation in the Audit Committee meeting. The external member of the Audit Committee is entitled also to the refund of travel expenses and other costs related to the arrival and participation in the meetings as the Members of the Supervisory Board.

Payments to individual Members of the Supervisory Board and Members of Committees of the Supervisory Board are presented in detail in the Accounting Report of Luka Koper, d.d., in Note No. 35 Transactions with related parties. In addition to the payments to the Members of the Supervisory Board, the Supervisory Board allocated EUR 960 to the training and EUR 250 to the entertainment of the Supervisory Board Members in 2015.

Adoption of the annual report and the view on the auditor's report

The Supervisory Board discussed the Annual Report of Luka Koper, d.d. and the Luka Koper Group for the year 2015 and the proposal of the Management Board concerning the appropriation of the accumulated profit in its ordinary meeting of

15 April 2016.

The Supervisory Board was informed about and discussed also the audit report in which the certified audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o. established that the financial statements as the components of the annual report, presented a true and fair view of the financial position of the company and the Group and of their income statement, the statement of changes in equity and the cash flow statement.

By verifying the annual report the Supervisory Board established that the reporting on the operation of the company Luka Koper, d.d. and the Luka Koper Group was clear and transparent and gave a true and fair view of their financial position as at 31 December 2015. The Supervisory Board had no comments on the auditor's report.

The Supervisory Board Members unanimously adopted the Annual Report of Luka Koper, d.d. and the Consolidated Annual Report of the Luka Koper Group including the audit report for 2015 in the meeting of 15 April 2016. It has been established that the annual report is officially adopted in line with the provisions of Article 282 of the Companies Act and the Articles of Association of Luka Koper, d.d.

Proposal for the appropriation of the accumulated profit for 2015

The Supervisory Board believes that the proposal of the Management Board for the appropriation of the accumulated profit complies with the dividend policy and the strategic development orientation of the company and takes into account the interest of shareholders for a long-term increase in the share value. In 2015, Luka Koper, d.d. generated net profit in the amount of EUR 28,845,074.48. Based on the decision of the Management Board the company created other revenue reserves amounting to half of net profit of 2015 when compiling the annual report. The company established that the accumulated profit equalled EUR 15,880,814.24 in 2015.

The Supervisory Board adopted the annual report for 2015 as well as the proposal for the appropriation of the accumulated profit that Management and Supervisory Boards will propose for adoption by the General Meeting of Shareholders. The proposal for the appropriation of the accumulated profit that amounted to EUR 15,880,814.24 as at 31 December 2015 is as follows:

- a portion of accumulated profit amounting to EUR 9,520,000.00 shall be used for the payout of dividends in the gross amount of EUR 0.68 per ordinary share,
- the remaining accumulated profit in the amount of EUR 6,360,814.24 should remain unappropriated.

The Supervisory Board of the company establishes that the conditions for granting discharge to the Management and Supervisory Boards for 2015 have been fulfilled on the basis of the annual report of Luka Koper, d.d. and the Luka Koper Group, auditor's report and this report of the Supervisory Board.

A handwritten signature in black ink, appearing to read 'Alenka Kranjc', written in a cursive style.

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

6 CORPORATE GOVERNANCE STATEMENT

In the previous year corporate governance of the company Luka Koper, d.d. and the Luka Koper Group was carried out with due regard to of the applicable legislation and internal organisational regulations. We followed the guiding principles for the provision of transparency of operation for the shareholders, employees and the wide public prescribed by the Management Code for publicly traded companies and recommended by the Association of Supervisors of Slovenia, we observed the Governance Code for Capital Investments of the Republic of Slovenia (adopted on 19 December 2014) and followed the orientations of the company management that the Supervisory Board adopted in May 2010.

STATEMENT ON THE COMPLIANCE WITH THE PROVISIONS OF CODES

Pursuant to Article 70, paragraph 5 of the Companies Act and the provisions of the Code of Ethics of the Luka Koper Group (adopted by Luka Koper, d.d. on 14 February 2012), Management Code for publicly traded companies (adopted on 8 December 2009) and the Governance Code for Capital Investments of the state (adopted on 19 December 2014), Luka Koper, d.d. provides the following statement on the management of Luka Koper, d.d., which is available also on the website www.luka-kp.si/slo/za-vlagatelj/poslovna-porocila.

1. Statement on the compliance with the provisions of the Code of Ethics of the Luka Koper Group

Luka Koper, d.d. follows the recommendations of the Code of Ethics of the Luka Koper Group that the Management Board adopted on 14 February 2012.

2. Statement on the compliance with the provisions of the Management Code for publicly traded companies

Luka Koper, d.d. follows the recommendations of the Management Code for publicly traded companies that Ljubljanska borza, d.d., the Association of Supervisors of Slovenia and the Managers' Association of Slovenia adopted on 8 December 2009, which are available on the website of the Ljubljana Stock Exchange www.ljse.si.

The Management and Supervisory Boards of the company declare that, in 2015, they complied with the provisions of the Management Code for publicly traded companies, except the issues stated below.

Derogation from the certain sections of individual provisions of the Management

Code for publicly traded companies (adopted on 8 December 2009)

In 2015, Luka Koper, d.d. did not follow the following principles and recommendations of the Management Code for publicly traded companies or followed them only to a certain extent:

Principle 5.2: The company shall provide the public disclosure of the information on the persons who collect powers of attorney for voting in a General Meeting of Shareholders in an organised manner

Luka Koper, d.d. did not follow this principle in 2015, but will provide the public disclosure of the information on persons who collect powers of attorney for voting in a General Meeting of Shareholders and all other information of Principle 5.2 in an organised manner on its website in 2016.

3. Statement on the compliance with the provisions of the Governance Code for Capital Investments of the Republic of Slovenia (adopted on 19 December 2014)

Luka Koper, d.d. follows the recommendations of the Governance Code for Capital Investments of the state (adopted on 19 December 2014), and other individual recommendations, which are available on the website www.sdh.si.

The Management and Supervisory Boards of company declare that, in 2015, they followed the principles and recommendations of the Governance Code for Capital Investments of the state (adopted on 19 December 2014), except the issues stated below.

Derogation from the certain sections of individual provisions of the Governance Code for Capital Investments of the Republic of Slovenia (adopted on 19 December 2014)

In 2015, Luka Koper, d.d. did not follow the principles and recommendations of the Governance Code for Capital Investments of the state or followed them only to a certain extent:

Principle 6.7: Procedure of selecting candidates for the Supervisory Board members
Luka Koper, d.d. follows this principle only to a certain extent as the procedure of selecting new members of the Supervisory Board is determined in the Rules on the Work of the Supervisory Board of Luka Koper, d.d. The Code is transparent, as it provides adequate mechanisms for the selection and evaluation of candidates for the Supervisory Board members. There is no Appointment Committee in the company and the Supervisory Board performs this work in cooperation with the HR Committee. The Supervisory Board estimates that in this way efficient and transparent operation is carried out in the interest of the company, because

all Supervisory Board members participate in the procedures of selecting and evaluating candidates for the Supervisory Board members.

6.8.8.: Members of the Supervisory Board are not entitled to benefits
Luka Koper, d.d. does not follow this principle as the benefit for the company bodies and manager's indemnity insurance is charged to the Supervisory Board members.

Principle 7.3.: The Supervisory Board of the company prepares a proposal for the policy of emoluments of the management bodies and submits it to the General Meeting of Shareholders for adoption

Luka Koper, d.d. does not follow the principles as it precisely observes the provisions of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities concerning the emolument policy of the management bodies of the company.

4. Statement on the compliance with the provisions of Recommendations and expectations of the Slovene Sovereign Holding (adopted in December 2014)

The Management and Supervisory Boards of the company declare that, in 2015, they followed the principles of Recommendations and expectations of the Slovenian Sovereign Holding (adopted in December 2014), except the issues stated below.

[Derogation from the certain sections of individual Recommendations and expectations of the Slovenian Sovereign Holding \(adopted in December 2014\)](#)

In 2015, Luka Koper, d.d. did not follow the following individual recommendations and expectations of the Slovenian Sovereign Holding or followed them only to a certain extent:

Recommendation No. 1.1.: Three-year planning of the company/Group

Luka Koper, d.d. prepares 5-year business plans. With respect to the provisions of the Concession Agreement the company has to prepare a 5-year annual programme of the port development and therefore it pursues the time synchronisation of both documents.

Recommendation No. 3.7.: Transparency of transaction conclusion procedures, which concern the company's expenditures

The company follows this recommendation only to a certain extent. In certain cases conclusion of lump sum agreements is more economical and feasible than the conclusion of other kinds of agreements (i.e. marketing services in a foreign market, tax consulting and media monitoring). Certain lump sum agreements were cancelled in 2015.

Recommendation No. 4.2.2.: Optimisation of labour costs in 2015 relating to the payment of the 13th salary

In line with the Corporate Collective Agreement Luka Koper, d.d. paid the 13th salary amounting to 100% of the average monthly salary of an employee.

Recommendation No. 4.3.: The company publicly disclosed the data on the intended payments

Luka Koper, d.d. publicly disclosed the data on the amount of the holiday pay and the 13th salary in accordance with the Recommendation No. 4.4., when the amount of an individual payment was known or the payment was made.

Recommendation No. 4.5.: The company published the texts of the applicable Collective Agreements for the company and the Group and the agreements with the employee representatives relating to the payment for work on its public website.

Luka Koper, d.d. does not follow this recommendation. At the end of 2011 the company invited the two leading trade unions to agree on the publication of the text of the Collective Agreement of Luka Koper, d.d. on the website of Luka Koper, d.d. The trade unions did not agree with the public disclosure of the text.

Recommendation No. 5.1.: Attainment of quality and excellence of performance of the Company /Group In 2015, Luka Koper, d. d. carried out the training for process entities of self-assessment in line with the proven European EFQM excellence model. Further activities will be performed in 2016 by formulating the self-assessment approach in line with the EFQM model adjusted to the company and. Self-assessment will be carried out most probably in 2017.

TWO-TIER MANAGEMENT SYSTEM

Luka Koper, d. d. operates under a two-tier management system, under which the Company has three management bodies: the General Meeting of Shareholders, the Supervisory Board, and the Management Board. The competencies of individual bodies and the rules on their operation, appointment, discharge and the changes in the Articles of Association are determined in the Companies Act, Articles of Association of the company, Rules of Procedure on the Work of the Supervisory Board, Management Board and the General Meeting of Shareholders in the Companies Act and stipulated in greater detail in the Company's Articles of Association and the Rules of Procedure of the General Meeting of Shareholders, the Supervisory Board and the Management Board. Individual provisions on the operation of the Management Board are available also in other general acts on internal company regulation. The Articles of Association of the Company are available at www.luka-kp.si/slo/o-podjetju.

GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest body of the Company and decides on its status changes, profit-sharing, the appointment or discharge of Members of the Supervisory Board. It makes decisions in accordance with the Companies Act and the Articles of Association of Luka Koper, d. d. The ownership structure of Luka Koper, d.d., is presented in Section [THE LKPG SHARE](#).

Convening the General Meeting of Shareholders

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

Participation and voting rights

Shareholders may take part in the General Meeting and exercise their voting right if their presence is reported to the Management Board by the end of the fourth day set for the General Meeting and if shares or a share certificate is submitted for inspection.

The company has no limitations relating to the voting rights, as all shares of Luka Koper, d.d. provide voting rights in line with the legislation.

Luka Koper, d.d. has no securities that would give any special control rights to their holders.

Decisions taken by the General Meeting of Shareholders

In 2015, shareholders had one General Meeting:

- 26th General Meeting on 21 August 2015.

In the 26th General Meeting of 21 August 2015 the shareholders:

- were informed about the adopted Annual Report of the Luka Koper Group and Luka Koper, d.d. for 2014, auditor's opinion and the Report of the Supervisory Board about the verification of the annual report of Luka Koper, d.d. and the

- Luka Koper Group for 2014,
- decided on the proposal for the appropriation of the accumulated profit for 2014 in the amount of EUR 14,598,947.31, where it was defined that:
 - part of the accumulated profit amounting to EUR 13,160,000.00 shall be used for the payout of dividends in the gross amount of EUR 0.94 per ordinary share,
 - the rest of the accumulated profit amounting to EUR 1,438,947.31 remains unappropriated,
 - granted discharge to the Management and Supervisory Boards for 2014,
 - appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o. as the auditor for the financial year 2015,
 - decided on the amount of payment for the performance of the function and attendance fees paid to the Supervisory Board Members and Members of the Committees of the Supervisory Board for the period until revoked,
 - adopted amendments to the Articles of Association of Luka Koper, d.d.,
 - established that the 4-year term of office of the Supervisory Board Member Sabina Mozetič expired on 12 July 2015,
 - re-appointed Sabina Mozetič the Supervisory Board Member for a 4-year term of office that started on the date of appointment by the General Meeting of Shareholders.

THE SUPERVISORY BOARD

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

Composition of the Supervisory Board

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

Composition of the Supervisory Board of Luka Koper, d.d. as at 31 December 2015:

Representatives of shareholders:

Dr Alenka Žnidaršič Kranjc, Chairperson of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Membership in other management or supervisory bodies: Executive Director of Prva osebna zavarovalnica, d.d., President of the Management Board of Skupina Prva, zavarovalniški holding, d.d., Chairperson of the Supervisory Board of Deos, d.d.

Dr Elen Twrdy, Deputy-Chairperson of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Membership in other management or supervisory bodies: Dean of the Faculty of Maritime Studies and Transport, Member of the Supervisory Board of Primorske novice, d.o.o.

Capt. Rado Antolovič MBA, Member of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Membership in other management or supervisory bodies: President of the Management Board of P&O Maritime, Supervisor in Repasa S. A.

Andrej Šercer, MSc, Member of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Žiga Škerjanec, Member of the Supervisory Board

Beginning of a 4-year term of office: 7 October 2013 (23rd General Meeting of Shareholders)

Sabina Mozetič, Member of the Supervisory Board

Beginning of a 4-year term of office: 21 August 2015 (26th General Meeting of Shareholders)

In 2015, she was the Member of the Supervisory Board from 1 January to 12 July when her 4-year term of office expired. She was re-appointed for the new 4-year term of office on 21 August 2015, as mentioned above.

Membership in other management or supervisory bodies: Member of the General Meeting of Rižanski vodovod Koper, d.o.o., Member of the Council of the Health Centre in Koper

Representatives of employees:**Mladen Jovičič**, Member of the Supervisory Board

Beginning of a 4-year term of office: 18 March 2013 (21st General Meeting – informing of shareholders)

Stojan Čepar, Member of the Supervisory Board

Pursuant to the law his term of office expired on 30 November 2015, when he became the member of the Management Board - Employee Director.

Nebojša Topić, Member of the Supervisory Board

Beginning of a 4-year term of office: 28 July 2012 (20th General Meeting – informing of shareholders)

Marko Grabljevec, Member of the Supervisory Board

Beginning of a 4-year term of office: 18th January 2016 (Information will be given in the 27th General Meeting of Shareholder)

External member of the Audit Committee of the Supervisory Board:**Barbara Nose**, External Member of the Audit Committee of the Supervisory Board
Appointed for a period 22 August 2014 – 7 October 2017 on 22 August 2014 (8th meeting of the Supervisory Board)

Membership in other management or supervisory bodies: Member of the Audit Committee of the Supervisory Board of Alta Skupina, d.d., Member of the Audit Committee of the Supervisory Board of Telekom Slovenije, d.d., Member of the Audit Committee of the Supervisory Board of Aerodrom Ljubljana, d.d., Member of the Audit Committee of the Supervisory Board of Zavarovalnica Triglav, d.d., Member of the Council of the Primary School - OŠ Trnovo, Managing Director of Constantia Plus, d.o.o., Managing Director of Shramba, d.o.o.

Work of the Supervisory Board

The work of the Supervisory Board is governed by statutory regulations, the Articles of Association and the Rules of Procedure on the work of the Supervisory Board, the Management Code for publicly traded companies, Corporate Governance Code, Governance Code for Capital Investments by the Republic of Slovenia, Recommendations and expectation of the Slovenian Sovereign Holding and Recommendations of the Association of Supervisors of Slovenia.

In 2015, the Supervisory Board worked in the composition described upper. Work, decisions, and viewpoints of the Supervisory Board and the Committees of the Supervisory Board are reported in detail in the [REPORT OF THE SUPERVISORY BOARD FOR 2015](#).

Each individual member of the Supervisory Board signed a statement, taking into account the provisions 8. and 17.2 of the Governance Code for Capital Investments by the Republic of Slovenia and at the beginning of 2016 it signed a statement of no conflict of interest in 2015 that would imply that an individual member:

- performed the function of an executive director or member of the management board of a company and related party or performed such functions in the last five year,
- worked for a company or related party and held such a position in the last three years,
- received high extra pays from the company or related party, except the pay it received as the Supervisory Board Member,
- was a majority shareholder and represented the majority shareholder/majority shareholders,
- had important business contacts with a company or related party in the last year, either directly as a partner, shareholder, managing director or manager in a body,
- is or was a partner or employee of the present or former external auditor in the company or related party now or in the last three years,
- was the executive director or member of the management board of another company, where it was the executive director or member of the management board of the company, member of the supervisory board, or was in any way related to the executive director or members of the management board through cooperation in other companies and industries,
- was a member of the Supervisory board for longer than three terms of office (or over 12 years),
- was a close family member of the members of the management board or persons holding positions mentioned in the previous indents,
- was a member of the wider management board of a related party,
- participated in the preparation of the proposal for the annual report of the company.

Statements are also available at <https://luka-kp.si/slo/pomembni-dokumenti-208>.

Committees of the Supervisory Board

The Supervisory Board has three committees:

- the HR Committee,
- the Audit Committee,
- the Committee for Infrastructure and Operations.

The committees perform specific tasks to help the Supervisory Board.

On 16 October 2013 the HR Committee was appointed in the following composition: Capt. Rado Antolovič MBA (Chairman), Andrej Šercer, MSc (Member), Sabina Mozetič (Member) and Stojan Čepar (Member). At the beginning of 2015 the HR Committee worked in the composition: Capt. Rado Antolovič MBA, Andrej Šercer, MSc, Stojan Čepar and Sabina Mozetič. During the year 2015 changes were made in the members of the HR committee, as its member Stojan Čepar was replaced by Nebojša Topič. In the period 12 July 2015 – 18 October 2015 the HR Committee worked only with three members including the Chairman Capt. Rado Antolovič, MBA and the members Andrej Šercer, MSc, and Stojan Čepar, because the term of office of the Member of Supervisory Board Sabina Mozetič expired on 12 July 2015. She was re-appointed the Member of the Supervisory Board of Luka Koper, d.d. on 21 August 2015, and the Member of the HR Committee of the Supervisory Board on 18 October 2015.

In 2015, the Audit Committee comprised of Žiga Škerjanc (Chairman), Dr Alenka Žnidaršič Kranjc (Member), Barbara Nose (External Member) and Mladen Jovičič (Member).

In 2015, the Committee for Infrastructure and Operations comprised of Dr Elen Twrdy (Chairperson), Capt. Rado Antolovič MBA (Member), Stojan Čepar (Member) and Andrej Šercer, MSc (Member). On 30 November 2015 the term of office of Stojan Čepar in the Supervisory Board ended and therefore the term of office in the Committee for Infrastructure and Operations expired as well.

Emoluments of the Supervisory Board

The Members of the Supervisory Board and Members of Committees of the Supervisory Board are entitled to the attendance fees and pay for the performance of functions. The General Meeting of Shareholders determines the amount of attendance fees and pays. The Members of the Supervisory Board and Members of the Committees of the Supervisory Board are also entitled to the refund of travel expenses and other costs relating to the arrival and participation in the meetings. Emoluments of the Supervisory Board and their amounts are presented in the Accounting Report of Luka Koper, d.d., in Note No. 35 and Section [REPORT OF THE SUPERVISORY BOARD FOR 2015](#), and the ownership of shares is discussed under Section [THE LKPG SHARE](#).

THE MANAGEMENT BOARD OF THE COMPANY

The work of the Management Board is regulated by the statutory provisions, Articles of Association, Rules of Procedure on the work of the Management Board,

Management Code for publicly traded companies, Governance Code for Capital Investments of the Republic of Slovenia, and Recommendations and Expectations of the Slovenian Sovereign Holding. Pursuant to the Articles of Association, the Management Board manages and represents the company.

Composition of the Management Board

The Management Board of Luka Koper, d.d. worked in the following composition until 31 January 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Jože Jaklin (Member of the Management Board),
- Matjaž Stare (Member of the Management Board- Employee Director).

At the ordinary meeting of 4 July 2014 the Supervisory Board was informed about the letter of resignation of the member of the Management Board Jože Jaklin and then appointed a new member of the Management Board in charge of finance at the ordinary meeting of 21 November 2014. Tine Svoljšak started his 5-year term of office on 1 February 2015.

The Management Board of Luka Koper, d.d. worked in the following composition in the period 1 February – 30 June 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Tine Svoljšak (Member of the Management Board),
- Matjaž Stare (Member of the Management Board-Employee Director).

In the meeting of 22 May 2015 the Supervisory Board discussed and accepted the letter of resignation of the member of the Management Board for Finance and Accounting Tine Svoljšak, who performed the function to 30 June 2015.

The Management Board of Luka Koper, d.d. worked in the following composition in the period 1 July – 20 August 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Matjaž Stare (Member of the Management Board-Employee Director).

On 21 August 2015 the Supervisory Board of the company appointed Irena Vinček the Member of the Management Board for Finance and Accounting.

The Management Board of Luka Koper, d.d. worked in the following composition in the period 21 August – 17 October 2015:

- Dragomir Matić (President of the Management Board),

- Andraž Novak (Member of the Management Board),
- Irena Vincek (Member of the Management Board in charge of Finance and Accounting),
- Matjaž Stare (Member of the Management Board-Employee Director).

A 5-year term of office of the Employee Director Matjaž Stare expired on 17 October 2015. The members of the Workers' Council appointed Stojan Čepar as the new Employee Director on 1 October and his appointment was approved by the Supervisory Board on 30 November 2015.

The Management Board of Luka Koper, d.d. worked in the following composition in the period 18 October – 29 November 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Irena Vincek (Member of the Management Board in charge of Finance and Accounting).

The Management Board of Luka Koper, d.d. worked in the following composition in the period 30 November – 31 December 2015:

- Dragomir Matić (President of the Management Board),
- Andraž Novak (Member of the Management Board),
- Irena Vincek (Member of the Management Board in charge of Finance and Accounting),
- Stojan Čepar (Member of the Management Board-Employee Director).

Composition of the Management Board of Luka Koper, d.d. as at 31 December 2015:

- **Dragomir Matić**, born 1964
President of the Management Board
Mr Matić holds a BSc in Transport Technology. He gained his work experience in a forwarding agency and started working for Luka Koper d.d. in 1987. Initially, he worked as a transport worker in the port and gradually climbed the ladder to the position of the Executive Director for Operations and Logistics. From 2012 to the appointment as the President of the Management Board of Luka Koper, d.d. he worked as the assistant to the director in the company for international forwarding. On June 2014 he started his five-year term of office at the invitation of the Supervisory Board and based on the decision on the appointment of the President of the Management Board.
- **Andraž Novak**, born 1966
Member of the Management Board
After several years of service in the merchant navy, where he achieved the

position of first officer, Mr Novak obtained the title of marine engineer at the Faculty of Maritime Studies and Transport in Portorož in 1995. Since 1995 Mr Novak has occupied various managerial positions at Luka Koper, d.d., including director of the Dry Bulk Terminal and the General Cargo Terminals. In 2008, he completed specialist post-graduate studies at the Faculty of Maritime Studies and Transport. On 10 June 2014 he started his five-year term of office at the invitation of the Supervisory Board and based on the decision on the appointment of the President of the Management Board.

- **Irena Vincek**, born 1972

Member of the Management Board in charge of Finance and Accounting

Ms Vincek graduated from the Faculty of Economics in Ljubljana in 1996. In 1996, she got her first employment in Intereuropa, d.d., where she worked in the controlling department and then kept the ledger. In 2000, she continued her career with the audit firm Ernest & Young, and in 2004 started working for Istrabenz d.d. She was an assistant to the Management Board responsible for accounting for five years and then worked as an assistant to the Management Board responsible for Accounting and Controlling for two years. She got employed at Luka Koper, d.d. in 2012 as an internal auditor and in September 2014 she started managing finance and accounting. On 21 August 2015 the Supervisory Board appointed her the Member of the Management Board for finance and accounting for a 5-year term of office.



Management Board of Luka Koper, d.d., left to right: Stojan Čepar, Irena Vincek, Dragomir Matić, Andraž Novak

- **Stojan Čepar**, born 1977
Employee Director

After his studies at the Technical Colleague Josef Stefan in Trieste, focusing on electronics – electrical engineering he started his career in Kobilarna Lipica and BTC Terminal in Sežana where he was responsible for various specialist projects. In 2002, he got employed at Luka Koper, d.d. as an operator of cranes and other machinery. In 2008, he was elected in the Workers' Council and in April 2009 he was appointed a representative of employees in the Supervisory Board of the Company, where he is also a member of the HR Committee and the Committee for Infrastructure and Operations. He performed his function to November 2015. The Members of the Workers' Council appointed him the new Employee Director on 1 October 2015 and the Supervisory Board confirmed his appointment and the beginning of a five-year term of office on 30 November 2015.

A member of the Management Board has to disclose any conflict of interest to the Supervisory Board and inform other members of the Management Board.

Presentation of the Management Board Members is available also at <https://luka-kp.si/slo/vodstvo-druzbe-193>.

Work of the Management Board

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

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

Tasks of the President of the Management Board:

- Office of the Management Board,
- Secretary of the bodies,
- Operations and sales (profit centres, operations),
- Marketing,
- HR,
- Legal affairs,
- Public relations,
- Port safety.

Tasks of the Member of the Management Board:

- Investments,
- Purchasing and maintenance,
- Strategic development.

Tasks of the Member of the Management Board in charge of Finance and Accounting:

- Finance and accounting,
- Controlling,
- Management and development of business processes.

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

- Representation of interests of the employees relating to HR and social issues,
- health protection and ecology,
- activities related to written agreements between employees and employers (participating agreement and other agreements).

All members of the Management board jointly harmonise and manage the field of internal audit.



Uprava družbe z vodji profitnih centrov in strokovnih področij

Emoluments of the Management Board

The emoluments of the Members of the Management Board consist of fixed and variable parts. They are determined in employment contract concluded for a definite time of managing the company for a Member of the Management Board, in annexes to the employment contracts and decisions of the Supervisory Board. The employment contracts and annexes are concluded between individual members of the Management and Supervisory Boards; they specify also refunds and benefits. When concluding contracts and annexes for the Members of the Management Board the Chairperson of the Supervisory Board represents the Supervisory Board. Emoluments of the Management Board are presented in the Accounting Report of Luka Koper, d.d., in Note No. 35, o the ownership of shares is presented in Section [THE LKPG SHARE](#).

MANAGEMENT AND GOVERNANCE OF COMPANIES IN THE LUKA KOPER GROUP

Luka Koper, d.d. has established a corporate governance system which includes the controlling company and 21 companies – from single-person limited companies to the companies with the shares lower than 1%. With respect to the method of management all investments are divided into four groups:

- **Strategic investments** are investments in shares and stakes of the companies engaged in activities directly associated with strategic orientations of the controlling company. They are managed in accordance with the principle of the group operation.
- **Other strategic investments** are investments in shares and stakes of the companies engaged in activities relevant for the controlling company due to wide social and sustainable motives. They are managed in accordance with the principle of investment trust.
- **Portfolio investments** are investments in shares of companies which are listed on the stock exchange, investment funds, deposits and other financial instruments. They are managed for the purpose of ensuring and managing the liquidity of the Luka Koper, d. d. and the Luka Koper Group.
- **Non-strategic investments** are investments in shares and stakes of the companies engaged in activities not directly linked to the strategic orientation of the controlling company, and are not portfolio investments. They are managed in accordance with the investment trust. These investments will be subject to various types of disinvestment.

The dividend policy follows the classification of an individual investment: when acting as a shareholder in non-strategic investments, we strive to achieve the objective of maximised profit payment and the role of a shareholder in strategic and

other strategic investments we pursue the objective of a balanced profit payment under consideration of the investment-development company cycles.

The objectives in the field investment management are also set in the strategic business plan of the company and the Group; the corporate governance system will be upgraded especially in cases of strategic investments. Business control will be established for them by organising regular periodic meetings of management boards of the companies with the Management Board of the controlling company and by harmonising business processes based on the determination of minimal standards of key business processes.

Corporate governance of subsidiaries in the Luka Koper Group as at 31 December 2015

Company	Managing Director	Share of the controlling company in ownership (in %)
Luka Koper INPO, d.o.o.	Mirko Pavšič	100.00
Adria Terminali, d.o.o.	Aleš Miklavc	100.00
Luka Koper Pristan, d.o.o.	Darko Grgič	100.00
Adria Investicije, d.o.o.	Mojca Černe Pucer	100.00
Logis Nova, d.o.o.	Mirko Pavšič	100.00
TOC, d.o.o.	Ankica Budan Hadžalič	68.13

INTERNAL AUDIT

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

The work of the Internal Audit is determined in the Rules on the Internal Audit's Work, which has been prepared in accordance with the applicable definition of internal auditing, in the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Internal Audit has been established to efficiently achieve the objectives of the Company and the Group with the systematic and methodological assessment as well as with the improvement of risk management and control procedures and their management. It adds value to the more reliable

achievement of the objectives set.

In 2015, the Internal Audit carried out internal audit activities and other activities in accordance with the approved annual plan of work. Seven new audits were conducted and one audit from the year 2014 was completed. One unplanned audit was carried out. During these audits we checked the existence and operation of internal controls as well as risk management; recommendations for their improvement were provided. In addition to the planned and unplanned audits, we also carried out post-audit activities on a quarter basis in order to check the implemented measures for a better management of the risks identified during internal audit. The advisory activity provided help, primarily in the development of the internal control system and risk management.

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

The development of the Internal Audit has been encouraged by the quality assurance and quality improvement programme. Its purpose is to provide the successful and efficient operation of internal audit in line with the applicable professional rules to the interested parties. Provision of on-going improvement is the objective of the programme.

The external audit of the internal audit quality was conducted with the aim to assess the compliance of work of Internal Audit with the identification of internal audit, International Standards for the Professional Practice of Internal Auditing, Code of internal audit principles and Code of Ethics of an internal auditor, efficiency and success of the internal audit. The result of the audit was positive.

INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

The Luka Koper Group manages risk related to financial reporting, implementation of the orientations and internal control procedures adopted. The purpose of internal control is to provide accuracy, reliability and completeness of acquiring data on transactions and preparation of financial statements that give a true and fair view of the financial position, profit or loss, cash flows and changes in equity in accordance with the applicable laws, International Accounting Standards and other external and internal regulations. All has been provided also by the centralised

accounting function in a uniform IT system in the controlling company that includes all the subsidiaries and the majority of associated companies.

The accounting controls have been designed in accordance with the principle of reality and division of responsibility and focusing on the control of accuracy and completeness of data processing, reconciliation of the balance, presented in the books of account, and the actual balance, separation of records from conducting transactions, professionalism of accountants and independence. Internal controls in accounting are related also to the controls in the field of IT that provide also limitations and supervision over the access to the network, data and applications as well as accuracy and completeness of data acquisition and processing. The Luka Koper Group manages risks related to the consolidated financial statements also by the audit and review of the annual financial statements of all the subsidiaries and associates included in the consolidated financial statements of the Group.

EXTERNAL AUDIT

At its 26th ordinary meeting held on 21 August 2015 the General Meeting of Shareholders appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o., Železna cesta 8a, Ljubljana for auditing of the financial statements of Luka Koper, d.d. and the Luka Koper Group in the financial year 2015.

The costs of audit services of Luka Koper, d.d. and its subsidiaries are presented in the Consolidated Accounting Report, in Note No. 36: Transactions with the audit firm.

DATA ABOUT THE LEGISLATION REGULATING ACQUISITIONS

Luka Koper, d. d., as an entity that is subject to the act that regulates takeovers, provides information as at the last day of the fiscal year 2015 in compliance with provisions of Article 70, Paragraph 6 of ZGD-1:

Share capital structure

Company's shares are ordinary shares that give their owners the right to participate in the management process and the right to profit sharing or dividends, the right to the adequate portion of assets remaining upon the Company's liquidation or bankruptcy. All shares are registered, of one class and issued in a dematerialized form. Company's shares are freely transferable and first listed at the Ljubljana Stock Exchange. Detailed information on the share and ownership structure is provided in the chapter [THE LKPG SHARE](#).

Restrictions to the transfer of shares

Company's shares are freely transferable.

Qualifying holding under the Takeovers Act

In compliance with Article 77, Paragraph 1 of the Takeovers Act and as for achieving the qualifying holding at 31 December 2015:

- the Republic of Slovenia holds 7,140,000 shares of Luka Koper, d. d., representing a 51.00 percent of the issuer's share capital,
- the Slovenski državni holding, d. d. holds 1,557,857 shares of Luka Koper, d. d., representing 11.13 percent of the issuer's share capital.

Holders of securities that provide special controlling rights

The Company issued no securities that would provide special controlling rights.

Employee share scheme

The Company has no employee share scheme.

Restrictions to voting rights

No restrictions to voting rights exist.

Agreements among shareholders that may result in restrictions to transfer of shares and voting rights

The Company is not aware of any such agreements.

Rules on appointing and replacing members to the Management and Supervisory Board

Company's Management Board comprises its President and not more than three members, whereof one is the Employee Director. The President of the Management Board and its other members are appointed and discharged by the Supervisory Board. The Employee Director as member of the Management Board is appointed and discharged by the Supervisory Board on a proposal from the Workers Council. The term of office of the Management Board's President, its members and the Employee Director is five years with the option of reappointment. The Supervisory Board is entitled and empowered to recall the entire Management Board or its individual members.

The Supervisory Board may terminate prematurely the Management Board's President, its members and the Employee Director for reasons as stipulated by the applicable legislation. The Supervisory Board's quorum when appointing and recalling the Management Board's President, its members or the Employee Director, requires the presence of not less than 50 percent of the Supervisory Board's members of the voting capital, whereof also the President of the Supervisory Board or its Vice President must be present.

The President to the Management Board and its members, apart from the Employee Director, are required to have a university degree and at least five years of work experience on the executive level of major companies in compliance with criteria defined by the law that regulates companies. Detailed terms and conditions for the Management Board's President and its members, except the Employee Director, are determined by the Supervisory Board.

The Supervisory Board has an HR Committee that is engaged in transitional procedures for selecting candidates to the Company's Management Board and in this connection suggest to the Supervisory Board the most suitable candidates. Prior to submitting its proposal, the HR Committee verifies whether the proposed candidates meet the legally and statutory requirements that are applicable for Management Board members.

Company's Supervisory Board comprises nine members, whereof six are elected by the General Meeting of Shareholders based on the majority of shareholders present, and three are selected by the Company's Workers Council. One of the six members to the Supervisory Board can be proposed by the municipality or the municipality in which the onshore part of the port is located. Based on a resolution, the General Meeting of Shareholders establishes the appointment and recall of Supervisory Board members, who were elected by Company's Workers Council. The resolution on the early recall of Supervisory Board members must be adopted by a three-quarters majority of votes cast. Each elected member to the Supervisory Board can upon the mandate's expiry be reappointed and re-elected as member to the Supervisory Board.

Supervisory Board members can be prior to the expiry of their mandates be recalled by the General Meeting of Shareholders based on a three-quarters majority of votes cast. Supervisory Board members representing the employees can prior to the expiry of their mandates be recalled by the Workers Council, with the General Meeting of Shareholders establishing this fact in a resolution.

Company's rules on amending the Articles of Association

Decisions regarding the amendments to the Articles of Association are adopted by the General Meeting of Shareholders with a three-quarters majority during the representation of the voting capital.

Authorizations of Management Board members, particularly in view of own shares

The authorisations of Management Board members are defined in the section COMPANY'S MANAGEMENT BOARD. The Management Board, on the other hand, has no specific authorisations regarding the issue or purchase of own shares.

Significant agreements that become effective, change or cease to apply on the basis of the changed control in the Company as the result of a public takeover bid

The Company is not aware of any such agreements.

Agreements between the Company and members of its Management or Supervisory Board or employees, who anticipate a compensation should they, as the result of the takeover bid as defined by the takeover legislation, resign from office, or are dismissed without valid reason or their employment relationship is terminated

No agreements exist in compliance with the Takeovers Act.



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



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

7 SURVEY OF RELEVANT EVENTS, NOVELTIES AND ACHIEVEMENTS OF 2015

JANUARY

- On the initiative of Luka Koper the Faculty of Economics in Ljubljana presented the results of the study on financing the railway infrastructure in Slovenia, with the emphasis on financing the second track project.
- The Supervisory Board of Luka Koper approved the business plan of the Luka Koper Group for 2015.
- A call for distribution of sponsorships and donations from the “Living with the port” fund in 2015 was published.
- On the basis of the established positive growth in the added value per employee and net profit in the years 2013 and 2014 the Management Board of Luka Koper signed an agreement on the salary supplement for all the employees in the company with the two leading trade unions.
- Members of the North Adriatic Ports Association (NAPA), to which Luka Koper belongs, signed the letter of intent for the support to the development plans of separate members and their efficient connections with the hinterland, in line with the guidelines and priorities of the EU.
- On the occasion of the visit to Koper the ecological projects were presented to the Minister of the Environment Irena Majcen.
- Baltic rail, the railway operator, improved the regular railway connection between Koper and the Polish Wrocław.

FEBRUARY

- An area of 56500 m² in the hinterland of the second pier was prepared and asphalted for warehousing of cars.
- The first two ships of new services were moored; on a weekly basis they connect Koper with the Asian ports. Koper is the first port when entering the Adriatic Sea for the alliance Ocean3 joining the French CMA-CGM, Chinese CSCL and the Arab UASC, and for the alliance M2 joining the Danish Maersk Line and the Swiss MSC.
- Tine Svojšak, the new Member of the Management Board in charge of finance and accounting started his work.
- The Greek shipping company Mediterranean Car-Carrier Line (MCCL) extended the RO-RO connection with the Black Sea that includes also the Port of Koper.
- The Chinese shipping company COSCO extended the container service and Koper will be connected also with the Greek and Turkish ports.
- Dejan Židan, the Minister of Agriculture, Forestry and Food paid a visit to the Port.

MARCH

- The members of the Workers' Council of Luka Koper, d.d. met Peter Gašperšič, the Minister of Infrastructure and presented the views of the Workers' Council on the privatisation and organisation of the company and construction of second track.
- The passenger terminal was presented in the Seatrade Cruise fair in Miami; all most important shareholders in the cruising industry take part in it.
- The cooperation agreement was signed with the Jordan port of Aqaba.
- Luka Koper was presented to the interested party in Wroclaw.
- The maritime throughput of the container terminal amounted to 72 thousand TEU, which is the highest monthly quantity so far.
- Luka Koper was presented to the existing and potential business partners in Egypt.
- The European Commissioner for Transport Violeta Bulc visited the Port.
- Luka Koper granted recognitions to the best suppliers in 2014.

APRIL

- The passenger ship Berlin was mooted at the passenger terminal that opened the season.
- The first ship of the new, third direct connection of Koper with the Far East left the Chinese port Qingdao, this is the alliance CKYHE that joins the shipping companies Evergreen, Yang Ming, COSCON, the Japanese "K" Line and the Korean Hanjin. The first stop of the ship will be in the Adriatic Sea, in the Port of Koper.
- An economic legal action between Luka Koper, d.d. and the defendants – the former members of the Management Board was conducted at the District Court in Koper because of the payment of compensation in the amount of EUR 5,048,434.48 plus legal default interest and costs of the proceedings. On 13 April 2015 Luka Koper, d.d. received a judgement of the High Court in Koper in which it was ruled that Koper, d.d. was not entitled to the compensation required. Luka Koper, d.d. will file a revision against the judgement of the High Court in Koper. The company recognised contingent assets for this compensation.
- The Czech economists who accompanied the President of the Government of the Czech Republic during the visit to Slovenia discussed the possibilities of cooperation with the representatives of the Port of Koper.
- The Port of Koper presented a transport route through Koper to the participants of the Fresh Produce India Conference in Mumbai.
- In Belgrade the Port of Koper presented its offer to the Serbian association of agents and forwarders.
- The specialised magazine - Automotive Logistics published the statistics of automobile sea ports in the EU. In the Mediterranean the port of Koper maintained the second place by throughput of cars in 2014 and was ranked eleventh at the EU level.

- In the Santander International Automotive Logistics conference that took place in the Spanish Santander Luka Koper, d.d. presented its development plans in the field of cars.
- Luka Koper participated in the international day of logistics in the Hungarian Debrecen and presented the operation and development plans to the participants.
- The Supervisory Board of Luka Koper approved the proposal of the Management Board for the appropriation of accumulated profit for 2014 as the Supervisory and Management Boards intended to submit it to the General Meeting of Shareholders for the adoption:
 - a portion of the accumulated profit in the amount of EUR 8,540,000.00 shall be used for the payout of dividends in the gross amount of EUR 0.61 per ordinary share,
 - the remaining accumulated profit in the amount of EUR 6,058,947.31 shall be allocated to other revenue reserves.
- The Supervisory Board of Luka Koper, d.d. gave its approval to the construction of extension of the southern part of the first pier and provision of capacities of the container terminal for the annual throughput up to 1.15 million TEU. This includes the construction of new warehousing areas amounting to 98,000 m² and the preparation of the existing ones, deepening of the first basin to –15 m and the construction of disposal sites for the disposal of material, additional railway tracks and transition to the new method of wagon throughput (RMG – overhead travelling cranes on rails), extension of the operational coast and purchase of four new super post-panamax coast cranes and other equipment. The estimated investment that will be gradually made to the year 2021 amounts to EUR 225 million, and includes also the investments implemented in 2014.
- The Supervisory Board of Luka Koper, d.d. gave its approval to the construction of three reservoirs for liquid cargoes on the second pier, each of them having a capacity of 20,000 m³. The estimated value of the investment is EUR 13.9 million. The construction started in 2015 and will end in 2016.

MAY

- The representatives of Luka Koper visited the largest logistic fair in Europe - Transport Logistic Munich 2015.
- The Slovenian Institute of Quality and Metrology conducted an external audit that included the renewal audit of the management systems in line with standards ISO 9001 and 140001 and a regular audit of the health protection and health food systems. The auditors visited several locations in the Port of Koper and the subsidiaries of Luka Koper INPO and Adria Terminali.
- The prepared area of 12,000 m² was obtained for warehousing of full containers.
- The Supervisory Board of Luka Koper, d.d. accepted the letter of resignation of Tine Svoljšak, Member of the Management Board responsible for finance and accounting who performed the function to 30 June 2015.

- The Supervisory Board of Luka Koper, d. d. gave its approval to the realisation of the investment in the construction of the new RO-RO pier in the third basin and other related investments. The new capacities will be mainly used for the car throughput. The investment includes a new berth for car-carrier ships along the edge of the third basin, preparation of the warehousing areas and roads, construction of an additional group of rails, road connection to the new gateway and truck terminal and preparation of the disposal sites for warehousing in the hinterland and at the front of the second pier. The investments totalled EUR 25.2 million and will be realised in phases.
- A traditional Port Day or an Open door day in Luka Koper was organised and had 2,800 visitors.
- A Port day was organised also in Tokyo and over 60 representatives of the logistic companies visited it.

JUNE

- The Management Board published the convening of the 26th General Meeting of Shareholders of Luka Koper, d.d. set for 8 July 2015.
- In accordance with the analysis of the specialist logistic paper Verkehr Austria carried out the majority of its overseas exchange of goods through Koper in 2014.
- Luka Koper discussed the possibilities of further cooperation with the members of the Hungarian delegation led by the Deputy-Minister for Foreign Affairs.
- Luka Koper presented the transport route through Koper to the economic delegation from Vietnam.
- Passengers of the cruise ships Princess Cruises, Holland America Line and Seabourn of the shipping company Holland America Group assessed Koper as the second best destination in the Mediterranean.
- After ten years, Portorož, the ship of the Slovene shipping company Splošna plovba, was again moored in Koper.
- The control of the refrigerating containers was informatised.
- On 30 June 2015 the function of the Member of the Management Board responsible for finance and accounting performed by Tine Svoljšak ended.

JULY

- On 3 July 2015 the Management Board of Luka Koper, d.d. cancelled the convening of the General Meeting of Shareholders set for 8 July 2015 due to procedural reasons.
- On 14 July 2015 the Management Board of Luka Koper, d.d. convened the 26th General Meeting of Shareholders of Luka Koper d.d. pursuant to Article 10, paragraph 1 of the Articles of Association of Luka Koper, d.d. for 21 August 2015.
- The Member of the Management Board Andraž Novak took up the function of the Member of the Management Board for finance and accounting until the

appointment of the new member of the Management Board.

- Luka Koper started deepening of the seabed along the container coast at –15 m, and the Maritime Administration of the Republic of Slovenia began deepening of the navigation channel in the first basin at –15 m. The value of works amounted to EUR 1.7 million. Deepening has been financed by the EU TEN-T programme in scope of the NAPADRAG project.
- In the open tendering procedure for the funds from the Connecting Europe Facility (CEF) Luka Koper ensured funds in the total amount of EUR 6.5 million. Seven tendered projects applied for the tender and there are three projects among 276 selected ones in which Luka Koper cooperates with the partners NAPA4CORE, GAINN4MOS and Fresh Fruit Corridors.
- The Management Board of Luka Koper, d.d. presented the development plans to the mayors of the Municipalities of Koper and Ankaran.
- A delegation of the Korean logistic giant Hyundai Glovis visited Luka Koper that is one of the most important partners of Luka Koper in the field of containers, cars and sheet metal reels.

AUGUST

- On 21 August 2015 the Supervisory Board of Luka Koper appointed Irena Vincek the Member of the Management Board responsible for finance and accounting. A five-year term of office started on 21 August 2015.
- On 21 August 2015 the Supervisory Board of Luka Koper adopted the Strategic business plan of the company and the Luka Koper Group in the period 2016 – 2020, Business strategy of the company and the Luka Koper Group to the year 2030 and Strategic plan to the year 2020 with the orientations to the year 2030, i.e. Masterplan.
- On 21 August 2015 the Management Board of Luka Koper, d.d. published the decision of the 26th General Meeting of Shareholder of Luka Koper, d.d. of 21 August 2015. At the meeting the shareholders:
 - were informed about the adopted Annual Report of Luka Koper, d.d. and the Luka Koper Group for 2014, about the Auditor's opinion and the report of the Supervisory Board on the verification of the annual report of Luka Koper, d.d. and the Luka Koper Group for 2014,
 - took a decision on the proposal for the appropriation of the accumulated profit for 2014 in the amount of EUR 14,598,947.31:
 - a portion of the accumulated profit in the amount of EUR 13,160,000.00 shall be used for the payout of dividends in the gross amount of EUR 0.94 per ordinary share,
 - the rest of accumulated profit in the amount of EUR 1,438,947.31 shall remain unappropriated,
 - granted discharge to the Management and Supervisory Board for 2014,
 - appointed the audit firm KPMG Slovenija, podjetje za revidiranje, d.o.o. for auditing the financial statements of Luka Koper, d.d. and the Luka Koper

- Group for 2015,
- took a decision on the payment for the performance of the function and attendance fee of the Supervisory Board Members and Members of the Committees of the Supervisory Board until revoked,
 - adopted the amendments to the Articles of Association of Luka Koper, d.d.,
 - appointed the Member of the Supervisory Board of Luka Koper, d.d., Sabina Mozetič for a four-year term of office.
- Luka Koper obtained the GMP+B3 certificate proving the establishment of working procedures and conditions for work that enable save animal feed.

SEPTEMBER

- The regular container service (IsKon) started operating on the route Koper-Budapest-Novi Sad-Koper once a week. The rail transport is organised by Adria Kombi and Transagent. The train leaves Koper every Saturday and arrives in Novi Sad on Wednesdays.
- On 9 September 2015 Luka Koper, d.d. applied for the approval to long-term borrowing of EUR 6 million from the subsidiary Luka Koper INPO d.o.o. with the Ministry of Infrastructure in accordance with the Regulation on the terms and conditions and methods of borrowing by legal entities from Article 87 of the Public Finance Act. Luka Koper, d.d. obtained the approval on 13 November 2015.
- During the so-called Port day Luka Koper met the business partners from the Czech Republic and Hungary.
- Representatives of Luka Koper visited the Fresh Market fair in Warsaw where they met customers and suppliers of fruits and vegetables and providers of logistic services.
- On 22 September 2015 Luka Koper published a change in its financial calendar for 2015. The change refers to the date of publication of the non-audited report on operation of the Luka Koper Group and Luka Koper, d.d. in the period January y–September 2015.
- Luka Koper INPO celebrated its 20th anniversary.

OCTOBER

- The members of the Workers' Council elected Stojan Čepar the Employee Director and the Supervisory Board confirmed his appointment in November.
- The Port of Koper successfully participated in the international tender of the German corporation Daimler and became one of their central ports for the export of cars, produced in the factories of Mercedes-Benz in Germany and some other European countries, including Slovenia.
- The third phase out of four of the modernisation of the railway track Koper–Divača was completed.
- In Tel Aviv Luka Koper organised a business event in cooperation with the Slovene Embassy that was intended for the logistic specialists, carriers and

exporters.

- Luka Koper, d.d. allocated EUR 13,160,000.00 to the payout of dividends. The following shareholders received the dividends:
 - Republic of Slovenia EUR 6,711,600.00,
 - SDH, d.d. EUR 1,464,385.58,
 - KAD, d.d. EUR 654,784.26,
 - MOK EUR 438,925.48,
 - Other shareholders EUR 3,890,304.68.
- Luka Koper ordered 11 new, high-capacity cranes for container throughput:
 - 2 large and high-capacity container cranes of STS dimension, super post-panamax that will be used for the work on container ships with a capacity up to 20,000 TEU. New super post-panamax cranes will start operating in June 2017;
 - 2 overhead travelling cranes on RMG rails that will be intended for loading/unloading of containers to railway wagons. The extension of two existing tracks at the container terminal and the construction of three new ones has already been in progress;
 - 7 electrified overhead travelling cranes on E-RTG tyres supplied by the electricity from the grid for their operation, provide lower burdening of the environment by gas emissions and noise.

Luka Koper paid EUR 9.1 million for the cranes ordered in October 2015. This is a part of the investment that foresees an extension of the first pier and construction of additional capacities at the container terminal, which will reach the annual capacity of 1.3 million TEU to the year 2020.

- The Slovene logistic companies, and the Port of Koper among them, were presented at an EXPO fair event in Milan.
- An initiative group for modernisation of the railway structure was appointed within the Association for Transport at the Chamber of Commerce.

NOVEMBER

- The second phase of deepening the navigation channel in the aquatorim to – 15 m was completed.
- During the traditional Port days the representatives of Luka Koper met the Slovak and Austrian business partners.
- The container throughput reached a record number of 700,000 TEU.
- On 30 November 2015 the Supervisory Board of Luka Koper, d.d. appointed Stojan Čepar the Member of the Management Board – Employee Director who started the 5-year term of office on 30 November. In accordance with the Worker Participation in Management Act and the Rules on the work of the Workers' Council, the Workers' Council suggested him for the appointment in the Workers' Council of Luka Koper, d.d. The term of office in the Supervisory Board of the company expired due to the appointment.
- Luka Koper presented the strategy of the development of the port of Koper that

depends on the modern and reliable railway infrastructure to the coordinators of the core European transport corridors.

- The logistic company Hyundai Glovis awarded Luka Koper a special recognition for good operation in the field of throughput of containers, cars and general cargoes.
- The Port of Koper was presented in the Transpoland fair of transport and logistics in Warsaw.
- The Port of Koper and the Institute of Andrej Marušič of the University of Primorska organised a conference on kinesiology in ergonomics – a comprehensive approach to the preservation of the employees' health.
- The Port of Koper and the representatives of other Slovene companies paid a business visit to Vietnam, Indonesia and Turkey.

DECEMBER

- Luka Koper organised a Health Day for its employees.
- Under the auspices of Luka Koper, d.d. the Koper Regional Museum opened an exhibition of the Koper track yesterday – today – tomorrow.
- The shipping company Cosco Container Lines introduced a regular container service connecting Koper with Egypt and Israel.
- Peter Gašperšič, Minister of Infrastructure visited Luka Koper, discussed some matters with the Management Board and participated in the traditional pre-festive reception organised for the port community.
- The Supervisory Board gave approval to the business plan of the Company and the Luka Koper Group for 2016 and to the construction of a 16,000 m² warehouse and two berths on the second pier.
- Before the end of 2015 Luka Koper exceeded the record total maritime throughput of 20 million tons of goods and a record annual throughput of 600,000 vehicles and 800,000 tons of soy.
- The opinion poll on the relations of the surrounding inhabitants to Luka Koper was completed.
- When signing the agreement on the funds from the Connecting Europe Facility (CEF) in December 2015 Luka Koper, d.d. negotiated higher funds for three approved projects in the total amount of EUR 6.7 million.
- On the basis of the provisions of the Collective Agreement Luka Koper, d.d. paid out the 13th salary at the end of December 2015.

8 RELEVANT EVENTS AFTER THE END OF THE FINANCIAL YEAR

JANUARY 2016

- The Chamber of Commerce of Slovenia presented a study with the titles “What are the consequences for the Slovene economy if the second track is not constructed?”
- The members of the Workers’ Council elected Marko Grabljevec the Member of the Supervisory Board, Employee representative. The General Meeting has to be informed about his appointment.
- Luka Koper published a call for sponsorships and donations from the “Living with the port” fund for the year 2016.
- The meeting of members of the management board of the Mediterranean Association of passenger ports – MedCruise was organised in Koper.
- On 14 January 2016 Luka Koper sent a letter about the facts in the field of railway in Luka Koper to the General Director of Slovenske železnice, Mr Dušan Mes. Already in November 2015 the problems of the Slovene railway network escalated, which resulted in long delays in the port. In January 2016 the Port of Koper faced the problems of wagon delivery/removal due to railway blocking on the route Koper – Divača.
- A Chinese delegation from the port of Tianjin visited Luka Koper.

FEBRUARY 2016

- With respect to the saturation of railway capacities of the Slovene railway network and consequently congestions when transporting cargoes to or from the port of Koper, Luka Koper suggested the appointment of a crisis team in order to accelerate solving of the problems and invited the representatives of all actors in the railway transport in Slovenia, SŽ-tovorni promet, Rail Cargo Carrier, Adria Transport, Zveza špediterjev Slovenije, SŽ-Infrastruktura to participate.
- On 22 February 2016 members of the Parliamentary Commissions for Infrastructure and Economy discussed the construction of the second track between Koper and Divača. The President of the Management Board of Luka Koper, representative of the trade union of SŽPD, representative of the trade union of SPDS-KS-90 and the Deputy-Chairman of the Workers’ Council of Luka Koper were also present at the meeting.
- In February 2016 the employees of Luka Koper started collecting signatures under the statement requiring from the Government to immediately begin the construction of the second track between Koper and Divača and to prevent the sale of the only Slovene cargo port.
- After four months of car export through the port of Koper Mercedes assessed the southern logistic route as a turning point in the development of its global

logistic network. As it was emphasised the export of cars through Koper to the Far East represents a major step forward to improve the complete distribution logistics. After Bremerhaven and Zeebrugge, Koper is considered the third export port that Mercedes included in its supply chains. A key condition for the selection was the reliability of the infrastructure and specific experience in throughput and warehousing of such sensitive cargo.

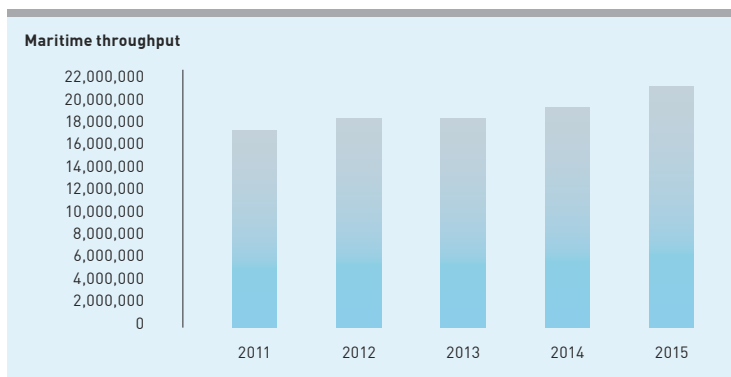
MARCH 2016

- The President of the Management Board of Luka Koper, d.d., Dragomir Matić received the recognition of the Economist of Primorska that Radio Koper, Primorske novice and Televizija Koper awarded for the 19th successive year. The recognition was presented to him due to excellent business results and numerous records that the company achieved in 2015. The Prime Minister of the Republic of Slovenia Miro Cerar attended the event, he emphasised the construction of the second railway track between Koper and Divača and enumerated many successful projects of the Government and plans for the future.
- In the night of 5 March 2016 the first test container train with a perishable cargo left the port of Koper in the scope of the EU project of Fresh Food Corridors (FFC) and is bound for Rotterdam. These are the goods of the major Israeli exporters that are transported in accordance with the principle of motorways of the sea. This was the first train in the history that was fully loaded with "reefer" containers and travelled from the south to the north of Europe. The cargo that is usually transported by sea from Israel to the North European ports will reach the same destination in a significantly shorter time as the new corridor has shortened the transit time by 6 days.
- In 2016, Luka Koper was presented in the Seatrade Cruise Global Fair in Miami that is visited by all most important shareholders in the cruising industry.

9 PERFORMANCE ANALYSIS IN 2015

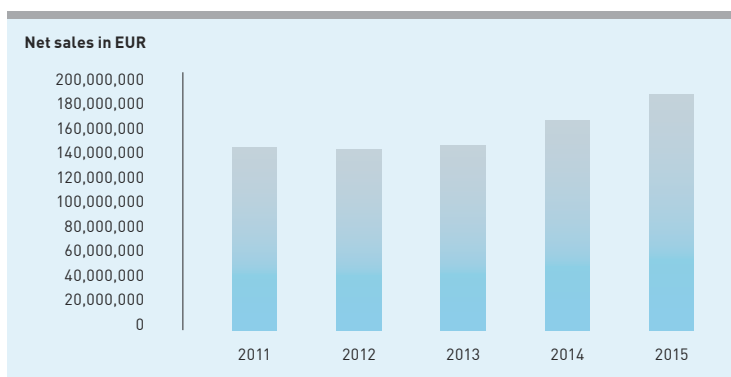
9.1 SUMMARY OF THE OPERATION OF THE LUKA KOPER GROUP

In 2015, the Luka Koper Group marked a new milestone in the history of the port by the achieved maritime throughput in the amount of 20.7 million tons of goods. The maritime throughput, projected for the year 2015, was surpassed by 3% and the maritime throughput of 2014 by 9%. The growth in throughput compared to 2014 was achieved in all cargo groups, except the general cargo group.



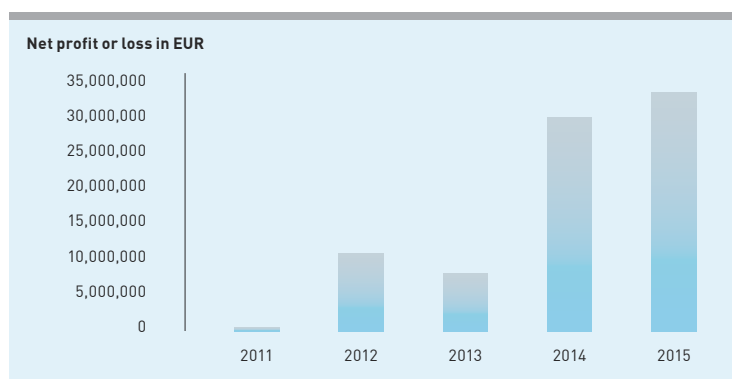
As at 31 December 2015, the company set new records, a record of 791 thousand TEU at the container terminal, a record of 607 thousand vehicles at the vehicle terminal and a record of 0.8 million tons soy throughput at the dry bulk terminal.

In 2015, net sales of the Luka Koper Group were generated in the amount of EUR 184.3 million and rose above the projected net sales by EUR 6.4 million or 4% and were EUR 20.7 million or 13% higher over the result of 2014.



Operating profit of the Luka Koper Group that amounted to EUR 42.4 million in EUR, exceeded the projected profit by EUR 8.7 million or 26%, and the operating profit achieved in 2014 by EUR 9 million or 27% in spite of the recognised impairment of property being acquired in the amount of EUR 1.2 million.

In 2015, net profit of the Luka Koper Group amounted to EUR 32.4 million and exceeded the projected profit by EUR 4.9 million or 18%, and it was by EUR 3.3 million or 11% higher than the results of the year 2014 in spite of the recognised impairment of property being acquired in the amount of EUR 1.2 million and the recognised impairment in the investment in Trade Trans Invest Bratislava, a.s. in the amount of EUR 4.3 million. Without the recorded impairment net profit would amount to EUR 37.4 million and would be higher by 28% or EUR 8.3 million than the profit earned in 2014.



9.2 ANALYSIS OF OPERATION OF LUKA KOPER, D.D. AND THE LUKA KOPER GROUP

In 2015, Luka Koper, d.d. generated net sales in the amount of EUR 173.3 million, which is an increase of EUR 18,8 million or 12% over the year 2014. Net sales of the company made in 2015 accounted for 94% of net sales generated by the Luka Koper Group.

Operating profit of Luka Koper, d.d. amounted to EUR 38.8 million in 2015 and was EUR 8.4 million or 27% ahead of 2014. Earnings before interest, tax, depreciation and amortisation (EBITDA) amounting to EUR 65.2 million exceeded the earnings of the year 2014 by EUR 8.9 million or 16%.

Net profit of Luka Koper, d.d. amounted to EUR 28.8 million in 2015, which is an increase of EUR 2.4 million or 9% compared to the year 2014. Without the recognised impairment in property being acquired and the recognised impairment of the investment net profit of 2015 would amount to EUR 33.8 million and would be higher by EUR 7.3 million or 28% over the net profit earned in 2014.

As at 31 December 2015, the balance sheet total of Luka Koper, d.d. totalled EUR 448.5 million and was by EUR 11.2 million or 3% higher than the balance as at 31 December 2014.

Non-current assets went up by EUR 7.2 million. Property, plant and equipment increased due to the investment, but the shares and interests dropped, because of the recognised impairment of the investment in Trade Trans Invest Bratislava, a. s.

When compared to the balance as at 31 December 2014 current assets increased by EUR 4 million. The assets (disposal groups) held for sale went down due to the transfer of assets to investment property and property, plant and equipment and the loans granted that decreased because of the transfer to cash and cash equivalents. Trade receivables due from customers increased in proportion to the larger volume of operations.

As at 31. December 2015, the equity of Luka Koper, d.d. amounted to EUR 282.8 million, which accounted for 63% of the balance sheet total.

Financial liabilities reduced by EUR 16.3 million due to the repayment of bank loans when compared to the balance as at 31 December 2014. The company succeeded in decreasing the interest margins with three banks in 2015.

In 2015, Luka Koper, d.d. refinanced loans in the amount of EUR 30 million. One bank loan was refinanced in the amount of EUR 20 million, and thus the final repayment

date of this loan was extended from 2018 to 2025, but other borrowing conditions did not change significantly. The other bank loan with the principal of EUR 10 million that was granted to one of the subsidiaries was extended to 31 December 2021.

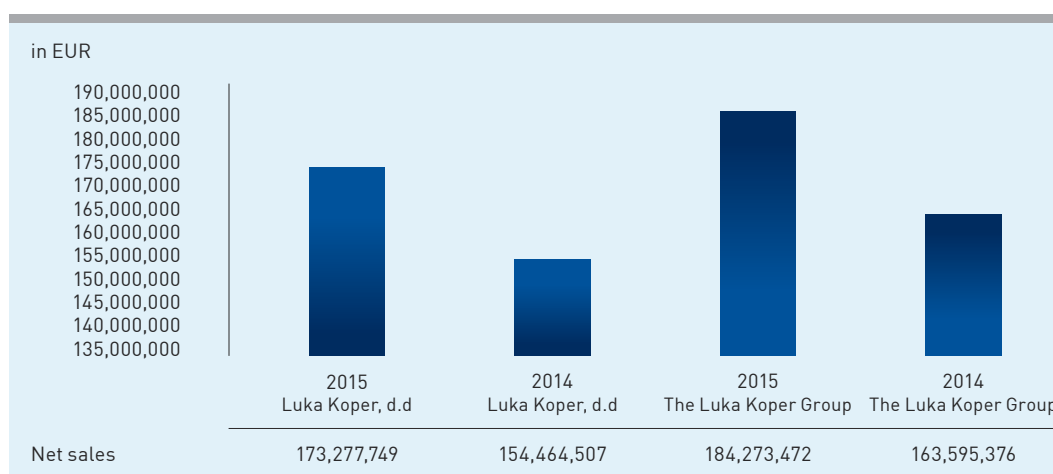
In addition to the bank loans the company has taken out non-current loans from subsidiaries and associated companies in the amount of EUR 12 million. As at 31 December 2015, the amount of EUR 10,530,580 (in 2014 EUR 10,556,580) was drawn, of which non-current liabilities amounted to EUR 10,000,000. All the loan agreements mentioned were concluded for non-current revolving loans having maturity in 2016.

Detailed analysis of operation, presented in the sections below, shows data for Luka Koper, d.d. and the Luka Koper Group, but the comments and explanations refer to the operation of the Luka Koper Group.

NET SALES

In 2015, the Luka Koper Group generated net sales in the amount of EUR 184.3 million and hence exceeded the result of 2014 by EUR 20.7 million or 13%, which was achieved by performing its core activity of embarkation and disembarkation of goods and warehousing of goods.

Net sales of Luka Koper, d.d. and the Luka Koper Group



A detailed survey of the quantity throughput by cargo group is shown in Section [MARKETING: CARGO GROUPS AND MARKETS](#).

RECORD NET SALES IN
2015: EUR 184.3 MILLION

OTHER REVENUE

Other revenue of the Luka Koper Group amounted to EUR 4.9 million in 2015 and was by EUR 387.3 thousand or 9% higher than the revenue of 2014. Elimination of provisions amounting to EUR 1.5 million is also recorded under other revenue. This elimination is related to the court settlement on the basis of which the company paid EUR 262 thousand and finally concluded the litigation against Luka Koper, d.d. from 2012.

OPERATING EXPENSES

The Luka Koper Group's operating expenses of 2015 amounted to EUR 146.8 million, which is a year-on increase of EUR 12 million or 9%. The costs of material, costs of services, labour costs and other operating expenses increased over the year 2014, and depreciation and amortisation expense remained at the same level. In 2015, expenses due to impairment, write-offs and loss on the sale of property, plant and equipment and investment property, recorded under other operating expenses, were higher over 2014, due to recognised impairment in property being acquired that was recognised in the last quarter of 2015 in the amount of EUR 1.2 million.

The share of operating expenses in net sales accounted for 79.7% in 2015 and was 2.7% down on 2014. When compared to the year 2014 the shares of labour costs and depreciation/amortisation expense reduced in net sales and the share of other operating expenses increased. The shares of cost of material and costs of services remained at the level of the year 2014.

Costs of material

In 2015, costs of material stood at EUR 15.1 million, which is an increase of EUR 1.2 million or 8% over 2014. The increase can be largely attributed to the costs of ancillary materials and spare parts for the performance of maintenance. The costs of energy dropped due to a decrease in fuel prices.

Costs of services

In 2015, costs of services amounted to EUR 45.8 million, which is EUR 4.3 million or 10% above the 2014 level. Due to the 9% increase in the maritime throughput the costs of port services went up by EUR 1.6 million or 8%. The costs of other services went up by EUR 2.8 million or 25%. Higher operating revenue is a result of the higher costs of concession.

Labour costs

In 2015, labour costs of the Luka Koper Group stood at EUR 48.1 million, which is EUR 4.3 million or 10 % above the 2014 level. The increase is a result of the salary supplement that has been paid to each employee in Luka Koper, d.d. since 1 January 2015, payments for work performance and a higher number of employees. The salary supplement amounted to EUR 230 gross per employee per month.

As at 31 December 2015, the number of employees in the companies within the Luka Koper Group was 1,040, which is an increase of 31 persons or 3 % over the 2014 year-end.

Detailed data on the number and structure of employees is presented under [HUMAN RESOURCE MANAGEMENT](#).

Depreciation / Amortisation

The depreciation / amortisation expense amounted to EUR 27.5 million in 2015 and remained at the level of 2014.

Other operating expenses

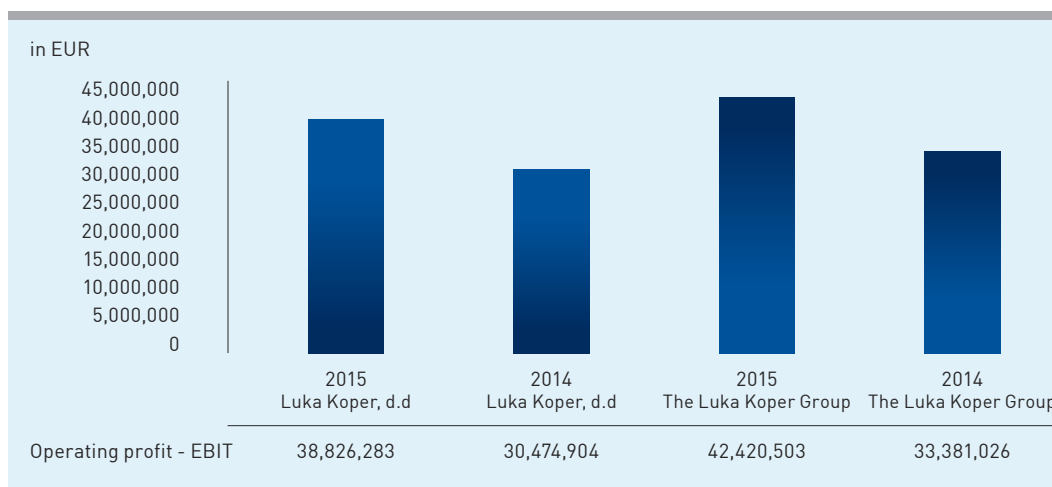
In 2015, other operating expenses of the Luka Koper Group amounted to EUR 10.3 million and were by EUR 2.1 million or 26% higher over 2014. Expenses due to impairment, write-offs and loss on the sale of property, plant and equipment, investment property, compensation for the use of building land and other costs relating to court settlements increased. In 2015, impairment of property being acquired was recognised in the amount EUR 1.2 million under expenses due to impairment, write-offs and loss on the sale of property, plant and equipment and investment property.

OPERATING PROFIT

In 2015, the Luka Koper Group generated operating profit in the amount of EUR 42.4 million and exceeded the operating profit earned in 2014 by EUR 9 million or 27%. Net sales higher by 13% had an impact on the operating profit. The impairment of property being acquired in the amount of EUR 1.2 million recognised in 2015 reduced the operating profit of 2015.

Earnings before interest, tax, depreciation and amortisation (EBITDA) amounted to EUR 69.9 million in 2015 and were higher by EUR 9.1 million or 15% compared to 2014. In comparison with the plan earnings before interest, tax, depreciation and amortisation (EBITDA) were higher by EUR 8.5 million or 14%.

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



FINANCE INCOME AND FINANCE EXPENSES

In 2015, finance income of the Luka Koper Group amounted to EUR 1.4 million, which is a decrease of EUR 484.6 thousand or 25% generated in 2014. Finance income from shares in other companies reduced. In 2014, it was higher because of the sale of a 33.33% share in Railport Arad S.R.L.

Finance expenses amounted to EUR 7.4 million in 2015 and increased by EUR 3.4 million or 86% over 2014. Finance expenses from financial liabilities were down by EUR 870.7 thousand, which is a result of a decrease in reference interest rate (EURIBOR), smaller volume of debts and a decrease in the interest rate with three banks. Finance expenses due to impairment and write-off of investments were higher by EUR 4.3 million in 2015 due to recognising the impairment of the investment in Trade Trans Invest Bratislava, a.s.

RESULTS OF THE ASSOCIATED COMPANIES

In 2015, profit before tax is increased by the results of the associated companies in the amount of EUR 1.3 million, which is an increase of 116% or EUR 0.7 million compared to 2014. In 2015, the following profits were added:

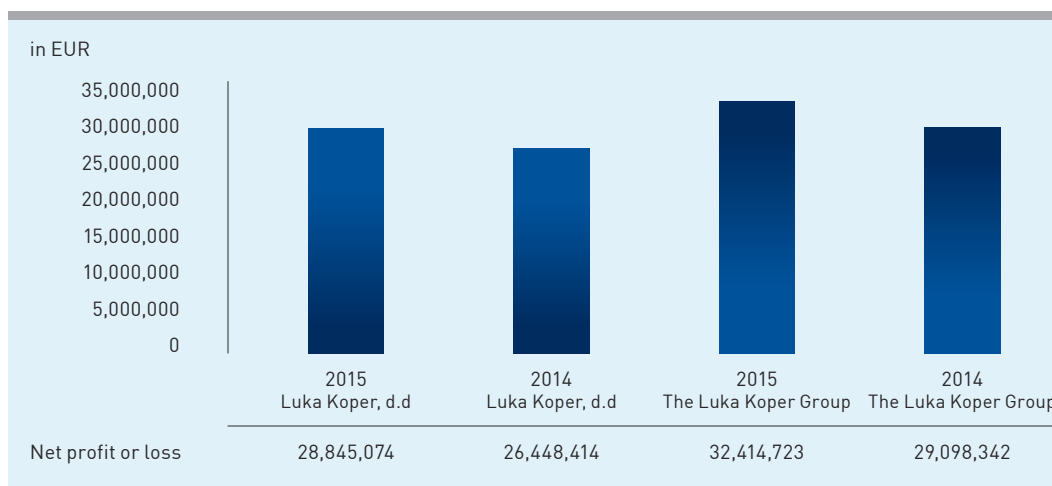
- Adria Tow, d.o.o. in the amount of EUR 564.7 thousand,
- Adria Transport, d.o.o. in the amount of EUR 523.5 thousand,
- Avtoservis, d.o.o. in the amount of EUR 243.8 thousand,
- Adriaфин, d.o.o. in the amount of EUR -3.8 thousand.

PROFIT OR LOSS BEFORE TAX AND INTEREST AND NET PROFIT OR LOSS

In 2015, the Luka Koper Group generated profit before tax in the amount of EUR 37.8 million and it exceeded the profit of 2014 by EUR 5.9 million or 18%.

Net profit of the Luka Koper Group amounted to EUR 32.4 million in 2015, which is an increase of EUR 3.3 million or 11% when compared to net profit earned in 2014. Without recording the impairment net profit would amount to EUR 37.4 million and would be higher than net profit of 2014 by EUR 8.3 million or 28%.

Net profit or loss of Luka Koper, d.d. and the Luka Koper Group

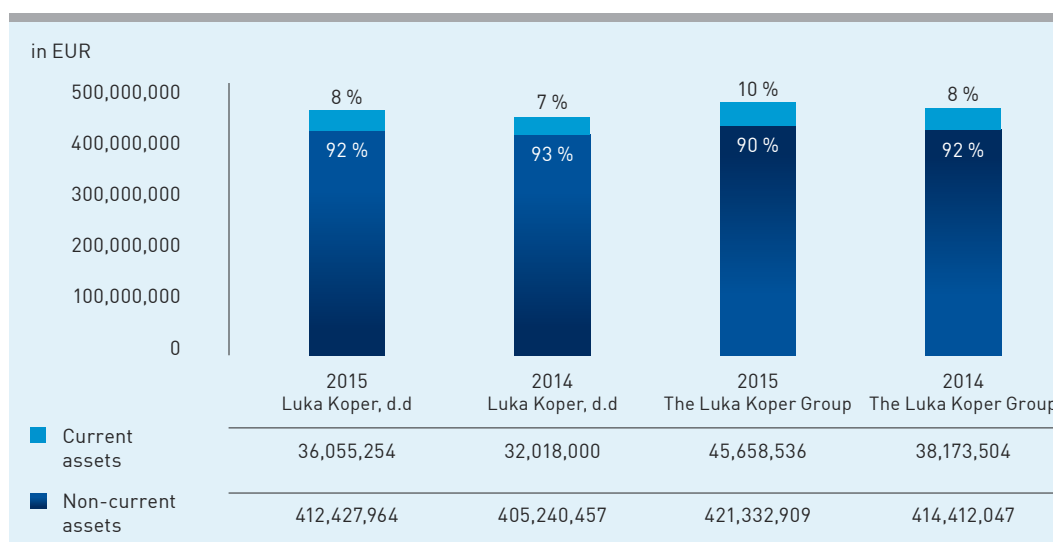


Income tax and deferred taxes reduced net profit by EUR 5.4 million in 2015; they reduced net profit of 2014 by EUR 2.9 million.

FINANCIAL POSITION AND FINANCIAL MANAGEMENT

As at 31 December 2015, the balance sheet total of the Luka Koper Group amounted to EUR 467 million and was by EUR 14.4 million or 3% higher over the balance as at 31 December 2014.

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



As at 31 December 2015, non-current assets amounted to EUR 421.3 million, which is an increase of EUR 6.9 million over the balance as at 31 December 2014. As at 31 December 2015, non-current assets accounted for 90% of the balance sheet total. Property, plant and equipment increased by EUR 9.2 million due to huge investments.

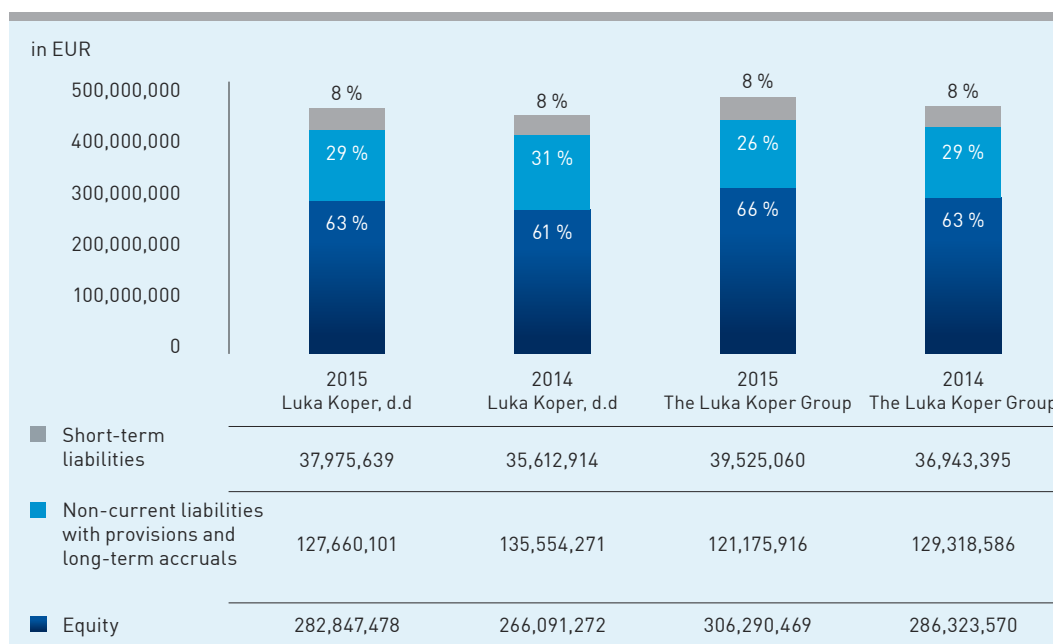
Shares and interests reduced by EUR 2.7 million. The recognised impairment of the investment in Trade Trans Invest Bratislava, a. s. caused a decrease of EUR 4.3 million; an increase in market value of non-current investments in other shares and interests that is recorded at fair value resulted in an increase of EUR 1.8 million.

As at 31 December 2015, current assets amounted to EUR 45.7 million and increased by EUR 7.5 million when compared to the balance as at 31 December 2014. Assets (disposal groups) held for sale reduced by EUR 1.8 million due to the transfer of assets to investment property and property, plant and equipment. In 2015, inventories increased by EUR 349.8 thousand due to higher inventories of maintenance material. Loans granted decreased by EUR 3.9 million due to the transfer to cash and cash equivalents that went up by EUR 6.7 million. At the end of 2015, the balance of trade receivables was higher by EUR 6 million than at the end of 2014. Higher trade receivables can be attributed to a larger volume of operations.

As at 31 December 2015, equity of the Luka Koper Group stood at EUR 306.3 million, which accounts for 66% of the balance sheet total. Non-current liabilities with provisions and long-term accruals accounted for 26% of equity and liabilities and amounted to EUR 121.2 million, which is a decrease of EUR 8.1 million as at 31 December 2014. The reduction in non-current financial liabilities is a result of the transfer of a long-term portion of the loan in the amount of EUR 10 million to short-

term financial liabilities. As at 31 December 2015, short-term liabilities stood at EUR 39.5 million and were by EUR 2.6 million higher than as at 31 December 2014. Trade payables increased most. As at 31 December 2015, financial liabilities of the Luka Koper Group amounted to EUR 111.9 million and were down EUR 16.3 million when compared to the balance as at 31 December 2014. Liabilities to banks decreased by EUR 15.9 million due to the repayment of loans.

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

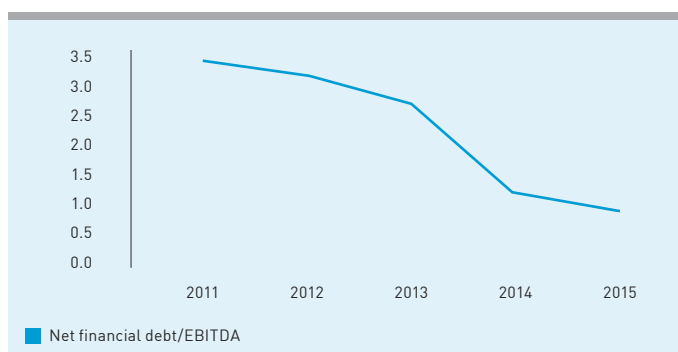


As at 31 December 2015, total bank loans were tied to a changeable interest rate. The situation in the interest rate market is regularly monitored due to the prevailing share of the changeable interest rate in the Luka Koper Group and the risks deriving from the exposure to the interest rate risk. In the past years, the Group established interest rate hedging to be able to manage the interest rate risk of the selected long-term loans. The established interest rate hedging is recognised in scope of risk hedging. The Group established interest rate hedging for long-term loans amounting to EUR 62.1 million, which reduced the percentage of loans exposed to the interest rate risk to 44%.

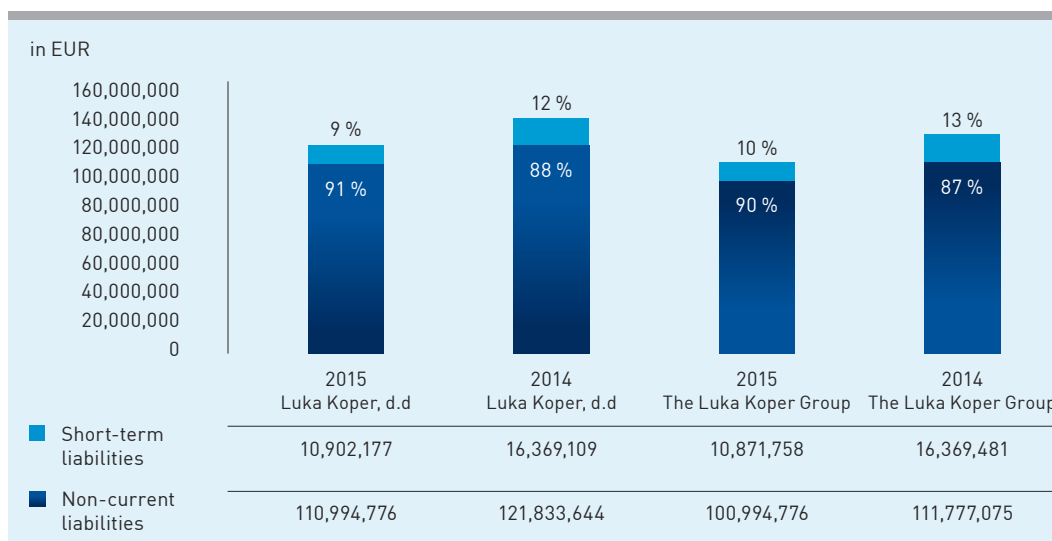
A high percentage of long-term financial liabilities in total liabilities greatly reduces the risk of operation in the field of financing of matured financial liabilities. Successful operation and a decrease in financial debt had an impact on the additional increase of equity in total balance sheet total.

REDUCTION IN DEBT
CONTINUED**Maturity of debt-financing sources**

In 2015, the Luka Koper Group continued the repayment of the loans with the aim to reduce the debt of the Group.



As at 31 December 2015, financial liabilities of the Luka Koper Group stood at EUR 111.9 million and reduced by EUR 16.3 million or 13% compared to the balance as at 31 December 2014. Due to the repayment of loans, bank loans decreased by EUR 15.9 million. As at 31 December 2015, the share of long-term financial liabilities in total financial liabilities accounted for 90%.

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

The Luka Koper Group has constantly increased its financial power. As at 31 December 2015, the share of financial liabilities in equity accounted for 36.5%, which is down 8.2 percentage points compared to the balance as at 31 December 2014. Details about the financial liabilities of the Luka Koper Group are explained in the Consolidated Accounting Report, in Note No. 27: Loans, No. 28: Other Non-current financial liabilities and No. 30: Loans.

CASH FLOW STATEMENT

Cash flows of Luka Koper, d.d. and the Luka Koper Group

in EUR	Luka Koper, d.d.		The Luka Koper Group	
	2015	2014	2015	2014
Net cash from operating activities	63,027,424	56,505,849	66,710,685	60,308,846
Net cash from investing activities	-32,717,301	-24,889,064	-30,961,582	-29,261,473
Net cash from financing activities	-29,105,845	-28,527,817	-29,079,845	-28,269,423
Net increase in cash and cash equivalents	1,204,278	3,088,968	6,669,258	2,777,950

Net cash from operating activities of the Luka Koper Group was positive in 2015 and stood at EUR 66.7 million. When compared to the year 2014 it increased by EUR 6.4 million.

Operating profit before the change in current assets amounted to EUR 70 million and was by 8.7 million higher than in 2014. Among the changes in current assets, the changes in the balance of operating liabilities and long-term accruals had a positive impact on net cash from operating activities, a change in operating liabilities and interest expenses and tax had a negative impact.

In 2015, expenses for the purchase of property, plant and equipment in the amount of EUR 31 million and intangible assets in the amount of EUR 37.4 million that increased by EUR 7.4 million over 2014, had a significant negative impact on net cash from investing activities.

Negative net cash from financing activities in the amount of EUR 29.1 million is the result of expenses for loan repayment in the amount of EUR 15.9 million. The amount of EUR 13.2 million was allocated to the dividend payout.

The closing balance of cash and its equivalents of the Luka Koper Group amounted to EUR 12.6 million in 2015, which was an increase of EUR 6.7 million over the 2014 year-end.

By thoughtful planning and monitoring of the generated cash flows the Group manages the long-term solvency and liquidity on weekly, monthly and annual bases (Detailed information on managing cash flows is given in Section Risk Management and in the Accounting Report of the Group, in Note No. 35: Financial instruments and management of financial risks).

10 MARKETING: CARGO GROUPS AND MARKETS

10.1 MARKETING STRATEGY

One of the key orientations is caring for connecting various links in the logistic chain and the port community with the aim to reach integrated logistic solutions. Luka Koper, d.d. is focused on the increase in the turnover, managing markets and on the establishment of partnerships with customers (B2B). The company set the following objective:

- more than 35% of container transport in the northern Adriatic Sea,
- to maintain the position of the first port for Austria,
- to maintain the position of the first port for container transport for Hungary and Slovakia,
- to obtain the position of the first port for cars in the Mediterranean.

Key cargo groups

Key cargo groups

On the basis of the analyses and the formulated strategy we estimate that Luka Koper has the greatest potential and the best opportunities for the throughput of containers and cars. In future, we will be focused also on the throughput of perishable goods that are re-transferred to containers and can no longer be found in classical ships. Encouraging of multi-modality and an increasing share of transported goods to and from the port of Koper generously contribute to the ecological orientations of our company.

At the same time Luka Koper, d.d. wants to maintain the multi-purpose character of the Slovene port and to increase the throughput of other cargo types and groups. No great turmoil and problems in operation have been observed in the recent period of crisis. In addition to crude oil and gas we also perform services and throughput for other cargo groups and passengers. Therefore, Koper is entitled to be presented as a universal port.

Hinterland markets

Luka Koper has increased its throughput in its traditional and major markets, such as Slovenia, Austria, Hungary, Czech Republic, Slovakia, Germany viz. Bavaria, Italy, Poland and Serbia. In 2014, the company started to intensively market the service of macro distribution, which continued also in 2015.

Overseas countries

In 2015, considerable attention, energy and time were devoted to the overseas markets of the Far East and the Mediterranean. When doing business with the European market Luka Koper was promoted as the best entry and exit point for the markets mentioned.

10.2 CUSTOMERS

Luka Koper is well aware of the fact that there is no long-term successful business operation without constant investments in customer relations, constant upgrade of the existing ones and search for the potential of new business relations.

The company has always aimed at the maintenance and establishment of good partnerships with its customers in all cargo groups and at different levels. Development of customer relations has been promoted and is reflected in a strong growth in throughput. Luka Koper, d.d. will continue its way and primarily focus on the areas where it can become even better.

In cooperation with a network of representatives of Austria, Hungary, Czech Republic, Slovakia and Poland, Luka Koper prepared and participated in numerous promotional in 2015:

- organisation of the traditional Port days in Japan, Israel, Egypt, Austria, Hungary, Czech Republic, Slovakia and Poland.
- active participation in several conferences, fairs and economic delegations,
- participation the meetings with existing and potential customers in overseas markets in South Korea, India, Taiwan, Italy, Morocco, Iran and Turkey,
- participation in the largest logistic fair - Transport Logistics in Munich as an exhibitor,
- participation in the fairs Logitrans in Istanbul and Fruit Logistica in Berlin.

WE APPLY THE FOLLOWING PRINCIPLE:
"IF WE DO NOT TALK TO THE CUSTOMERS, OUR COMPETITORS WILL."



Port day on Vienna

The activity of adjusting to new market opportunities, mainly in niches of individual markets, will be of essential importance also in 2016. It is relevant to timely detect and grasp opportunities. Delays in the implementation of market and development projects can mean untimely adjustment to the requirements of a market and loss of customers.

The competition among ports with the developed infrastructure has intensified and therefore the customers of port services have a strong bargaining power and a possibility to select transport routes for their goods. The entire transport route is important for a customer and not only one link in a chain. Luka Koper has striven for connecting and development of all participants in the logistic chain. We know that our competitiveness can be maintained only by joint responsiveness and quick adjustments to the wishes and needs of customers. We can be successful only if we know a customer well, its expectation and wishes, which is a basis for a good business relationships.

Due to a strong B2B orientation of the industry we are aware that the relationship of business partners is of central important for ensuring success to the company. In the upcoming period the following issues will be important for the development of operation:

- maintenance of the existing customers while paying great attention to the sales conditions of the competition that is aware of the success of the Port of Koper and therefore uses aggressive market approaches,
- increase in the volume of cooperation with the existing customers, particularly shipping companies, specialised in container transport and global logistic companies that manage major flows of goods and can redirect cargoes or determine transport routes,
- acquisition of new customers.

We expect that additional and new cargoes will increase our sales to foreign customers. The following activities are the key to success attained with customers:

- encouraging customer loyalty by maintaining good business partnerships taking into account after-sales activities and continuous dialogue,
- transfer of good references and practices with the existing customers to the new customers and business deals,
- promotion of cooperation of partners in the supply chain with the aim to provide effective solutions to customers,
- support to customers by IT solutions and process simplification,
- systematic promotion in the markets by advertising, participation in fairs and conferences and consistent communication by means of the most advanced communication tools,
- strengthening of trade mark visibility and recognition of the business system of the Port of Koper as a reliable business partner,
- promotion of business results of Luka Koper, d.d. and development plans of the port.

10.3 MARITIME THROUGHPUT

When compared to the year 2014 the maritime throughput was higher by 1.7 million tons or 9%.

A NEW MILESTONE WAS SET IN THE HISTORY OF OUR PORT: RECORD 20.7 MILLION TONS OF MARITIME THROUGHPUT



The growth in throughput of strategic cargo groups, such as containers and cars, continued.

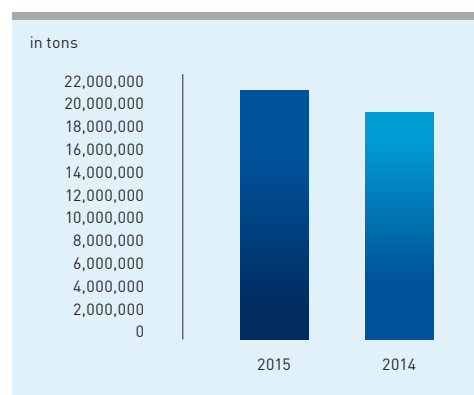
AS AT 31 DECEMBER 2015 A RECORD 791 THOUSAND TEU WAS REACHED AT THE CONTAINER TERMINAL, RECORD 607 THOUSAND CARS AT THE CAR TERMINAL AND A RECORD THROUGHPUT OF 0.8 MILLION TONS OF SOY AT THE DRY BULK TERMINAL



The growth in throughput over the year 2014 was achieved in all cargo groups, except the general cargo group. In 2015, Luka Koper, d.d. recorded 57,893 passengers at the passenger terminal, which is a decrease of 2% over 2014.

In 2015, an increase in goods loaded on ships was higher by 13% on 2014 and an increase in goods unloaded from the ships amounted to 7%.

Movement of the volume of maritime throughput



10.4 STRUCTURE OF THROUGHPUT BY CARGO GROUPS

Dry bulk cargoes prevailed in the entire structure of throughput and their share remained unchanged when compared to 2014. The share of containers increased, but the share of general cargoes dropped. The share of other cargo groups remained unchanged.

Throughput by cargo group and ton

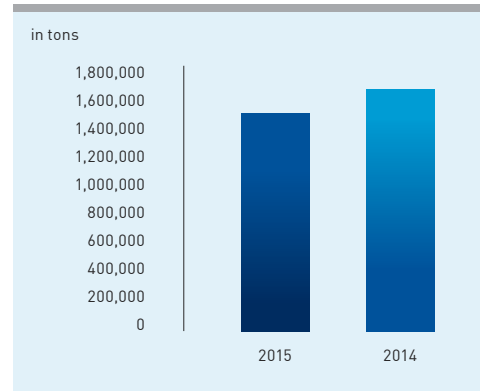
	2015	2014	Index 2015/2014
General cargoes	1,475,076	1,643,552	90
Containers	7,741,976	6,760,204	115
Cars	902,168	763,621	118
Liquid cargoes	3,297,225	3,073,620	107
Break bulk cargoes	7,295,426	6,724,354	108
TOTAL	20,711,872	18,965,351	109

GENERAL CARGOES

The Luka Koper Group ended the year 2015 with a 10 % fall in the maritime throughput compared to 2014. Within the general cargo group a decrease was observed in the throughput of timber due to unstable conditions in North Africa and in the throughput of iron and steel products.

The changes in the sales flows of fruits and vegetables continued when taking account the throughput of fruits and vegetables. These were mainly a result of political measures and partly a result of weather conditions. The throughput of imported fruits increased owing to the improved direct shipping links with Egypt. In spite of the trend of importing bananas in containers, the throughput included also some classical ships with bananas at the end of 2015.

Movement of the maritime throughput of general cargoes



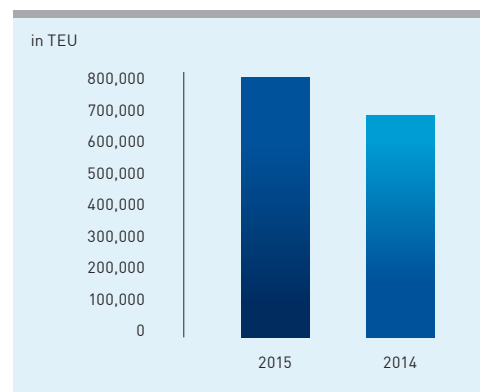
CONTAINERS

The financial year 2015 was again successful for the container terminal as the throughput amounted to a record 790,736 TEU. The terminal observed a 17% increase in the maritime throughput of containers in 2015 over 2014. The throughput included 656,316 full and 134,420 empty TEU. The maritime throughput of containers has increased over 34% from 2011.

In November 2015, deepening of the first basin to -15m meters was completed and the deepening project was successfully implemented. At this depth, ships up to 20,000 TEU can enter the Port of Koper. Other investments in the increase in capacities of the container terminal continued; only in this way Luka Koper can remain competitive and offer quality and reliable services to global shipping companies.

Besides the regular direct services of 2M and Ocean3 from and to the Far East, the third direct service from the Far East was introduced under the auspices of the CKYHE alliance in April 2015. The port of Koper has become increasingly important for the distribution of goods to and from the counties in the hinterland of the Adriatic Sea, as shipping companies established several new inter-Mediterranean services in 2015.

Movement of the maritime throughput of containers



CARS

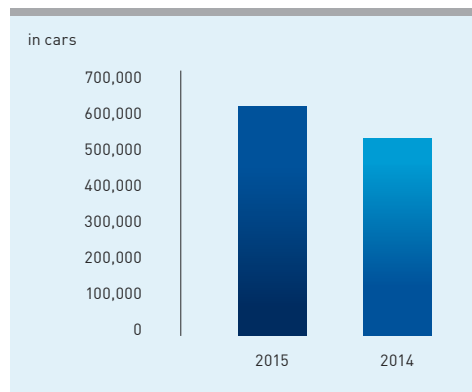
In 2015, the throughput amounted to 607,326 cars, which is an increase of 17 % over 2014. This is the highest throughput of cars in the Port of Koper in a year. The quantity of cars loaded on ships amounted to 398 thousand and a quantity of unloaded cars to 209 thousand.

An important milestone in the field of throughput of cars is marked by acquiring a giant German car producer exporting cars to the Far East. At present, services to the Far East can be provided only by one automobile shipping company and we will try hard to acquire more shipping companies bound for the Far East. Further growth in car throughput is anticipated also in 2016 thanks to the new line for the Far East.

Successful operation in 2015 was recorded also in the subsidiary Avtoservis, d.o.o., where a broad range of car services is offered.

In addition to the container throughput, the car throughput has also been considered a strategic cargo group. Several investments are planned in the future years due to the needs of the car terminal.

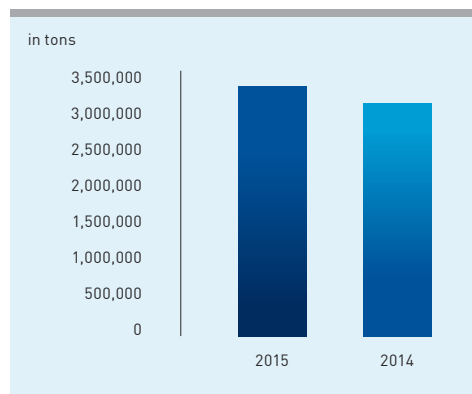
Movement of the maritime throughput of cars



LIQUID CARGOES

In 2015, the throughput of liquid cargoes increased by 7% over the year 2014. The maritime throughput increased in all cargo groups, which is a result of the economic growth in the hinterland countries.

Movement of the maritime throughput of liquid cargoes



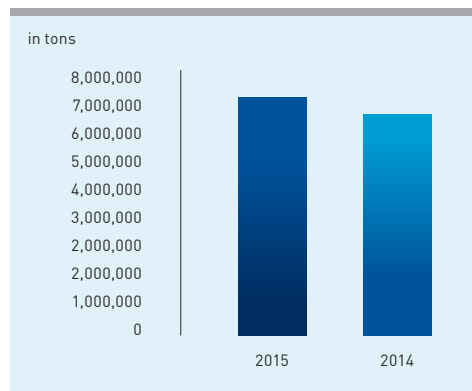
DRY BULK CARGOES

The maritime throughput of dry bulk cargoes increased by 8% in 2015.

The throughput of coal went up by 23% compared to 2014, as one of the Italian thermal power plants that is supplied from Koper was refurbished.

The dry bulk cargo increased by 12% in the maritime throughput when compared to the previous year. The throughput of soy and organic products will still grow. The throughput of old iron and cereals dropped, mostly due to high prices of the railway transport and lower costs in the market of old iron and cereals.

Movement of the maritime throughput of dry bulk cargoes



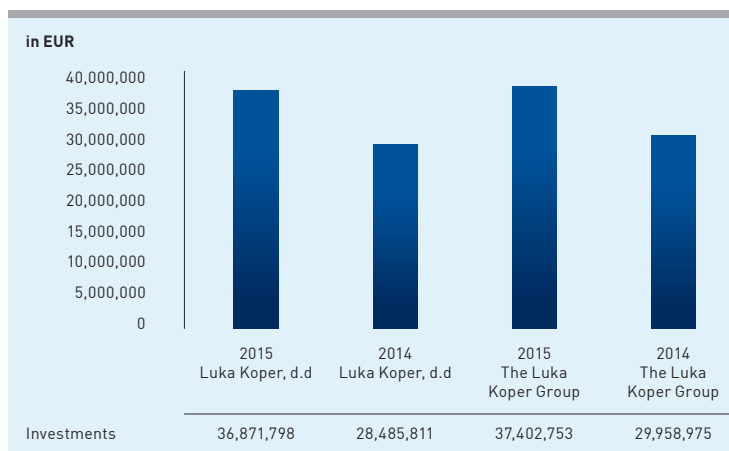
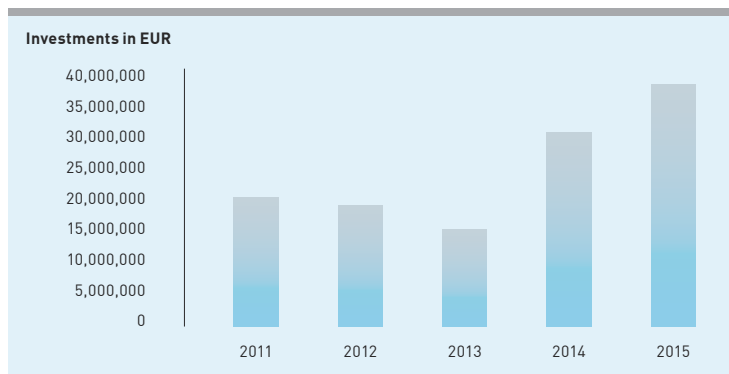
11 INVESTMENTS IN NON-FINANCIAL ASSETS

In 2015, the Luka Koper Group allocated EUR 37.4 million to the investments in property, plant and equipment, investment property and intangible assets.

Luka Koper, d.d. allocated EUR 36.9 million to investments, which accounts for 99% of the investments of the Luka Koper Group.

Investments in property, plant and equipment, investment property and intangible assets (Cash flow statement) of Luka Koper, d.d. and the Luka Koper Group

In accordance with the strategic business plan, the investments of 2015 were mostly focused on the development of the container terminal:



The second phase of deepening the navigation channel within the aquatorium to -15 meters was completed.



Eleven new, high capacity cranes for container throughput were ordered and Luka Koper paid EUR 9.1 million for them in October 2015. In addition to the new powerful equipment, this part of the investment foresees also the extension of the first pier and the construction of additional capacities at the container terminal in order to achieve the annual capacity of 1.3 million TEU to the year 2020.

New warehousing areas were prepared.



In 2015, the construction of three new reservoirs for the needs of the liquid cargo terminal started.

Some minor investments were realised.

All the projected investments in 2015 were studied from an economic point of view, aspect of feasibility, energy savings, necessity and legal obligations. Decisions on high investments were taken on the basis of investment studies and analyses of their impact on the return of equity.



ACCORDING TO THE PRESENT ESTIMATES INVESTMENTS AMOUNTING TO EUR 300 MILLION WILL BE NEEDED FOR THE CONSTRUCTION OF NEW PORT CAPACITIES TO THE YEAR 2020

11.1 INVESTMENTS IN ECOLOGY – PROVISION OF SUSTAINABLE DEVELOPMENT

Monitoring and managing of influences on the environment have remained an important part of regular activities in the port. In 2015, a portion of funds was allocated to ecology to maintain coexistence with the environment in accordance with the strategic guidelines.

In scope of the ecologic modernisation the Luka Koper Group:

- purchased new vehicles for washing and cleaning roads for the needs of the coal terminal,
- reinforced and re-layered open surfaces for the needs of the throughput of the dry bulk cargo and this enables draining of rainwater and prevents wetting of cargoes; anti-dust protection was installed on discharge hoppers in order to prevent dusting.

12 DEVELOPMENT

In the field of development the Port of Koper paid special attention to the identification of trends in the industry and specific challenges related to the long-term needs associated with the development of the Port in 2015. Key activities were focused on various studies and analyses for the preparation of new strategic orientations to the year 2030 and beginning of the current coordination that is a condition for timely development:

- With respect to the ambitious plans for the port development to the year 2020 we paid particular attention to faster implementation of priority infrastructure projects. Three groups of strategic projects were formed; they will be individually monitored after their economic justification has been confirmed, but encouraged the commencement of the following investments:
 - upgrade of capacities for the container terminal on the second pier and in its hinterland,
 - increased capacities for car transport in the third basin (open-air warehousing areas, railway tracks, new berth),
 - construction of new warehouses and berths on the second pier (tankers for liquid cargo, multi-purpose warehouse for dry bulk and general cargoes, preparation of two piers on the south coast).
- Due to the complexity of the container terminal project a great emphasis was put on the coordination of separate works in order to provide smooth current operation and management of the entire development (considering the impact on other terminals).
- Certain upgrades were carried out relating to the IT support and activities of the environmental protection and energy efficiency.
- In June 2015 the Government of the Republic of Slovenia adopted a document of changes and amendments to the programme of Port development in the period 2011–2015.
- In September 2015 a new proposal of technical bases for the programme of Port development in the period 2016–2022 was prepared; it includes the assumptions contained in new strategic documents.
- Activities were performed to emphasise the importance of the second railway track for further optimal development of the Port of Koper, as serious risks exist that additional railway capacities will not be provided in time.

The company strove for the integration of the development priorities of the Port in the applications for the projects co-financed by the EU.

12.1 EUROPEAN PROJECTS AND INITIATIVES

Luka Koper, d.d. started the year 2015 with nine European projects where it cooperated directly or as a project partner, and with two projects where it was appointed an external contractor. The company continued the projects of the European territorial cooperation relating mainly to the planning and development of the national and pan-European transport infrastructure, logistic concepts, environmental protection, safety, marine protection, hazardous cargoes, and IT upgrade. By June 2015 it completed three projects of the Mediterranean programme: GREENBERTH, INTE-TRANSIT, iFreightMED. It continued the TEN-T programme throughout the year and in December completed five projects:

- NAPADRAG that is oriented towards the increase in port accessibility and foresees co-financing of deepening of the first basin,
- NAPAPROG that is related to the preparation of the project documentation for the extension of the first pier and obtaining of the building permit for the south section,
- B2MOS that aims at the improvements in the IT and communication with business and institutional partners,
- NAPA STUDIES that mostly refers to the preparation of the project documents for the future realisation of the priority port investments to the year 2020,
- POSEIDON MED that refers to the all-embracing analysis of the needs and opportunities after the supply of northern Adriatic ports with alternative energy products.

Activity of Luka Koper, d.d. in European projects and initiatives



The training of employees in the field of structural funds was completed in August 2015. It was carried out in scope of the Competence centre for the development of employees in logistics and various profiles of employees gained new specific expertise.

In 2015, Luka Koper started performing the activities of the new financial perspective 2014–2020. Under the “Horizon 200” programme it acquired a project related to the possibility of more efficient solutions for the Rethink Container Management Systems that started in May 2015.

At the end of February 2015, Luka Koper responded to the call for tender relating to the TN-T programme that is carried out in the new financial perspective 2014–2020 under the Connecting Europe Facility. It submitted four projects and at the end of June it was informed that the following three projects were approved:

- NAPA4CORE that foresees co-financing of investments in the public port infrastructure located on the first pier and contributes to the strengthening of the TEN-T core network,
- Fresh Food Corridors that refers to the establishment of pilot railway solutions for the support of perishable goods originating from third countries and bound for overseas,
- GAINN4MOS that refers to the establishment of pilot solutions and studies for setting up the port supply with the alternative energy products in line with the EU regulations.

Negotiations over the above new projects were entered into with the European Innovation & Networks Agency (INEA) and their target was signing of an agreement for the allocation of funds. At the end of 2015 introductory meeting concerning these projects were organised.

By the end of 2018 the Port will face important challenges in the field of adequate performance of project activities for optimal use of the funds granted.

Preparations of applications for the first call concerning the Central Europe programme under the programme of territorial cooperation started. Two projects were approved in the first

THE FINANCIAL
PERSPECTIVE 2007 –
2013-2 ENDED IN 2015
WHERE LUKA KOPER, D.D.
PARTICIPATED IN THE
EUROPEAN PROJECTS
FOR THE FIRST TIME.

IT PARTICIPATED IN A
TOTAL OF 32 PROJECTS
AND OBTAINED EUR 5.5
MILLION FROM THEM

LUKA KOPER WAS
GRANTED A TOTAL
OF EUR 6.7 MILLION
FOR THREE SELECTED
PROJECTS

phase and they include Luka Koper (TalkNET and INTERgreen). They are now in the second phase of assessment. In November 2015 Luka Koper paid special attention to the application for three projects and responded to a call for the Mediterranean programme and got information about the conditions of the ADRION programme that will be topical in 2016.

In November 2015, the second call for CEF was published, where the emphasis was placed on using the funds from the cohesion envelope. Due to the decision of the Ministry of Infrastructure to allocate total funds of the Slovene cohesion envelope to the railway sections in Eastern Slovenia, Luka Koper responded with its projects to the regular call of CEF, where the competition is much stiffer and the funds available much lower. The Port decided to participate with six projects in a partnership with foreign ports, logistic companies and institutions.

The cooperation with the local institutions for the integration of the development projects of the Port in the development plan 2014-2020 continued, where it will be important to obtain co-financing for the passenger terminal project.

Activities were carried out also in NAPA – Northern Adriatic Port Association. In January, the Port of Koper handed over the presidency to the port administration of Trieste, and since July the port administration of Venice presided the Association. The NAPA ports were jointly presented at the Transport Logistics fair in Munich.

The company participated in relevant events of REPORT – The Federation of European Private Port Operators and ESPO – European Sea Ports Organisation. Through these organisations it monitored the projected changes in port regulations, allocation of state aid to ports and other institutional regulatory initiatives.

12.2 INTRODUCTION OF NEW IT SOLUTIONS

In the long run, the development of business processes is strategically and inseparably related to the IT development. On the basis of the business model of outsourcing services concluded with Actual I.T.d.o.o., our contractual partner, processes of IT support have taken place in the Luka Koper Group for several years.

In 2015, the Luka Koper Group performed key activities relating to the changes and development of business processes on the basis of modern IT solutions in three completed sets:

- safety and availability of the IT system,
- organisation of internal logistics,
- optimisation of support processes.

In the coming period numerous challenges in the field of IT technologies are expected and the Luka Koper Group will have to face them to be able to adequately support the projected growth in throughput, to meet the requirements of the port customers for an increasingly high quality level of services and at the same time to take opportunities offered by the faster IT development.

The main orientations that we currently follow are:

- automation of the container terminal,
- simplification of B2B and B2A communications: improvement in the communication with railway operators and consequently acceleration of the turnover of trainsets,
- use of mobile technologies with the aim to improve the quality of data for the use in the field of business intelligence and forecast analytics,
- continuous improvement in It-communication technology, hardware and software, with an emphasis on safety,
- optimal organisation of the IT support.

The needs of the container terminal are our priority. In order to be able to ensure a higher turnover in the warehouse and streamline the costs of handling and internal transport, investments will be made in the optimisation of warehouse logistics. We will introduce solutions that will enable better projections and will consequently have impact on the reduction in the movement of containers and a selection of the shortest transport routes. We will introduce a new messaging system and thus continue the project of establishing an electronic data interchange centre (EDI centre) by introducing messages in the EDIFACT format.

Due to the obsolete and poor connections of the warehousing system and monitoring of the AVRI car throughput that is used at the car terminal, an introduction of a new system has been planned that will enable easy planning, simple inquiry,

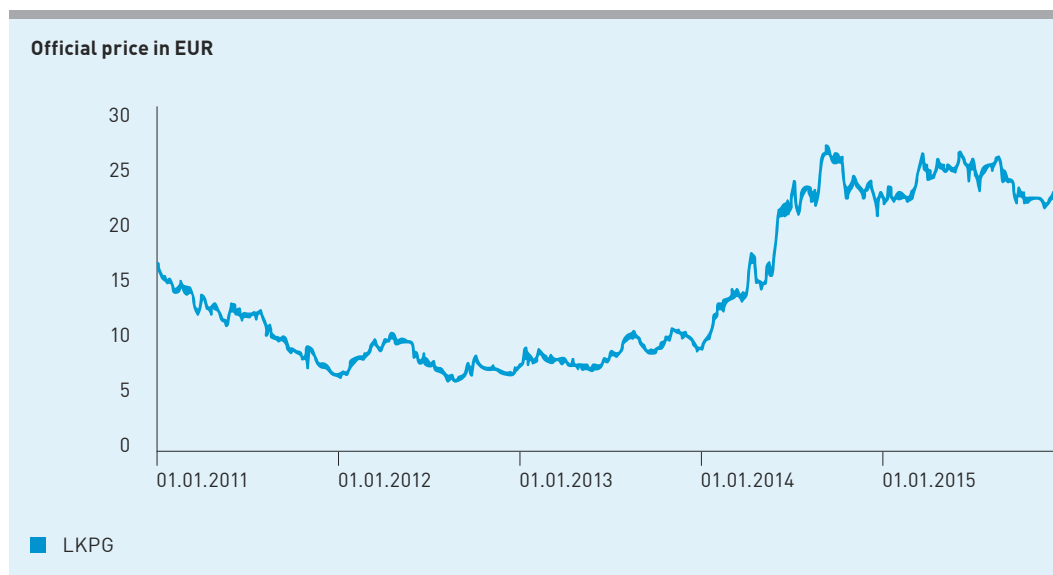
insight into data and suitable informing of customers. Due to the increasing number of road transport operators who daily enter the port and due to lack of space we will continued developing solutions that will enable complete supervision over the entries into port and better planning of work.

We will seize the opportunities offered by the use of mobile technology in order to be able to optimise internal processes and to improve the communications with the port community and other business partners. IT projects play a strategic role in the development of the company. In future, we are planning to strengthen our key know-how in the field of business IT and logistic processes, which will result in a simple and fast development and efficient implementation of new solutions.

13 THE LKPG SHARE

The share of Luka Koper, d.d. is listed in the most eminent segment of the Ljubljana Stock Exchange called First Quotation. As at 31 December 2015, the value of the LKPG share was 2.5% above the value of the previous year. The total turnover in 2015 exceeded the turnover in 2014 by 57%. On the last trading day of 2015, the price per share was EUR 23.00.

The ownership structure of Luka Koper, d. d. experienced no major changes in 2015. As at 31 December 2015, the Company had 11,530 shareholders, accounting for 406 less than in 2014. The major shareholder of the Company remains the Republic of Slovenia.



Ten major shareholders as at 31 December

Shareholder	No. of shares as at 31 Dec. 2015	Ownership share 2015 (in %)	No. of shares 31 Dec. 2014	Ownership share 2014 (in %)
Republic of Slovenia	7,140,000	51.00	7,140,000	51.00
Slovenski državni holding, d.d.	1,557,857	11.13	1,557,857	11.13
Kapitalska družba, d.d.	696,579	4.98	696,579	4.98
Municipality of Koper	466,942	3.34	466,942	3.34
SOP Ljubljana	406,548	2.90	92,651	0.66
Unicredit Bank Austria AG – fiduciary account	188,592	1.35	229,100	1.64
Zavarovalnica Triglav, d.d.	104,756	0.75	104,756	0.75
Parametric Emerging Markets Fund	94,050	0.67	118,550	0.85
Perspektiva FT d.o.o.	80,000	0.57	15,895	0.11
Aktsiaselts Trigon Funds	66,046	0.47	49,875	0.36
Total	10,801,370	77.16	10,472,205	74.82

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

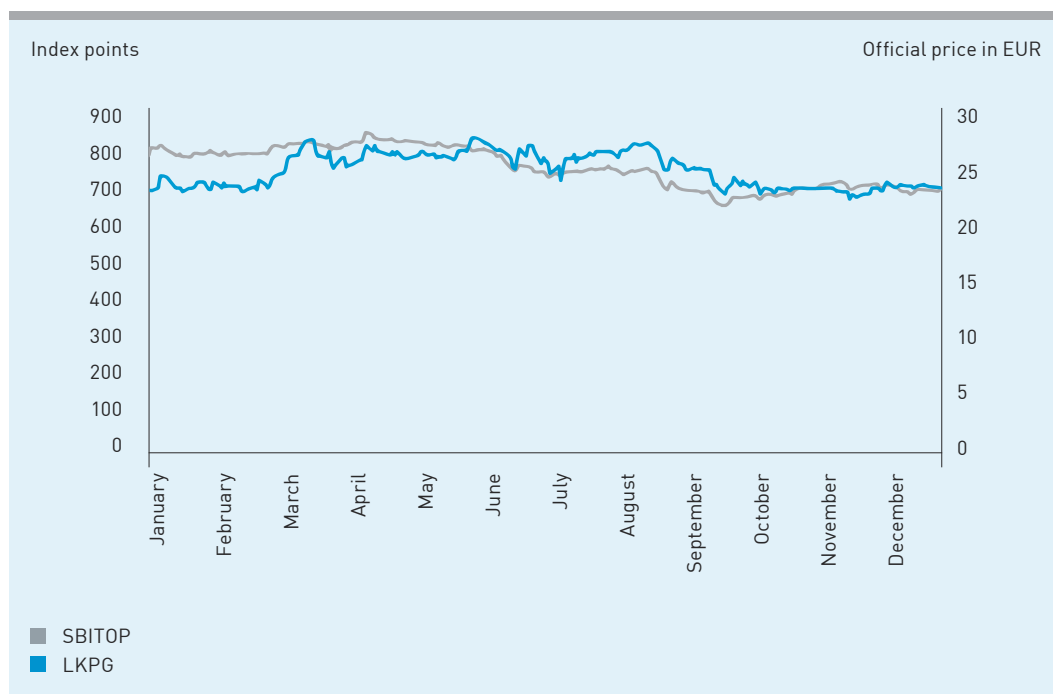
Shareholder	No. of shares 31 Dec. 2015	Ownership share 2015 (in %)	No. of shares 31 Dec. 2014	Ownership share 2014 (in %)
Republic of Slovenia	7,140,000	51.00	7,140,000	51.00
Natural persons	2,270,683	16.22	2,218,114	15.84
Slovenski državni holding, d.d.	1,557,857	11.13	1,557,857	11.13
Other legal entities	1,005,790	7.18	844,000	6.03
Kapitalska družba, d.d.	696,579	4.98	696,579	4.98
Foreign legal entities	655,867	4.68	574,853	4.11
Municipality of Koper	466,942	3.34	466,942	3.34
Mutual and pension funds	131,882	0.94	405,080	2.89
Brokerage firms	29,961	0.21	30,661	0.22
Banks	23,539	0.17	26,755	0.19
Foreign banks	20,900	0.15	39,159	0.27
Total	14,000,000	100.00	14,000,000	100.00

13.1 LKPG TRADING

The average daily share price of the Luka Koper, d.d. amounted to EUR 24.442 in 2015. During the year, its value fluctuated between EUR 22.10 and EUR 27.135. The highest market price of the share was EUR 27.48 and the lowest EUR 22.105. The market cap of Luka Koper, d. d., shares was EUR 322,000,000 as at 31 December 2015.

The shareholders witnessed a story of success about the share of Luka Koper, d.d. in the year 2015. The owners of Slovene shares had to accept a decrease in the Slovene shares by 11.2% of the SBITOP index on average, but the shareholders of Luka Koper experienced a 2.2% increase in the value of company shares. The total number of stock-exchange transactions and deals with lots for the share was 3,739. The total turnover in this period amounted to EUR 25,263,216, which is 157% of the 2014 turnover. 1,035,960 shares changed owners.

Changes in SBI TOP and the daily LKPG price in 2015



Changes in the daily LKPG share price and daily turnover in 2015



Key data about the LKPG share

	2015	2014
No. of shares	14,000,000	14,000,000
No. of ordinary no-par-value shares	14,000,000	14,000,000
Share price on the last trading day of the year (in EUR)	23.00	22.50
Share's book value as at 31 Dec. (in EUR)	1.14	1.18
Price-Book value ratio (P/B)	24.39	19.47
Average market price (in EUR) ¹⁷	20.07	18.30
Average share book value (in EUR) ¹⁸	1.21	1.06
Average market price/Average share book value ratio	2.06	1.89
Net earnings per share (EPS) (in EUR)	11.16	11.91
Share price/Earnings ratio (P/E)	322.00	315.00
Market cap as at the last day of the year (in EUR million)	25.26	16.05
Total share turnover (in EUR million)	0.94	0.16

¹⁷ Average market share is calculated as the ratio between total turnover in the period, arising from ordinary (stock exchange) transactions and the quantity of LKPG shares traded in ordinary (stock exchange) transactions.

¹⁸ Average share book value is calculated based on the average monthly ratio between capital and the total number of ordinary shares.

13.2 DIVIDEND POLICY

The dividend policy of Luka Koper, d. d., represents a harmonised combination of the owners' wish for dividend yields, and the wish to use the net profit for financing investment plans. The Company endeavours to allocate up to a third of the net generated profit of the period for dividends, including also the planned investments in the port infrastructure and equipment.

Due to the results of the year 2015 and the adopted dividend policy the proposal of the Management and Supervisory Boards for the appropriation of the accumulated profit amounting to EUR 15,880,814.24 as at 31 December 2015 is as follows:

- a portion of the accumulated profit in the amount of EUR 9,520,000.00 shall be used for the payout of dividends in the gross value of EUR 0.68 per ordinary share,
- the rest of the accumulated profit amounting to EUR 6,360,814.24 shall remain unappropriated.

13.3 CROSS-LINKAGES WITH OTHER COMPANIES

As at 31 December 2015, Luka Koper, d.d. did not hold a 5% interest in any company which owns shares of Luka Koper, d. d. Shareholders holding at least 5% of the LKPG shares are the Republic of Slovenia (51.00%) and Slovenska odškodninska družba, d. d. (11.13%).

13.4 SHARES OWNED BY MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

	Shareholder	Ownership as at 31 Dec. 2015
Supervisory Board	Nebojša Topić, MSc, Member of the Supervisory Board	9
Management Board	Dragomir Matić, President of the Management Board	1,238

As at 31 December 2015, other Members of the Supervisory Board and Members of the Management Board of Luka Koper, d.d. held no shares of the company.

13.5 OWN SHARES, AUTHORISED CAPITAL, CONDITIONAL CAPITAL INCREASE IN CAPITAL

As at 31 December 2015, Luka Koper, d. d., held no own shares. The applicable Articles of Association of the Company do not provide for categories of authorised capital up to which the Management Board could increase the share capital. The Company also had no basis for conditional increase in the share capital.

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

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

13.7 COMMUNICATIONS WITH INVESTORS

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

SEO-net

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

Website

A special chapter headed "For Investors" is devoted to shareholders and investors on our website where they can find up-to-date information regarding the LKPG share, ownership structure, current interim, annual and past operating reports, information published on SEOnet, material for General Meeting of Shareholders,

answers to most frequently asked questions and opinions of individual analysts.

Port Bulletin

A copy of the Port Bulletin is sent to brokerage companies and analysts every month. The newspaper provides topics on the operations of the Port of Koper and other events.

Events

Furthermore, investors are informed of the Port's operations and innovations at the events organised by the Ljubljana Stock Exchange. In May 2015, we participated in the Investors' Day in Ljubljana organised by the Ljubljana and Zagreb Stock Exchanges. In November the Port of Koper was presented in the Days of the Slovene Capital Market in Ljubljana where we had individual meetings with investors.

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

Contact person:

Rok Štemberger

Investor Relations

Tel.: 05 66 56 140

E-mail: rok.stemberger@luka-kp.si

13.8 CALENDAR OF RELEVANT PUBLICATIONS IN 2016

Scheduled date of announcement / event	Type of announcement /event
21 January 2016	<ul style="list-style-type: none"> • Preliminary results: revenue of Luka Koper, d.d. and data on maritime throughput for 2015
29 January to 26 February 2016 – Quiet period	
26 February 2016	<ul style="list-style-type: none"> • Information on operations of the Luka Koper Group and Luka Koper, d.d. in 2015
20 March to 15 April 2016 – Quiet Period	
14 April 2016	<ul style="list-style-type: none"> • Preliminary results: revenue of Luka Koper, d.d. and data on maritime throughput in the period January–March 2016
15 April 2016	<ul style="list-style-type: none"> • Statement of Compliance with the provisions of the Management Code for publicly traded companies • Annual Report for 2015
16 April to 20 May 2016 – Quiet Period	
20 May 2016	<ul style="list-style-type: none"> • Non-audited interim report of the Luka Koper Group and Luka Koper, d.d. for the period January –March 2016
14 July 2016	<ul style="list-style-type: none"> • Preliminary results of the revenue of Luka Koper, d.d. and data on maritime throughput in the period January–June 2016
15 July to 19 August 2016 – Quiet Period	
July 2016	<ul style="list-style-type: none"> • General Meeting of Shareholders
Second working day after General Meeting of Shareholders	<ul style="list-style-type: none"> • Entitlement-to-dividend-day
19 August 2016	<ul style="list-style-type: none"> • Non-audited interim report of the Luka Koper Group and Luka Koper, d.d. for the period January –June 2016
September 2016	<ul style="list-style-type: none"> • Dividend payout
13 October 2016	<ul style="list-style-type: none"> • Preliminary results: revenue of Luka Koper, d.d and data on maritime throughput for the period January–September 2016
27 October to 25 November 2016 – Quiet Period	
25 November 2016	<ul style="list-style-type: none"> • Non-audited interim report of the Luka Koper Group and Luka Koper, d.d. for the period January– September 2016
16 December 2016	<ul style="list-style-type: none"> • Summary of 2017 business plan and estimation of 2016 business performance

Periodic publications and other price sensitive information will be regularly published on the Ljubljana Stock Exchange website via SEOnet electronic information system (<http://seonet.ljse.si/>) and on the website of Luka Koper, d. d. <http://www.luka-kp.si/slo/financni-koledar>. Any changes to estimated date of individual publications will be regularly published on our website.

14 RISK MANAGEMENT

14.1 RISK MANAGEMENT SYSTEM IN THE LUKA KOPER GROUP

In 2015, the Luka Koper Group upgraded the risk management system that has been implemented at the level of Luka Koper, d.d. Its extension to other subsidiaries of the Group has been planned for 2016. In the new system the guidelines of ISO 31000: Risk management – Principles and Guidelines and Guidelines of the Committee of Sponsoring Organisation of the Treadway Commission (COSO): Enterprise Risk Management – Integrated Framework were considered. The risk assessment methodology was also updated; from the previous 4-level methodology to a 5-level methodology for the assessment of probability and consequences. Five dimensions are taken into account in the assessment of consequences, such as consequences for health and safety, financial consequences, consequences for the environment, company's reputation and compliance. In accordance with the materiality level, risks are classified into five classes from irrelevant to very relevant. Risks included in the highest class of risks, significant or very important risks are the key risks for Luka Koper, d.d. and are presented in further sections of this report.

Risk management is a comprehensive and uniformly determined process that enables the company, together with other management processes, to increase the probability of achieving objectives. At the end of 2015 risk management received also IT support.

Key roles and responsibilities within the risk management system are presented below.

Key roles and responsibilities with the risk management system



Setting targets is a pre-condition for the identification, assessment and management of risks. In 2015, a regular review of risks was carried out at the same time as the process of annual planning began. Risks relating to the achievement of new objectives from the strategic business plan to the year 2020 and other ones were reviewed. The risks were described, categorised and assigned to trustees. After the identification and assessment of risks, suitable measures of their management were determined in accordance with the acceptable risk level in order to reduce any consequences and/or the probability of their occurrence. The company keeps a risk register of Luka Koper, d.d. where all the risks are fully recorded so that they can be systematically monitored and analysed.

In 2016, the risk management system will be extended to other companies of Luka Koper d.d. and the activities for the establishment of regular reporting on the most important risks to the Management Board and modernisation of the risk set have been planned. They will be carried out in scope of the harmonisation of the management system with the requirements of the new version of ISO 9001:2015. A review of the operation from the view of process and risk management at the level of all processes has been planned in scope of two-year activities.

14.2 GENERAL RISK ASSESSMENT

The upgrade of the risk management system included also the methodology of risk assessment which affected the re-classification of some risks in respect of importance and risk group. In 2015, the list of key risks of Luka Koper d.d. slightly changed, but some major changes were a result of the assessments of some identified risks and newly identified ones.

STRATEGIC RISKS

The development of Luka Koper, d.d. greatly depends on the development of the hinterland infrastructure, as it substantially affects its competitiveness. We face a risk of longer interruptions on the railway track to the Port of Koper and the risk that the modernised capacities on a monorail will be barely sufficient for the support of the growth in the port turnover to the year 2020. Due to the fact that the construction of the rail will last from 5 to 7 years in according with the forecast of the competent bodies, it is urgent to highlight the needs for additional capacities now, as the operating conditions are unforeseeable for Luka Koper d.d. after the year 2020 if no clear information about the construction of a two-rail track is available. We can miss market opportunities and cargo can be re-directed to other ports. In accordance with the United Nations Conference on Trade and Development (UNCTAD) the port of Koper faces similar problems as other global ports as the growth and concentrated traffic volumes brought about by ever-increasing ship size, consequently result in higher costs of adaptation of port and port hinterland infrastructure measures, but financing of the transport infrastructure by public funds is limited due to national budgetary constraints. The Port of Koper manages the risks related to timely provision of the development of the hinterland infrastructure by emphasising the importance of the second track construction at the national and the EU levels.

Luka Koper, d.d. faces also risks related to timely completion of key development projects – increase in port capacities for both key cargo groups, containers and cars, extension of the first pier, construction of the new RO-RO berth and preparation of additional areas in the hinterland of the third basin and preparation of entrances in the port that represent a bottleneck, as they limit the fluidity and cause dissatisfaction to other logistic stakeholders and standstills in the local transport. In relation with the projects mentioned the Port of Koper encounters obstacles that are of administrative, procedural and status character. Competitive ports do not hide their ambitious plans of increasing capacities in the northern Adriatic Sea and the port that will offer new capacities and services faster will be able to enjoy the benefits. Adequate implementation of project activities is a condition for the optimal use of the EU funds. The company manages the risks mentioned by active and constructive cooperation with the Government bodies, local authorities and other institutions

when obtaining suitable approvals and searching for alternative methods of disposal seaborne sediment during the deepening due to lack of disposal areas. Successful completion of the development projects depends also on the support of the local population. We manage the risk by adjusting the communication plans to the results of the opinion survey about the support to the development plans of the port and by monitoring the adopted policy of safe and healthy port environment according to which the Port of Koper committed to continuous improvement and consistent pursue of the objectives of sustainable development. The company supports several projects, associations and individuals through sponsorships and donations.

The company faces also market risks arising from the highly competitive environment. The situation in the industry of container overseas transport, where shipping companies offer excessive capacities and record low freight rates can be long-lasting. Shipping companies will adjust to the market conditions by increasing efficiency and cost reductions. The measures will be focused on the decrease in capacities, postponement of capacity increase to future years, simplification of processes, automation and digitalisation. Other measures that have a significant impact on the port include pooling of services or alliances to larger ships, elimination of a small number of ports with high capacities, pressure on price exercised on all customers and pressure on productivity that means direct saving of costs for shipping companies. And finally, the risk is related to the MSC shipping company that is now owned by TMT, the operator of the container terminal in Trieste in 2015. The Port of Koper cooperates with the majority of shipping companies with the ownership links also in the competitive ports and therefore the fact mentioned will not necessarily result in the reduction of throughput. The company has faced pressure on prices also in other cargo groups, mostly by other ports in the Adriatic Sea that can exercise the policy of lower prices because of non-utilised capacities. The continuation of political instability and war situation in the countries of North Africa and the Near East postpone the recovery of export to these countries to the future and further destabilisation can result in a decrease of throughput. The company manages the market risks mentioned also by the strategy of a multi-purpose port and greater diversification of cargo groups and customers and decreases its exposure in this way. It manages these risks also by strengthening market activities, mainly with end customers and owners of goods who actually have an important impact on the selection of the transport route and the port, and shipping companies by introducing advanced IT solutions in combination with customers and maintaining a high level of services.

OPERATIONAL RISKS

Operational risks affect the implementation of processes at all levels. They include a wide variety of risks mostly arising from inadequate and unsuccessful internal

processes, unsuitable or inefficient actions of employees, inappropriate or poor operation of the systems and equipment. The occurrence of these risks often reflects in injuries of persons and/or impacts on the environment and property and they can be affected also by internal or external factors. This group of risks is managed by the measures based on risk assessments of workplaces, training and verification of knowledge, consistent use of personal protective equipment, established and communicated technological procedures, constant measurements of conditions on workplaces, regular medical examinations and appropriate insurance of property and liability. Other measures reducing risks of damage or injuries include new investments in modern equipment, regular maintenance of work equipment and infrastructure as well as regular measuring of impacts on the environment. In 2015, Luka Koper, d.d. verified and increased its assessment of the risk level relating to the throughput and warehousing of containers with hazardous substances and prepared additional measures for their management because of the huge explosion in the Chinese port of Tianjin. In exceptional cases, the adopted safety measures are not necessarily sufficient in the port, as we have to provide the awareness for their management and include other participants in the safety of the complete logistic and supply chain.

Besides maturity and quality of project applications, the risk of approval of co-financing projects by the EU is affected also by the competition of other projects that are more important for the European policy and support of the member state. The support of the state in recognising the needs of the Ports also plays an important role as it has to carefully select priority projects due to the limitation of the available grants.

The company will manage these risks by encouraging the awareness about development priorities of the Port, regular communication with the competent local bodies and the EU bodies and by the quality and reliable implementation of the projects approved that represent a reference for the future.

In several fields of operation the company is exposed to the risk of non-fulfilment of obligation of the other. This risk is managed by monitoring the quality of performance of services of the other parties and their responsibility and the development of partner relations. Since November 2015 Luka Koper, d.d. has faced extreme conditions in the Slovene railway network that reflected in the congestion of trainsets in the area of Slovenia and beyond it and in non-delivery of forecast and projected wagons, which caused problems in the organisation of throughput in the Port. Congestions and delays forced some of the customers to redirect a part of cargo intended for the transport to the Port of Koper to other European ports. The company will try to prevent any redirection of cargo in future by concrete operative solutions and intensive communications with business partners.

FINANCIAL RISKS

Key risks include only one financial risk and this is the fair value risk. The Group has invested 6.6% of its assets and these investments are measured at fair value. The fair value risk of these investments, is shown in the fluctuation of stock exchange prices that have impact on these assets and the result of asset disposal. The company recognised this type of risk in investments in market securities of the Slovene companies. In recent years the strategic orientation of the Luka Koper Group has been focused of investments on the development of the core activity of the company and therefore the company manages only the existing portfolio. The Group manages this risk by monitoring the situation in the financial markets, their impacts on the portfolio and takes care of high profitability and maintenance of value by active management of investments.

Management of the fair value risk and other financial risks that include the interest rate risk, liquidity risk, foreign exchange risk, credit risk and risk of adequate capital structure. They are assessed as moderate, less important or even irrelevant. The management of these risks is presented in detail in the Accounting Report of Luka Koper, d.d. in Note No. 36: Financial instruments and management of financial risks.

COMPLIANCE RISKS

Key risks of compliance include risks associated with exceeding the legally determined limit values of noise for the town centre of Koper that can be caused by the construction works related to the extension of the first pier, driving piles as well as noise due to increased activities of at the container terminal or arrival of a noisy ship. The company has already taken the measures that will consider the limitation of the noise level in the phase of design and later on when selecting a contractor of construction works. The company manages the risks associated with the excessive noise by a gradual transition of the technological equipment driven by electricity and search for alternative solutions that would contribute to the decrease in the noise. In order to reduce the level of noise, mooring of noisy ships is arranged in second basin that is far from the centre of the town. Levels of ship noise have been constantly monitored and in cooperation with shipping companies we try to agree on the replacement of ships by less noisy ones. The risk of impossibility of deepening the seabed for the maintenance of the existing depths because of the unavailability of the disposal areas for waterborne sediments has been managed as the risks associated with the deepening to provide greater depths, i.e. by active and constructive cooperation with the government bodies, local authorities and other institutions in obtaining adequate approvals for the construction of disposal sites and the search for alternative methods of disposal and managing waterborne sediments.

Risks of compliance include also risks of fraud. In the past, the Port of Koper directly and indirectly introduced elements of corporate integrity. Generation of corporate value under consideration of social values or operation of the companies within the Luka Koper Group that complies with the applicable legislation, other rules, applicable recommendations, internal regulations, good business practices and ethical principles is the basic intention of the revision that was started when the company signed the public commitment at the 9th Summit of the Slovene Economy in Brdo pri Kranju at the end of October 2014. The company committed to respect and follow the Slovene guidelines of corporate integrity. The company manages the risk of fraud also by clearly defined and communicated rules for the preparation and conclusion of business deals, transfer of powers and approval of invoices, by the introduced 4-eye principle and other controls that are integrated into processes. In 2015, an authorised person of the company was appointed for corporate integrity who will develop the corporate integrity system as it has been created in the strategy adopted.

SUSTAINABLE DEVELOPMENT

In 2015, a conference on the occasion of the 20th anniversary of certification under the EMAS scheme (ECO – Management and Audit Scheme) was organised in the head office of the European Central Bank in Frankfurt. The main emphasis was placed on the praise of all the companies that have contributed to the maintenance of such environmental management for years that provides constant improvement and compliance with the legislation. Some of the companies presented their achievements and exchanged good environmental practices. At the conference, the European Commission and the European Commissioner for Environment, Maritime affairs and Fisheries awarded the Port of Koper a recognition saying the Port of Koper is a national pioneer in this field as the EMAS certificate has been maintained for the seventh year.

THE EUROPEAN
COMMISSION AWARDED
LUKA KOPER A SPECIAL
RECOGNITION IN THE
FIELD OF ENVIRONMENTAL
MANAGEMENT



15 NATURAL ENVIRONMENT

The Port of Koper has taken great care for the improvement in quality of life in the entire port location. Therefore we cooperate and co-finance training and research institutions, support sports, humanitarian and cultural activities. The principles of sustainable development and responsible environmental management have been considered in the development issues.

Our orientations:

- introduction of modern and economical technology,
- constant reduction in emissions into the environment,
- care for partnerships with the local community,
- improvement in energy efficiency in all activities,
- provisions for taking measures in extreme situations,
- continuous improvement in the environmental management system.

In the field of development we have been focused on the introduction of modern sustainable solutions that are relevant for the local and wide social community. Some years ago the company set an objective in the field of environmental protection, namely to become a green port. We provide conditions for healthy and safe work of our employees and their constant training. Through different communication channels and tools we try to regularly inform all stakeholders about our plans and achievements. With the help and control of competent professional institutions we regularly carry out measuring of emissions into the environment and report on the results to the competent state institutions. We take care of the efficient management of waste and energy products, make the port area green and thus improve the appearance of the port zone.

The most important achievements in the field of natural environment in the year 2015:

- renewal of the EMAS certificate,
- the European Commission presented the prestigious environmental award to the Port of Koper,
- completion of the project of installing ten additional waste treatment plants.

The most important objectives in the field of natural environment in 2016:

- successful performance of the audit in compliance with the requirements of the EMAS Directive,
- reduction in emissions of total dust to 250 mg/m²day on all ten port locations,
- maintenance of PM10 particle emissions (sizes up to 10 µm) under 30 µg/m³ (in the direction of Ankaran, Koper and Bertoki) in the entire port area),

LUKA KOPER PURSUES
THE OBJECTIVE: TO
ACHIEVE THE HIGHEST
ENVIRONMENTAL
STANDARDS

- maintenance of a percentage of separate collection of waste without the waste from vessels above 84%,
- reduction in the noise level to 48 dBA at night in the direction of the town Koper,
- maintenance of the daily noise level at 58 dB in front of the closest facilities outside the port area in spite of the growth in throughput and extension of the port,
- adjustment of the external lighting at the container terminal with the aim to reduce light pollution,
- modernisation of draining on the coast of the European energy terminal and refurbishment of a treatment plant at the livestock terminal and replacement of some oil-catchers,
- no measure related to interventions in the environment is to be taken,
- no pollution of the sea outside the port aquatorium,
- maintenance of the specific consumption of energy products at the level of 2015 in spite of the growth in the throughput and warehousing capacities; the consumption is limited to 0.25l/t of fuel and 1.17 kWh/t of electricity,
- carry out of an energy inspection at the car terminal and dry bulk terminal by the measures for the increase in energy efficiency.



Luka Koper in harmony with nature

15.1 THE EMAS CERTIFICATE

In 2010, Luka Koper, d.d. received the EMAS - most important environmental certificate (SI 00004) that has been renewed on an annual basis. The company is preparing an Environmental Report for 2015 that will be available at the website www.zivetispristaniscem.si. The strategic orientations of the company are achieved by meeting the standards for earning EMAS - the highest environmental certificate.

15.2 CARE FOR THE ATMOSPHERE

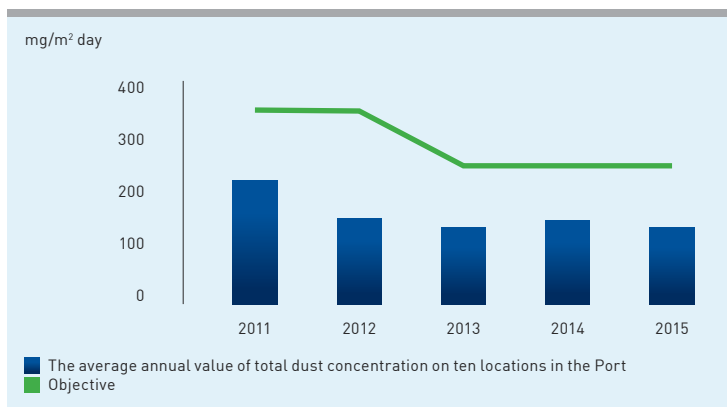
Striving for constant reduction in emissions that are produced by the performance of port activities involves many activities. The most important measures for the reduction in dusting are the introduced technology of applying paper mill sludge to the coal and iron ore disposal area. Paper mill sludge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

Measurements of emissions were carried out at the terminal of liquid cargoes. Emissions of substances coming from devices for vapour collection that appear when loading wagons and heavy goods vehicles were measured. They were in compliance with the legislation.

Measurements of dusting were carried out on key places at the dry bulk terminal and at the European energy terminal. Values were within the legislative framework.

15.2.1 Quantity of total dust in the port

Since 2002 Luka Koper, d.d. has monitored the total dust concentration on ten locations in the Port. In accordance with our annual objective the average value of all measurements should be lower than 250 mg/m²day and this value could be exceeded only five times in 120 measurements during the year. The legislation does not prescribe any limit values or tolerances for such measurements.



In 2015, the average annual value of total measurements amounted to 140 mg/m²day; exceeding of values was observed in 10 cases, which means that the objective was

not fully achieved. The measured average value of all results was by 9% lower over the average of the last year and the average value was lower than the target set. The exceeded values were recorded only during the construction.

15.2.2 Quantity of harmful dust particles (PM₁₀)

The legally prescribed measurements of particles (PM₁₀) that are carried out by an authorised organisation, are continuously monitored on three Port locations. In 2015, the measurements showed values lower than the target value of 30 µg/m³ and it was below the legally determined value of 40 µg/m³. On an hourly basis, the results of two measuring devices that enable such measuring are automatically displayed on the port website www.zivetispristaniscem.si.

Comparison of average measurements of PM₁₀ in the years 2015 and 2014

	2015	2014	Index 2015/2014
Ankaran – Rožnik	21 µg/m ³	19 µg/m ³	111
Bertoki	25 µg/m ³	22 µg/m ³	114
Koper – passenger terminal	26 µg/m ³	20 µg/m ³	130

The values were slightly higher in comparison with the year 2014, but there were many foggy days at the end of the year 2015 and the number of particles in the atmosphere significantly increased. The highest increase in the average annual concentration was recorded at the passenger terminal, but a portion of this increase was a result of the instrument calibration and therefore a correction factor was added to the measured values.

In 2015, the increased value of PM₁₀ were recorded also in other places over Slovenia. A comparison with the measurements carried out by the Slovenian Environment Agency showed that the values measured in the Port in 2015 were lower than in other Slovene places.

15.2.3 Emissions of dust particles on key sources

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

15.3 WASTE

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

In 2015, the share of separately collected waste totalled 90%, which exceeded our target of 84% separately collected Port waste.

In 2015, we organised also the removal of old railway sleepers, old tyres, asbestos roofing and waste iron when the railway wagons were cut. In 2016, we plan further removal of asbestos roofing that will be replaced by sheet steel and the removal of old railway sleepers that will be replaced.

15.4 NOISE

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

Comparison of mean noise measurements (in dB) in 2015 and 2014

Year 2015			Year 2014			Limit values
East border of the Port (Bertoki)	North border of the Port (Ankaran)	South border of the Port (Koper)	East border of the Port (Bertoki)	North border of the Port (Ankaran)	South border of the Port (Koper)	
$L_D = 54$	$L_D = 54$	$L_D = 63$	$L_D = 54$	$L_D = 57$	$L_D = 62$	$L_D = 73$
$L_N = 49$	$L_N = 50$	$L_N = 60$	$L_N = 50$	$L_N = 52$	$L_N = 59$	$L_N = 63$
$L_{DVN} = 57$	$L_{DVN} = 58$	$L_{DVN} = 67$	$L_{DVN} = 57$	$L_{DVN} = 60$	$L_{DVN} = 66$	$L_{DVN} = 73$

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

In 2015, the noise level in the entire Port did not change significantly over the previous year. The values were slightly higher in the direction of Koper, and slightly lower in the direction of Bertoki and Ankaran.

The main sources of noise in the Port are the throughput of goods and the use of Port machinery. Ships whose engines have to be constantly switched on because of

their smooth operation also cause perceptible noise in the Port.

The following measures were taken at the container terminal in scope of the activities of annual planning of noise reduction:

- re-surfacing of a part of roads,
- acknowledgement of the order of seven electrified overhead travelling cranes on E-RTG types and two overhead travelling cranes on RMG rails. The delivery is planned for 2016 and the beginning of 2017.

15.5 ENERGY

In 2015, the energy-information control system was upgraded and the installation of gauges for the consumption of energy products continued. Due to the high investments, quantities of equipment and machines the gauge installation and data transfer to the energy-control information system is expected to be carried out gradually to the year 2018.

Luka Koper, d.d. will carry out energy inspections at all terminals to the year 2017. On the basis of the measures stated in energy inspections and the upgrade of the energy-control information system a reduction in the consumption of energy products and the achievement of the objectives set is anticipated.

At the end of 2016 the container terminal will start using the electrified overhead travelling cranes on E-RTG tyres and at the beginning of 2017 the overhead travelling cranes on RMG rails. In this way the energy product will be replaced and electricity will be used instead of fuel for crane operation. This will result in substantially lower costs of the energy product for container throughput.

In 2016, two boilers using extra light heating oil with heat pumps will be replaced.

Water consumption is not directly related to cargo handling but it is largely a consequence of water leakage, which makes it more difficult to manage this indicator. The reconstruction of the old sections of the water supply system and regular maintenance will bring about a reduction in water leakage.

Consumption of energy products and water

Due to detailed monitoring of the consumption of energy products the Port of Koper started monitoring also the specific consumption of energy products of the total throughput in 2015, which is a sum of the maritime throughput, loading/unloading containers and the land throughput.

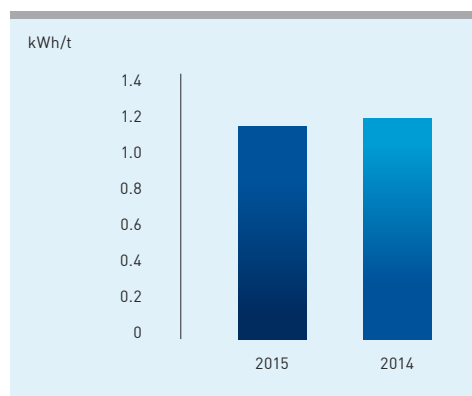
Specific consumption of energy products and water per ton of the total throughput¹⁹ in 2015 and 2014

	2015	2014	Index 2015/2014
Consumption of electricity (kWh/t)	0.623	0.642	97
Fuel consumption (l/t)	0.135	0.136	99
Consumption of drinking water (l/t)	3.900	3.578	109

15.5.1 Consumption of electricity

The port activity is carried out using machinery and equipment with high nominal power and, consequently, high electricity consumption. Berth cranes, engine rooms for cooling food in the fruit terminal, the illumination and supply of cooling containers consume particularly high levels of energy. Due to the use of new electrified overhead travelling cranes on E-RTG tyres and overhead travelling cranes on RMG rails at the container terminal the consumption of electricity will grow in the following years. In 2016 and 2017, we plan to install measuring and communication equipment in the transformer stations in the Port and establish a central control system for the efficient consumption of electricity. If economically feasible, LED lamps will be installed in all investment projects requiring new lighting.

Consumption of electricity per ton of the total throughput²⁰



15.5.2 Fuel consumption

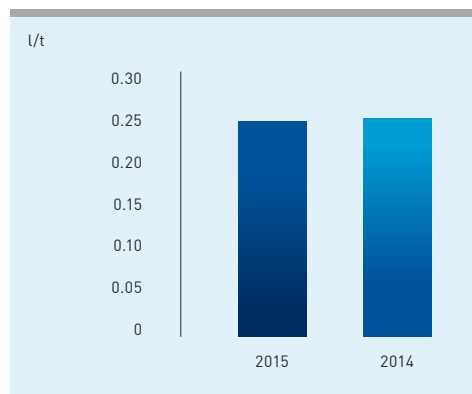
Working processes at the Port require much floor machinery, which is fossil fuel driven (diesel). The major consumers are overhead travelling cranes on RTG tyres, terminal tugs, manipulators, railway articulate vehicles and tractors.

¹⁹ The total throughput includes maritime throughput, loading/unloading of containers and land throughput.

²⁰ The total throughput includes maritime throughput, loading/unloading of containers and land throughput.

In 2015, the container terminal consumed fuel accounting for 61.14% of the fuel of the entire port and the consumption of the timber terminal accounted for 9.64%. On average, RTG cranes consume 37% of fuel at the container terminal. By the delivery of new E-RTG and RMG cranes the percentage of consumed fuel will gradually decrease. We follow the latest technological environmental requirements when buying new transport machinery.

Consumption of fuel per ton of the total throughput



15.6 WATER

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

15.6.1 Drinking water

Consumption of drinking water is not directly dependent on throughput. Due to the increased utilisation of the port and a high number of trucks and transport machinery additional leakage occurs in the water supply network. Constant reconstructions of the old parts of the water supply network and current elimination of leakage reduced the occurrence of leakages in the Port of Koper in 2015 and thus decreased also the consumption of drinking water.

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

15.6.2 Waste waters

To a large degree the Port produces municipal waste water, and on a smaller scale also technological waste water. The latter is properly cleaned in our treatment plants prior to being discharged, while most of municipal waste water is cleaned in a central treatment plant in Koper. In 2015, we measured technological waste water produced inside the Port. The results were in accordance with the legislation.

The project of installing additional ten municipal treatment plants was completed. The discharge of waste water will be lower due to their installation.

15.7 EFFECTS OF LIGHTING

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

Therefore, we have been adjusting and changing lights on the basis of the performed Study for Comprehensive Coordination of the Port's Existing Outdoor Lighting, ensuring the light is not directed upwards. The deadline specified by law for 100% coordination is the year 2016. At the end of 2015 the Port of Koper started replacing lamps on the European energy terminal. The lighting at the container terminal has to be replaced to achieve 100% compliance and this is projected for 2016. The lighting in other parts of the Port has already been adjusted.



Schematic consistency lighting (green) and plan arrangements for the 2016 (red color)

15.8 MARINE PROTECTION

In accordance with the provisions of the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure at Koper Port Terminal, Luka Koper, d. d. is obliged to prevent and eliminate the consequences of any kind of marine pollution that might appear in the Port's aquatorium. To carry out such activity we need special equipment and vessels, as well as properly trained staff; therefore we provide regular trainings and drills. In 2015, we organized special training for the actions taken in the event of sea pollution for certain employees, in accordance with standards of the International Maritime Organization. Each participant of the training received a certificate that is valid for 36 months.

In the event of industrial accidents we act in compliance with the applicable rescue plans of Luka Koper, d.d.

In 2015, 23 incidents were detected in the Port aquatorium. In all cases we took actions in accordance with the force and assets activation scheme for the event of minor accident, and we successfully dealt with the consequences of pollutions. We managed to trace the polluters and had them refund the cost of cleaning.

Statistical data on interventions at sea

	2015	2014
Number of incidents at sea	23	24
Number of interventions in the Port aquatorium	23	22
Number of incidents not requiring intervention	0	2
Number of pollution incidents outside the Port's aquatorium	0	0

Modern measuring equipment for monitoring the quality of the sea that is installed in front of the entrance in the third basin displays the results of measurements that are available at the website www.zivetispristaniscem.si.

15.9 CONSTRUCTION WORKS

In 2015, the modernisation of the Port faecal system was completed and some regular maintenance works on roads and the water supply network were carried out. Two new areas for containers were prepared, a new garage for the machinery

of the container terminal was built and tracks on the container terminal extended. Deepening of the first basin was completed. The construction of additional three basins on the second pier has been in progress.

All major interventions in the area that have been projected are subject to a review of impacts on the environment. The Port of Koper started the process of reviewing of impacts on the environment for new areas where sea sludge would be disposed between the extension of the first and second piers.

The system of controlling construction waste was updated in scope of the recognised risk of inadequate management.

In future, the company has set a target to control the performance of measures from the dusting report prepared and implemented by the contractors of construction works.

15.10 WATERBORNE SEDIMENTS

In order to ensure the safe navigation of vessels using the Port of Koper, the port basins and approach channels have to be dredged to the prescribed depth. Accordingly, we occasionally perform dredging works, and deposit the dredged sediments in designated areas within the port zone. Due to the fact that the areas at the Company's disposal are limited, studies have commenced into alternative uses of the excavated materials. In addition to the bricks made of the waterborne sediment a project has been prepared where possibility of the consolidating sludge by concrete and other additives will be studied.



Iz morskega sedimenta smo izdelali opeko

16 HUMAN RESOURCE MANAGEMENT

The company Luka Koper devotes special attention to the management, development, motivation and training of employees. Trained and motivated employees are the strategic asset of the company and a condition for the implementation of its development plans.

Knowledge, entrepreneurial spirit, partnership, respect and responsibility of each individual are the values that the company follows and realises in practice.

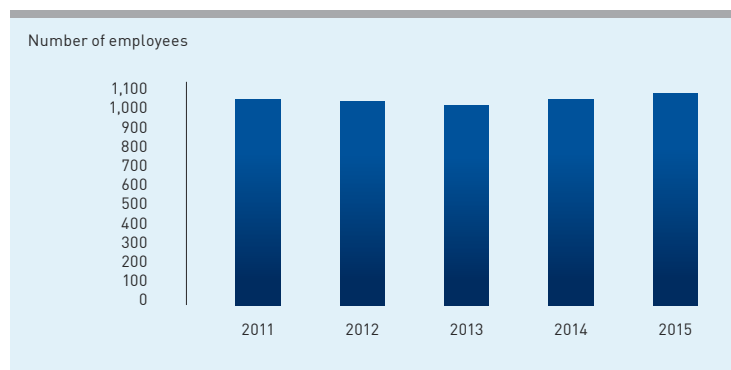
Our employees help creating the future of the company by the knowledge, energy, fervour, proposals for improvements and loyalty to the company.

The present business environment is demanding and therefore the knowledge of employees is the fundamental value of the company. The company provides appropriate qualifications of the employees by continuous training of the target groups considering the needs of works, agreed career development of the employees and improvement in the education structure.

16.1 EMPLOYMENT, EMPLOYEE TURNOVER AND STRUCTURE OF EMPLOYEES

As at 31 December 2015, the total number of employees in the Luka Koper Group was 1,040, which is 31 employees more than as at 31 December 2014; the growth amounted to 3% for the second successive year.

In 2015, the Luka Koper Group employed 62 new persons, of which 48 in Luka Koper, d.d., which is an increase over the year 2014. The trend of intensive employment was mostly observed in the jobs in the basic process of loading/unloading and warehousing, where a number of drivers of port machinery was employed.



The recruitment procedure or selection of staff was improved in the past and has now been carried out in teams and at several levels.

Number of employees by company and in the Luka Koper Group as at 31 December

	2015	2014	Index 2015/2014
Luka Koper, d.d.	852	824	103
Luka Koper INPO, d.o.o.	159	157	101
Luka Koper Pristan, d.o.o.	4	4	100
Adria Terminali, d.o.o.	22	21	105
TOC, d.o.o.	3	3	100
Luka Koper Group	1,040	1,009	103

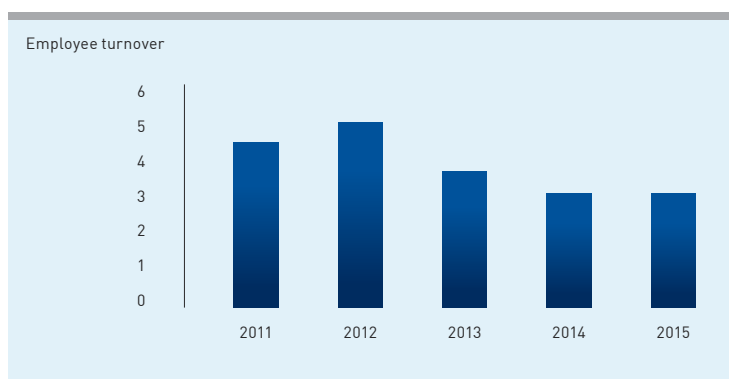
A high level of job security is provided to the employees of Luka Koper Group; at the end of the year 2015, 98% of employees had employment contracts concluded for an indefinite period of time.

Comparison between recruitment, departures and employee turnover

	No. of new employments		No. of persons who left the company		Employee turnover (in %) ²¹	
	2015	2014	2015	2014	2015	2014
Luka Koper, d.d.	48	54	20	14	2.3	1.7
The Luka Koper Group	62	59	33	32	3.1	3.1

The number of departures from the Luka Koper Group due to termination of employment contracts remained at the level of the year 2014. Departures were mainly a result of age-related retiring. Employee turnover in the Luka Koper Group was low in 2015 and accounted for 3.1%.

A high number of persons retiring before the new pension legislation was put into force in 2013 and a limited volume of employment had a temporary impact on a higher employee turnover. Low employee turnover affects the increase in the average age of employees and a large share of performing different possibilities

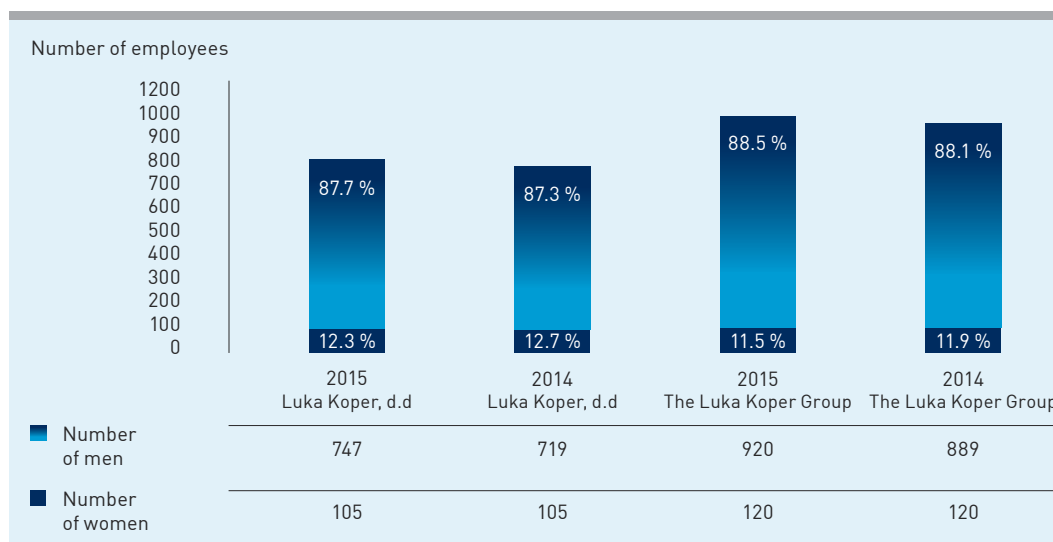


²¹ The method of calculating Employee turnover = number of departures / (temporary balance of employees + new employments) x 100.

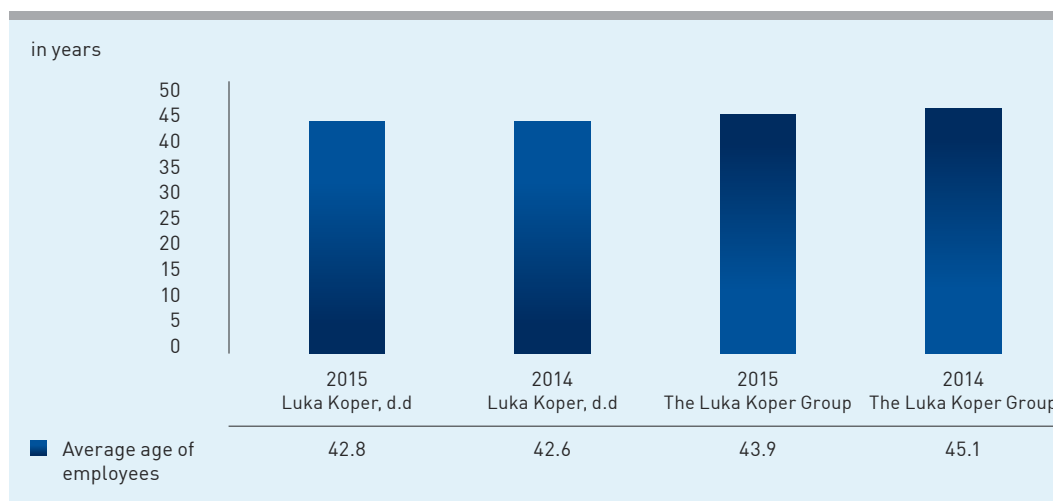
of career development that is evident in higher internal mobility. Modality is under the impact of several internal restructuring processes.

There are far more men than women in the structure of employees because of the nature of work. In spite of a tenth of women in the structure of employees of the Luka Koper Group, the share of women in the senior management accounts for 21%.

Structure of employees



Average age of employees



The average age of employees in the Luka Koper Group is getting higher, which is a result of low employee turnover.

Education structure of employees as at 31 December

Education level	Luka Koper, d. d.				Skupina Luka Koper			
	Number of employees 2015	Share (%) 2015	Number of employees 2014	Share (%) 2014	Number of employees 2015	Share (%) 2015	Number of employees 2014	Share (%) 2014
VIII/2	2	0.23	2	0.24	2	0.19	2	0.20
VIII/1	17	2.00	18	2.18	18	1.73	19	1.88
VII	104	12.21	105	12.74	113	10.87	112	11.10
VI/2	137	16.08	125	15.17	142	13.65	132	13.08
VI/1	65	7.63	63	7.65	74	7.12	72	7.14
V	256	30.05	245	29.73	286	27.50	271	26.86
IV	214	25.12	206	25.00	273	26.25	264	26.16
III	13	1.53	13	1.58	22	2.12	19	1.88
I-II	44	5.16	47	5.70	110	10.58	118	11.69
Total	852	100.00	824	100.00	1,040	100.00	1,009	100.00

16.2 OCCUPATIONAL HEALTH AND SAFETY

We successfully implement our health and safety at work system in accordance with the guidelines of the BS OHSAS 18001 international standard by internal and external audits. We also follow the changes in the international standard ISO 45001 through various external training courses and prepare for the transition when the standard has been approved.

On a monthly level, an analysis of severe or repetitive injuries at work is carried out and measures for the reduction in injuries are taken.

In 2015, 65 extraordinary incidents were recorded and they included the employees of the Luka Group and external contractors of port services, who were injured at work, of which 2 injuries were industrial accidents. Another two severe accidents happened in the Port to the employees of other companies that carried out maintenance. In 2014, 79 work-related injuries were recorded. We organise training and conduct a number of measures aimed at reducing work-related injuries. The Comprehensive Occupational Health and Safety Project within the Luka Koper Group aims to promote a healthy attitude to work, good working conditions as well as the physical and mental welfare of employees. Measuring employees holding administrative – sedentary jobs has been in progress. The purpose of the research is to get an insight in the workload of staff.

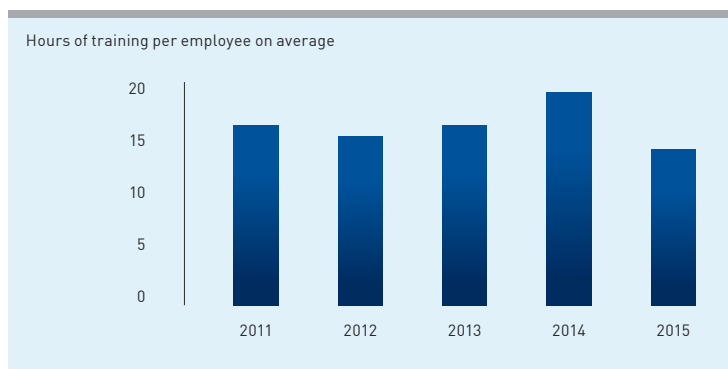
In scope of our regular talks with the employees we inform them about the preventive measures to reduce the number of work-related injuries. After the update of the Rules on establishing the levels of alcohol and prohibited psychoactive substances in the area of Luka Koper, d.d. we conduct random tests of alcohol levels in order to reduce the risk of extraordinary incidents. The instructions for the first aid have been revised and the number of employees trained to offer first aid has increased.

A health day was successfully organised in scope of the promotion of a healthy lifestyle at work: the participants received useful information about their health, how to preserve or improve it.

16.3 EDUCATION AND TRAINING OF EMPLOYEES

In 2015, the Luka Koper Group organised 14 hours of training per employee on average.

The average number of education and training hours per employee in Luka Koper, d.d. was slightly higher, it amounted to 16 hours. 68% of education and training courses were organised internally with an identified problematic issues at work, adjusted training programmes and to a large degree also our own personnel in the role of in-house lecturers or coaches. 91% of employees were included in education and trainings.



In 2015, the Luka Koper Group financed the part-time studies or professional training of 24 employees or 2%, of which 20 employees work for Luka Koper, d.d.

In the field of human resource management the company drew funds from public tenders for co-financing of scholarships for the employees, employment in scope of the tender – From university directly to practical work and the training of employees in scope of the Competence Centre for HR Development in logistics 2012 -2015.

In 2015, the Luka Koper Group allocated EUR 175,488 for education and training, of which EUR 146,385 was contributed by Luka Koper, d.d., which is an increase of 20% over 2014. In scope of the complete project of the Competence centre for HR development in logistics Luka Koper, d.d. was repaid EUR 63,395, which is almost 100% drawing of the funds projected for training.

16.4 ENSURING PERSONAL AND PROFESSIONAL GROWTH OF EMPLOYEES

In 2015, internal mobility of employees was high and accounted for 40%; this was partly a result of restructuring of Luka Koper, d.d. and partly a result of possibilities of career development of employees.

In Luka Koper, d.d. 99% of employees had an annual dialogue with a manager, their direct superior. In Luka Koper INPO, d.o.o. that employs disabled person 47% of staff was included in the annual dialogue. Luka Koper, d.d. introduced IT support for the performance of annual appraisal meetings; the development of employee competence was assessed for the first time.

Career development of employees

	Vertical and in horizontal mobility		Ranking to a higher degree of competence and flexibility		Total internal mobility of employees	
	2015	2014	2015	2014	2015	2014
Luka Koper, d.d.	177	112	168	183	345	295
Share (% employees)	21	14	20	22	40	36
The Luka Koper Group	198	127	217	219	415	346
Share (% employees)	19	13	21	22	40	34

16.5 ENSURING SAFETY OF EMPLOYMENT AND SOCIAL SECURITY OF THE EMPLOYEES

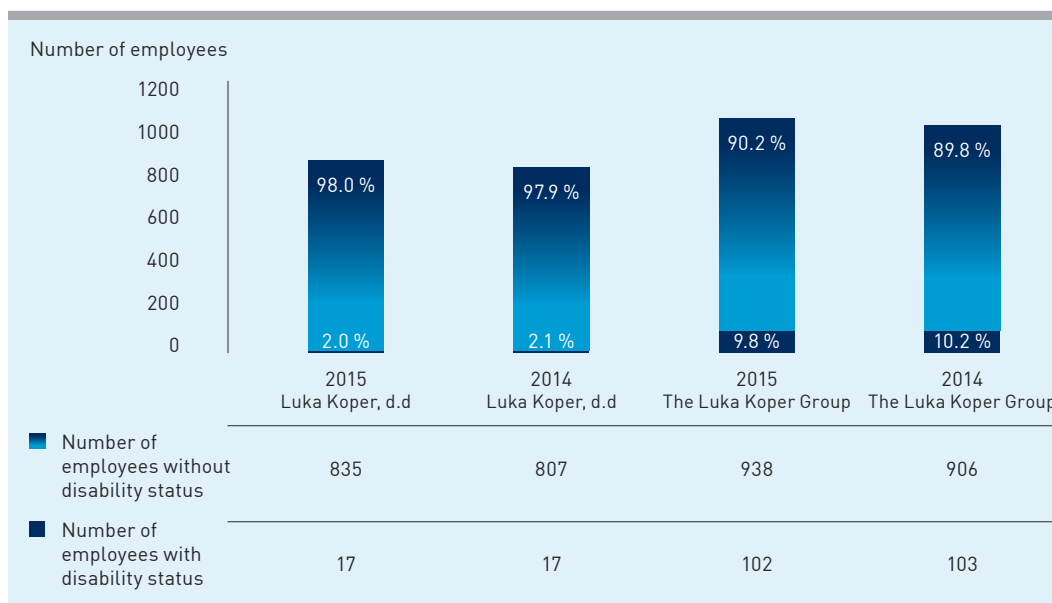
In 2015, our employees received regular salary payments, the holiday pay and the 13th pay based on the job performance. A majority of employees are included in the voluntary pension insurance fund.

Two percent of employees held part-time employment contracts.

We deal with the issue of disability by employing a share of disabled workers inside the Luka Koper Group in the social enterprise Luka Koper INPO, d.o.o. In Luka Koper INPO, d.o.o. the number of employees having the status of a disabled person reduced to 52% of employees. At the level of the Luka Koper Group a slightly lower share of

employees with the status of disabled persons was recorded in 2015, primarily as a result of age-related retirements at Luka Koper INPO, d.o.o.

Disability activity – number and share of employees with disability status



16.6 COOPERATION WITH EDUCATIONAL INSTITUTIONS

Luka Koper, d. d., operates as a socially responsible company in terms of the development and education in the local and wider area. We cooperate with many educational institutions in ensuring mentoring or seminar and diploma papers, providing students with compulsory on-the-job trainings and expert excursions. We have presented the Company or examples of good practice to the expert public and students on several occasions. In 2015, we recruited three students who were receiving our scholarship.

16.7 MONITORING HR MANAGEMENT EFFICIENCY AND ENSURING MOTIVATION OF EMPLOYEES

The efficiency of the HR management in Luka Koper, d.d. has been confirmed by the achieved ratios / objectives of the business process of HR assurance and development resources:

- 99% share in annual appraisal meetings,
- 87.3% internal recruiting relating to "non-entry" jobs,

- 1.6% employee turnover on key positions and 2.3% employee turnover,
- 98% meeting the needs for employees,
- high assessment of new employee suitability,
- achieved 16 hours of training per employee on average,
- 11.7% share in white-collar workers.

Luka Koper, d.d. and Luka Koper INPO, d.o.o. carried out measuring of organisational climate, satisfaction and commitment of employees. In spite of the fact that the results were above the Slovene average, some activities for improvement were introduced.

We promote motivation of employee by presenting public recognitions and awards to the best employees of the Luka Koper Group, by organizing social events for the employees, organising meetings and promotion of employees who have successfully completed off-the-job studies, employees, who retired in the current year and jubilants. We organize informal sports meetings, visits of cultural and sports events, and offer holiday facilities to the employees.

An internal tender for financing studies was introduced. In the field of HR management the company started drawing grants for recruitment, practical work, scholarships and training of employees.

16.8 INTERNAL COMMUNICATION WITH THE EMPLOYEES

Luka Koper communicated with the employees mostly through two key communication channels:

- short information that all employees receive by e-mail or secretariats hang it on bulletin boards. In 2016, digitalised bulletin board will be introduced;
- Port bulletin is issued in printed form.

Due to the nature of work and the fact that almost half of employees has no access to a computer at work, the classical printed communication with the employees is still the most useful tool.

The company has a website - Lukanet where the general information, all internal documents of the company, platforms and instructions are available to the employees, if they need them for the performance of work.

The Port of Koper encourages open and two-way communication at various levels by regular meetings of heads of units and the employees.

The Workers' Council including the representatives of organisational units is a link between the employees and the Management Board of the company. The employees can submit their questions and initiatives to the Management Board through their representatives in the Workers' Council or the Employee Director. The company encourages employees to report their concerns about accurate and true financial reporting in a safe environment.

16.9 HUMAN RESOURCE MANAGEMENT STRATEGY

The HR management strategy in the Luka Koper Group for the period 2016 – 2020 supports the Business strategy of the company and the Luka Koper Group for the period 2016 – 2020 that highlights the increase in productivity, efficiency and competitive services among its development priorities.

In order to support the achievement of the strategic business objectives the activities in the field of HR management will be focused on:

- provision of a safe working environment,
- introduction of a culture of good work performance,
- provision of excellent management and mutual relations,
- acquisition and maintenance of the best staff,
- improvement in the system developing future leaders and employee potentials,
- targeted implementation of acquisition of functional expertise.

17 SOCIAL ENVIRONMENT

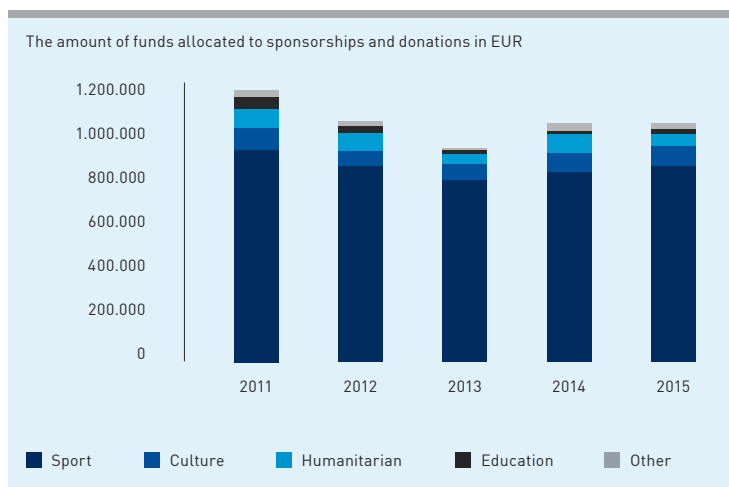
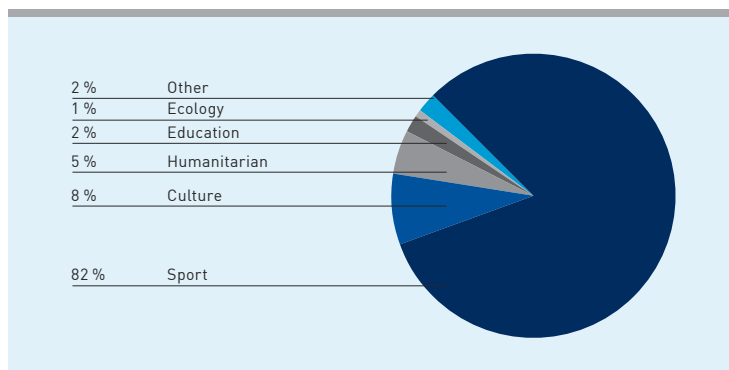
The company Koper has been actively integrated in the social environment in which we carry out our core activity. Our social responsibility is based on the policy of sustainable development that foresees the care for the improvement in quality life of the inhabitants in the local and wide community. By sponsorships and donations we support numerous cultural, sports, humanitarian, educational and environmental projects. In 2015, Luka Koper allocated EUR 1 million to this field. The amount of EUR 153 thousands was allocated to donations and EUR 879 thousand to sponsorships. The majority of sponsorships funds and donations were distributed directly in accordance with several annual contracts or a tender that is published every year in January on the sustainable portal www.zivetispristaniscem.si.

Distribution of donations and sponsorships 2015 by area

The amount of funds allocated to sponsorships and donations did not change significantly in the last five years. In future, the company will try to maintain the comparable level of support and strive for the distribution of a larger portion of funds in scope of the annual tender.

The company openly and currently communicates with all stakeholders in line with the policy of company management. Thereby it uses different channels adjusted to the interest public. The corporate website www.luka-kp.si is intended for the customers and public investors and www.zivetispristaniscem.si and Facebook profile of the company are intended for the wide public. The LinkedIn network is used

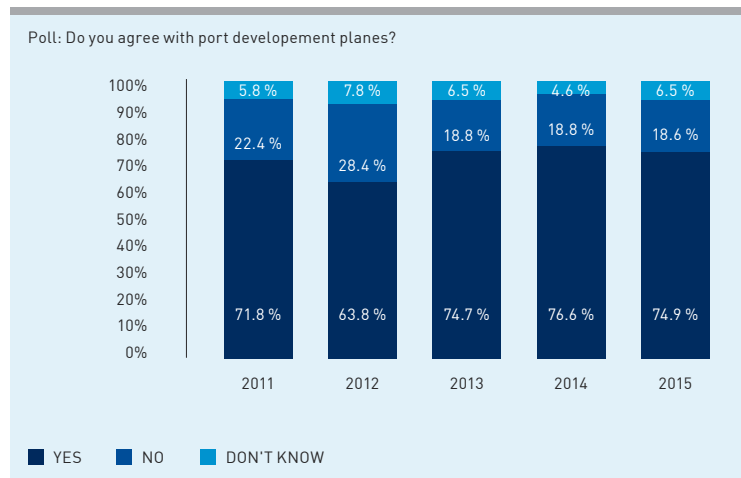
for professional publications. Since January 2015 the company has prepared an adjusted printed volume of the monthly internal bulletin Luški glasnik and sends it



free of charge to its partners or the port community in Slovenia, media, local and government institutions. The purpose of comprehensive communication is primarily better understanding of the company's organisation and operation and search for wide support for the implementation of development projects.

In December 2015 the company conducted an annual public opinion poll among the inhabitants of the municipalities of Koper and Ankaran. The poll contained four sets of topics: relation to the Port of Koper, impact of the port on the environment, spatial development of the port and the method of informing about Luka Koper. The results of the survey show that the local environment mainly supports the development projects of the company.

An increase in the reputation of the company is evident and the local inhabitants no longer recognise the company as the main source of environmental pollution. In future, the company will upgrade its relation to the local community by establishing regular meetings of the representatives of the company with the municipalities where the Port is located. The company will implement its strategic plans and pursue the objective of mutual satisfaction better by on-going dialogues and current facing of challenges.



Also in 2015, Luka Koper organized a Port Day - Open Day ports.

18 SUPPLIERS

Suppliers provide an important support to our operations. Quality suppliers contribute to higher efficiency of business processes in the company, either directly by performing various services or delivery of products, or indirectly by increasing effectiveness and performance of work processes and business practices of the company. Therefore we strive for the best suppliers and to establish partnerships with them.

The selection and cooperation with the suppliers is carried out in a transparent manner specified by the company. The suppliers whose operation has been in line with the requirements of the international management standards, meet the requirements of occupational safety and are environmentally aware, cooperate with the company and the Group in the spirit of principles and values applicable in the Port of Koper have a priority. When selecting suppliers we consider the commitment to social responsibility and encourage purchases that contribute to the economic development of the local environment, if this is possible. Our closest local communities are the municipalities of Koper and Ankaran where the Port activities are carried out.

The cooperation with suppliers is based on mutual confidence and ethics. We encourage long-term partnerships with key suppliers and in cooperation with them we search for the best solutions for the provision of the most suitable services and products. We carefully study the range and novelties in the global market or jointly look for solutions or deliveries that are especially adjusted to the needs of Luka Koper, d.d. and the Group.

The company aims at the optimal number of suppliers and wants to establish a manageable structure of the purchasing process and sufficient dispersion of suppliers for the provision of timely and adequate deliveries that meet the expectations at the level of the Luka Koper Group. For this purpose the company continued the restructuring of the purchasing process by centralization which contributed to better efficiency of work and reduction in the number of suppliers of some product / service groups in 2015. The level of centralization of decisions on purchasing has been asserted through the responsibilities determined in advance and the competence of all the employees involved in the purchasing process. The purchasing process is managed centrally and the implementation of purchasing processes is performed by decentralised organisational units of the company or the Group enabling a higher level of adjustment to specific needs of individual organisational units. In this way the company strives for a well-organised and transparent operation with suppliers and to the maintenance of the efficient and adjustable purchasing process that enables smooth and effective flow of work.

Our cooperation with suppliers is regularly assessed. Once a year key suppliers are assessed on the bases of the pre-determined criteria. Considering the assessment the suppliers are classified into various groups and cooperation with top-ranking suppliers is our priority in the next year. Moreover, the best supplier is selected for each important group of products or services every year. In a festive ceremony the Management Board of the company awards recognitions to the best assessed suppliers and thanks them for their excellent cooperation.

The best suppliers of the Luka Koper Group in 2015 were:

- Nafting, d.o.o. in the field of investments,
- Volkat, d.o.o. in the field of technical services,
- Vodušek, d.o.o. in the field of products,
- Lucport, d.o.o. in the field of port services

19 MANAGEMENT SYSTEM

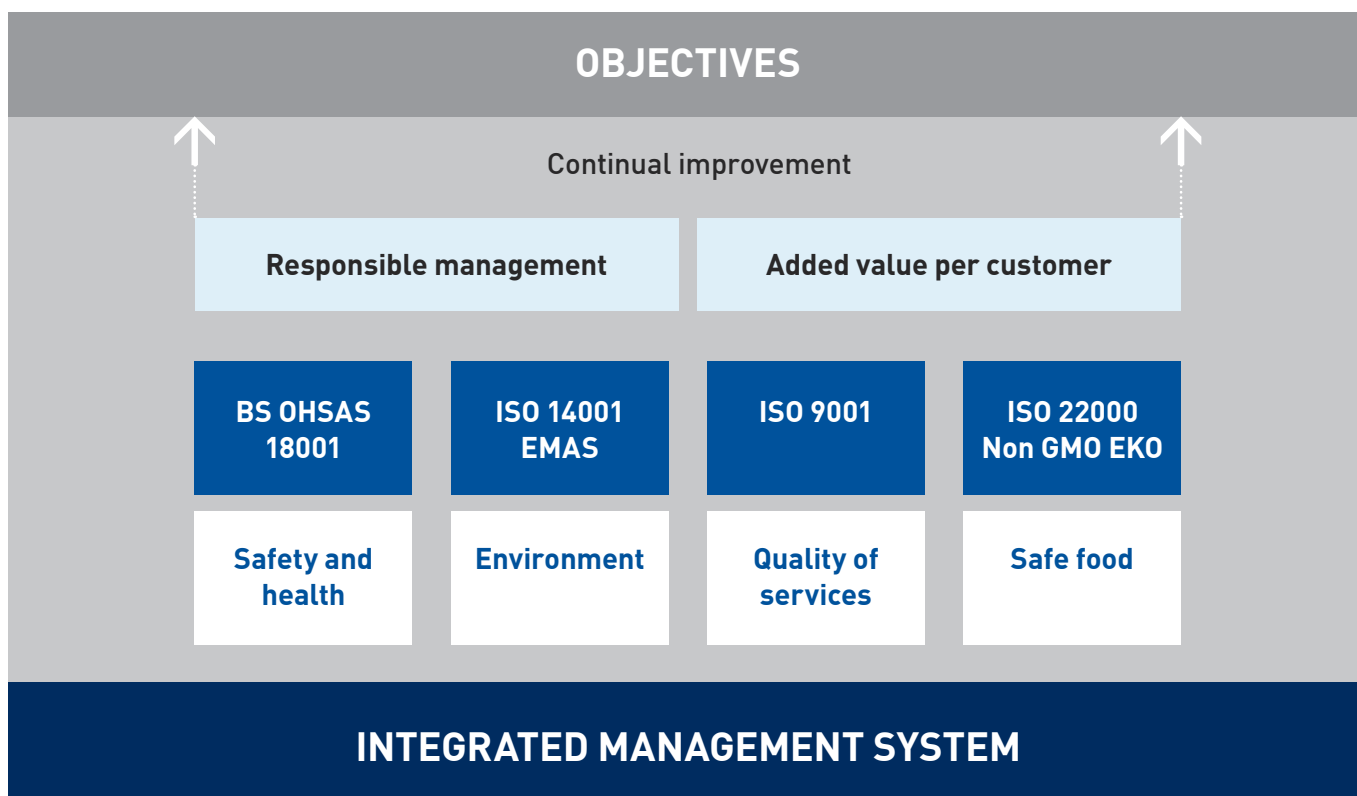
The systematic establishment of the comprehensive management system that has been in progress for almost twenty years and has gone through all development stages has contributed to the fulfilment of the basis mission of the company and the efficient operation in the long run.

Luka Koper, d.d. has gradually introduced and provided compliance of operations with various international standards and requirements:

- quality management system complies with ISO 9001,
- environmental management system complies with ISO 14001 and EMAS scheme,
- occupational health and safety system complies with BS OHSAS 18001,
- food safety management system complies with ISO 22000 that includes also the requirements of HACCP,
- Non-GMO certificate for separate loading/unloading and warehousing of non-genetically modified soy,
- the system of safety management is in compliance with the SEVESO Directive.

Luka Koper, d.d. has systematically built its operation system. The integrated management system is designed logically and on the basis of the most reasonable solutions for the company as a unit.

Integrated management system



In the period 2010–2015 Luka Koper continued to the upgrade of the management system by certifying the following system:

- eco-management and audit scheme –EMAS certificate,
- authorised economic operator –AEO certificate,
- throughput and warehousing of products of plant origin from organic and conventional farming–EKO certificate,
- throughput of biomass (Directive of the European Parliament and of the Council concerning the encouragement of use of renewable sources of energy) –ISCC EU certificate,
- feed safety system –GMP+B3 certificate.

Ensuring compliance with the certified systems is not the only objective of systemic and systematic operation and hence the level of meeting requirements and development of the system is set above the level of expected requirements. In 2016, the operation focused on excellence will again revive the approaches to business excellence based on the European Foundation for Quality management model. In 2015, the company participated in the appropriate training, gained and refreshed the knowledge from this field with the aim to develop an approach to the self-assessment procedure.

The year 2016 will be devoted to the beginning of comprehensive restructuring of the management system due to the transition to the new version of the quality management standard ISO 9001:2015. The transition will be completed in 2017.

ACCOUNTING REPORT FINANCIAL STATEMENTS OF LUKA KOPER, D.D. FOR 2015



1 INCOME STATEMENT

(in EUR)	Note	2015	2014
Revenue	1	173,277,749	154,464,507
Other income	2	2,816,077	2,224,793
Cost of material	3	-13,853,899	-13,056,264
Cost of services	4	-45,122,343	-41,259,016
Employee benefits expense	5	-41,788,800	-37,876,433
Amortisation and depreciation expense	6	-26,368,281	-25,866,381
Other operating expenses	7	-10,134,220	-8,156,302
Operating profit		38,826,283	30,474,904
Finance income		2,453,970	2,626,456
Finance expenses		-7,518,972	-4,147,364
Loss from financing activities	8	-5,065,002	-1,520,908
Profit before tax		33,761,281	28,953,996
Income tax expense	9	-5,132,716	-2,371,563
Deferred taxes	9, 19	216,509	-134,019
Profit for the period		28,845,074	26,448,414
Earnings per share – basic and diluted	10	2.06	1.89

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

2 STATEMENT OF OTHER COMPREHENSIVE INCOME

(in EUR)	Note	2015	2014
Profit for the period		28,845,074	26,448,414
Change in revaluation surplus of available-for-sale financial assets	16	1,361,150	1,287,686
Deferred tax on revaluation of available-for-sale financial assets	19	-231,395	-218,907
Change in fair value of hedging instruments	32	418,153	-758,091
Deferred tax on change in value of hedging instruments	19	-71,086	128,875
Actuarial gains/losses from post-employment benefits	26	-464,503	-514,099
Deferred taxes on actuarial gains or losses	19	39,483	43,698
Deferred tax on unrealised actuarial gains or losses		19,330	-
Total comprehensive income that will not be reclassified subsequently to profit or loss		1,071,132	-30,838
Other comprehensive income		1,071,132	-30,838
Total comprehensive income for the period		29,916,206	26,417,576

3 STATEMENT OF FINANCIAL POSITION

(in EUR)	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Property, plant and equipment	11	324,333,652	314,042,915
Investment property	12	30,445,956	30,240,281
Intangible assets	13	4,326,997	4,612,609
Shares and interests in Group companies	14	4,533,063	4,533,063
Shares and interests in associates	15	6,737,709	6,737,709
Other non-current investments	16	31,677,981	34,850,365
Deposits and loans given	17	400,419	598,314
Non-current operating receivables	18	37,931	5,681
Deferred tax assets	19	9,934,256	9,619,520
Non-current assets		412,427,964	405,240,457
Assets (disposal groups) held for sale	20	-	1,781,382
Inventories	21	813,734	463,957
Deposits and loans given	22	177,124	1,299,157
Trade and other receivables	23	29,875,827	24,489,213
Cash and cash equivalents	24	5,188,569	3,984,291
Current assets		36,055,254	32,018,000
TOTAL ASSETS		448,483,218	437,258,457
EQUITY AND LIABILITIES			
Share capital		58,420,965	58,420,965
Capital surplus (share premium)		89,562,703	89,562,703
Revenue reserves		108,745,094	94,322,557
Reserves arising from valuation at fair value		10,237,902	9,186,100
Retained earnings		15,880,814	14,598,947
Equity	25	282,847,478	266,091,272
Provisions	26	3,190,453	4,193,090
Deferred income	27	10,857,961	7,375,114
Loans and borrowings	28	110,354,822	120,378,002
Other non-current financial liabilities	29	639,954	1,455,653
Non-current operating liabilities	30	184,554	81,281
Deferred tax liabilities	19	2,432,357	2,071,131
Non-current liabilities		127,660,101	135,554,271
Loans and borrowings	31	10,054,104	15,927,780
Other non-current financial liabilities	32	848,073	441,329
Income tax liabilities		2,761,153	2,371,563
Trade and other payables	33	24,312,309	16,872,242
TOTAL EQUITY AND LIABILITIES		448,483,218	437,258,457

4 STATEMENT OF CASH FLOWS

(in EUR)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	28,845,074	26,448,414
Adjustments for:		
Amortisation/Depreciation	26,368,281	25,866,381
Reversal and impairment losses on property, plant and equipment, and intangible assets	1,746,595	359,381
Gain on sale of property, plant and equipment, and investment property	-69,366	-46,165
Allowances for receivables	82,755	923,031
Collected written-off receivables and liabilities	-277,142	-
Reversal of provisions	-1,501,667	-750,219
Finance income	-2,453,970	-2,626,456
Finance expenses	7,518,972	4,147,364
Income tax expense and income (expenses) from deferred taxes	4,916,207	2,505,582
Profit before change in net current operating assets and taxes	65,175,739	56,827,313
Change in operating receivables	-5,127,858	-572,306
Change in inventories	-349,777	-463,957
Change in assets (disposal group) held for sale	223,306	-
Change in operating liabilities	7,543,340	2,368,181
Change in provision	34,527	522,663
Change in non-current deferred income	3,470,245	927,392
Cash generated in operating activities	70,969,522	59,609,286
Interest expenses	-3,198,972	-4,147,850
Tax expenses	-4,743,126	1,044,413
Net cash from operating activities	63,027,424	56,505,849
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	244,700	283,872
Dividends received – subsidiaries	575,188	501,648
Dividends received – associates	475,000	225,000
Dividends received – other companies	1,152,515	933,651
Proceeds from sale of property, plant and equipment, and intangible assets	172,667	66,763
Proceeds from investment property	897	-
Proceeds from sale, less investments and loans given	1,610,392	2,744,421
Acquisition of property, plant and equipment, and intangible assets	-36,871,798	-28,485,811
Acquisition of investments, increase in loans given	-76,862	-1,158,608
Net cash used in investing activities	-32,717,301	-24,889,064
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-current borrowings	-	2,280,000
Repayment of non-current borrowings	-2,018,065	-10,944,000
Repayment of current borrowings	-13,927,780	-17,516,796
Change in equity	-	-107,021
Dividends paid	-13,160,000	-2,240,000
Net cash used in financing activities	-29,105,845	-28,527,817
Net increase in cash and cash equivalents	1,204,278	3,088,968
Opening balance of cash and cash equivalents	3,984,291	895,323
Closing balance of cash and cash equivalents	5,188,569	3,984,291

5 STATEMENT OF CHANGES IN EQUITY

Financial year 2015

(in EUR)	Reserves arising on valuation at fair value								Total equity
	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Investments	Financial instruments	Actuarial gains/losses	
Balance at 31 Dec 2014	58,420,965	89,562,703	18,765,115	75,557,442	14,598,947	10,905,958	-1,208,193	-511,665	266,091,272
Changes of equity – transactions with owners									
Dividends paid	-	-	-	-	-13,160,000	-	-	-	-13,160,000
	-	-	-	-	-13,160,000	-	-	-	-13,160,000
Total comprehensive income for the period									
Profit for the period	-	-	-	-	28,845,074	-	-	-	28,845,074
Change in revaluation surplus of financial assets, less tax	-	-	-	-	-	1,129,755	-	-	1,129,755
Change in fair value of hedging instruments, less tax	-	-	-	-	-	-	347,067	-	347,067
Actuarial gains/losses, less taxes	-	-	-	-	19,330	-	-	-425,020	-405,690
	-	-	-	-	28,864,404	1,129,755	347,067	-425,020	29,916,206
Changes within equity									
Allocation of the remaining portion of profit of the comparable period to other equity components	-	-	-	-	-	-	-	-	-
Allocation of part of profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	-	-	-	14,422,537	-14,422,537	-	-	-	-
	-	-	-	14,422,537	-14,422,537	-	-	-	-
Balance at 31 Dec 2015	58,420,965	89,562,703	18,765,115	89,979,979	15,880,814	12,035,713	-861,126	-936,685	282,847,478

Financial year 2014

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising on valuation at fair value			Total equity
						Investments	Financial instruments	Actuarial gains/losses	
Balance at 31 Dec 2013	58,420,965	89,562,703	18,765,115	62,333,234	3,721,761	9,837,179	-578,977	-41,264	242,020,716
Changes of equity – transactions with owners									
Dividends paid	-	-	-	-	-2,240,000	-	-	-	-2,240,000
Other changes in equity – adjustment of income tax from previous periods	-	-	-	-	-107,021	-	-	-	-107,021
	-	-	-	-	-2,347,021	-	-	-	-2,347,021
Total comprehensive income for the period									
Profit for the period	-	-	-	-	26,448,414	-	-	-	26,448,414
Change in revaluation surplus of financial assets, less tax	-	-	-	-	-	1,068,779	-	-	1,068,779
Change in fair value of hedging instruments, less tax	-	-	-	-	-	-	-629,216	-	-629,216
Actuarial gains/losses, less taxes	-	-	-	-	-	-	-	-470,401	-470,401
	-	-	-	-	26,448,414	1,068,779	-629,216	-470,401	26,417,576
Changes within equity									
Allocation of the remaining portion of profit of the comparable period to other equity components	-	-	-	-	-	-	-	-	-
Allocation of part of profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	-	-	-	13,224,207	-13,224,207	-	-	-	-
	-	-	-	13,224,207	-13,224,207	-	-	-	-
Balance at 31 Dec 2014	58,420,965	89,562,703	18,765,115	75,557,441	14,598,947	10,905,958	-1,208,193	-511,665	266,091,272

6 NOTES TO THE FINANCIAL STATEMENTS

a) Basis for preparation of financial statements

Reporting entity

Luka Koper, d.d., pristaniški in logistični sistem (hereinafter referred to also as: Company), with its registered office at Vojkovo nabrežje 38 in Koper, Slovenia, is the controlling company of the Luka Koper Group.

The port's core activity is the cargo handling and warehousing of all types of goods, which the Company supplements with diverse goods-related services and other services and thereby secures an overall logistics support. Given the concessions agreement, Luka Koper, d.d. maintains the port infrastructure and provides for the port's development.

Financial statements of the controlling period have been compiled for the financial year ended 31 December 2015.

Statement of compliance

The financial statements of Luka Koper, d.d. have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union, and in accordance with provisions of the Slovenian Companies Act.

The Management Board of Luka Koper, d.d. approved the financial statements on 22 March 2016.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for derivatives and available-for-sale financial assets that were measured at fair value.

Functional and presentation currency

These financial statements are presented in EUR (exclusive of cents), which is the Company's functional currency.

Use of estimates and judgements

The preparation of financial statements in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates are formed with respect to experience and expectations in the accounting period. Actual results may differ from these estimates, hence estimates and underlying assumptions are reviewed on an ongoing basis.

Impairment of financial instruments and non-financial assets

Information on significant estimates about uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, was applied in assessment of:

- the value of property, plant and equipment (Note 11),
- the value of investment property (Note 12),
- the valuation of investments in subsidiaries and associates (Notes 14, 15 and 16), and
- the recognition of deferred tax assets (Note 19).

Deferred taxes

Based on the estimate that sufficient profit will be available in the future, the Company created deferred tax assets provided under following (Note 19):

- provisions for jubilee premiums and retirement benefits,
- financial instruments,
- impairment of investments,
- differences arising on revaluation of available-for-sale investments,
- impairment of receivables.

Deferred tax assets recognised, under the formation of provisions for jubilee premiums and retirement benefits, are reduced by the relevant amounts of provisions utilised or increased by the amounts of newly formed provisions.

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

Deductible temporary differences were recognised at the tax rate of 17 percent, which remains unchanged since 2013.

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

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

Provisions

The management approves the substance and amount of provisions formed for (Note 26):

- jubilee premiums and retirement benefits on the basis of actuarial calculation,
- for legal disputes and damages on the basis of recognition-related criteria.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Accounting policies applied

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

Foreign currency transactions

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

Property, plant and equipment

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

In addition to property, plant and equipment being acquired, the item of assets being acquired includes also advances for acquiring property, plant and equipment.

Parts of property, plant and equipment with different useful lives are treated as individual assets that are depreciated during the estimated useful life.

Land is accounted for separately and is not subject to depreciation.

Borrowing costs

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

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost. The replaced component is no longer subject to recognition. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is expensed when incurred.

Depreciation

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

Asset	2015	2014
Buildings	16.67 to 66.67 years	16.67 to 66.67 years
Transport and transshipment equipment	5 to 17.86 years	5 years to 17.86 years
- locomotives	6.67 to 10 years	6.67 to 10 years
- forklifts, shippers	8 years	8 years
Computer hardware	4 to 5 years	4 to 5 years
Other equipment	4 to 10 years	4 to 10 years

Derecognition

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

Investment property

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

Investment property	2015	2014
Buildings	16.67 to 66.67 years	16.67 to 66.67 years

Intangible assets

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

Amortisation

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

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

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

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

Intangible assets	2015	2014
Long-term property rights (concessions, patents, licences, trademarks and similar rights)	5 to 10 years	5 to 10 years

Investments in related entities

Investments in subsidiaries, associated and other entities are measured at cost. The Company assesses on each balance sheet date whether there is any indication of impairment. Any impairment loss on investment is recognised in the income statement.

Financial instruments

Financial instruments are classified into following categories:

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

Loans and receivables

Loans and receivables are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

Non-current and current receivables are carried separately in books of account. Interest arising on stated receivables are recorded among off balance sheet items. Current and non-current trade receivables are upon recognition disclosed at amounts agreed in the contracts or recorded in the relevant accounting documents. Other operating receivables include short-term deferred income and accrued costs or expenses.

Allowances for trade receivables

Company forms allowances for all trade receivables and interest receivables based on individual assessment and forms allowances in their full amount. Allowances for receivables due from companies, which are in bankruptcy or liquidation procedure, are formed in the total amount (100 percent) immediately once such proceeding begins.

Impairment loss is charged against revaluation operating expenses associated with receivables.

Loans given

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

Borrowings

On initial recognition, borrowings are carried at their fair value and thereupon at amortised cost using the effective interest rate method. In terms of their maturity, borrowings are classified into non-current and current financial liabilities. On the last day of the year, all financial liabilities maturing in the next year are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants, whereby one borrowing is collateralised with assignment of receivables.

Available-for-sale financial assets

Available-for-sale financial assets comprise all of the investments in equity securities. On initial recognition they are measured at fair value, increased by the cost of transaction relating to the acquisition of individual financial assets. Fair value is considered market value based on the quotation value of securities or published daily value of a unit of a mutual fund's assets. Fair value changes are

recognised in other comprehensive income within equity. Declining volume of securities is accounted for in books of account using the average prices method. When available-for-sale financial assets are derecognised, the accumulated gains or losses are transferred to the profit or loss. Additions and disposals of available-for-sale financial assets are recognised on the trading date.

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

Assets (disposal group) held for sale

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

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

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

Inventories

Inventories of material are valued at the lower of cost or net realisable value. An item of inventories of materials is initially recognised at cost, comprising its purchase price, import duties and other non-refundable purchase taxes, and directly attributable costs of acquisition. Non-refundable purchase taxes include also the non-refundable VAT. The cost is lower by discounts and rebates obtained. The weighted average price method is used for lowering the inventories of material. Small tools put in use are immediately transferred among costs. Inventories are not subject to revaluation due to impairment.

Cash

Cash comprises cash on hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months.

Derivatives

The Company does not enter into derivative financial instruments for trading purposes. Derivative financial instruments are used to hedge the Company's exposure to risks arising from financing and investing activities. Derivative financial instruments are recognised at fair value. The method of recognition of gains or losses arising from the change in fair value depends on the type of hedging and whether hedge accounting has been applied or not. The Company applies derivatives only for hedge accounting. When hedge accounting has been applied, gains or losses arising from the change in fair value are recognised by recognising the portion of the gain or

loss on the hedging instrument that is determined to be an effective hedge, in other comprehensive income. When the forecasted transaction results in the recognition of an asset or a liability, the associated cumulative gains or losses are removed from equity and entered into the initial measurement of the acquisition cost or other carrying amount of the asset or liability. The ineffective portion of the cash flow hedge is immediately recognised in profit or loss.

Equity

Share capital

The share capital of Luka Koper, d.d. is divided into 14,000,000 ordinary, freely transferable, registered, no par value shares.

Dividends

Dividends are recognised in the Company's financial statements once the decision on the distribution of dividends is adopted by the Shareholders' Meeting.

Authorised capital

As at 31 December 2015, the Company had no authorised capital.

Provisions

Provisions for legal disputes and damages

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

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

Provisions for retirement benefits and jubilee premiums

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

Actuarial gains or losses of the current year from termination benefits are recognised in other comprehensive income under equity based on an actuarial calculation, whereas current and previous employee benefits and interest are recognised in

profit or loss. Current employee benefit costs and interest expense associated with jubilee premiums are recognised in profit or loss as actuarial gains or losses.

Calculation of provisions for jubilee premiums and retirement benefits is based on the actuarial calculation as of 31 December 2015, which took into account following assumptions:

- currently applicable amount of termination benefits upon retirement and jubilee premiums;
- mortality rate that is based on mortality tables from 2007 applicable for Slovenia and presented separately for men and women, decreased by 10% (active population). In total, the aforesaid shows as at 31 December 2015 a 0.3 percent decline in mortality for the next fiscal year (in terms of number of staff);
- staff fluctuation, which is declining on a straight-line basis from 1.0 percent at 15 years to 0.5 percent at 54 years, and thereupon remains constant at 0.5 percent. In total, the aforesaid indicates as at 31 December 2015 an annual fluctuation of 0.7 percent for the next year;
- for 2016 and 2017 rates of wage's average growth in the Republic of Slovenia taken from the Autumn forecast of economic development for 2015 (UMAR). The average wages in Slovenia are from 2017 onwards expected to increase with the 2 percent inflation and the actual growth by 0.5 percent. It is assumed, the amounts as set in the Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base (Official Journal of RS, no. 140/06 and 76/08) in 2016 and 2017 shall not increase, whereby an increase of these amounts is expected subsequently in accordance with the inflation;
- increase in basic salaries in the amount of the annual inflation, increased by 0.2 percent from 2020 onwards; the growth of the basic gross salaries is taken into account due to promotion i.e. 0.5 percent p.a. Bonus for the overall years in services is taken into account at 0.5 percent of the basic salary for each fully employed year of total period of employment. In case of four individual contracts, the bonus for the overall years in service is not accounted. Accordingly, the Company's nominal growth rate of monthly wages would in view of the inflation and the actual growth be 0.8 percent in the next year, 1.4 percent in 2017, whereby in 2018 and 2019 the growth would be 2 percent, and 2.2 percent from 2020 onwards;
- the discount rate for the calculation as at 31 December 2015 is stipulated at 2.1 percent on the basis of the yield of Slovenia's government bonds announced as at 31 December 2015, and by interpolation with respect to the average weighted duration of Company's commitments (13.9 years).

Concession-related activity

In September 2008, Luka Koper, d.d. (or Company) and the Government of the Republic of Slovenia have within the Decree on the administration of the freight port of Koper, port operations, and on granting concession for the administration, management, development and regular maintenance of its infrastructure, settled

the relations in this port by means of a Concession Agreement in compliance with the Maritime Code, and defined the concession relationship for the period of 35 years from the date of the Agreement's conclusion.

Pursuant to provisions of the Concession Agreement, the concession operator is required to keep its books of account in a way that provides for separate financial monitoring of the activity, which is carried out on the basis of exclusive rights granted.

In its books of account, the Company keeps separate records of income from port tax in an individual year and costs of performing concessions activities. Possible income surplus generated through port tax over maintenance costs relating to port infrastructure, is kept by the concession provider as short-term deferred income for costs of maintaining the port infrastructure in the coming years as required by Article 9.3. of the Concession Agreement. The accounting monitoring of the public commercial services is based on policies and principles of cost accounting and criteria of separate bookkeeping that were customised and confirmed by the Ministry of Transport of the Republic of Slovenia on 15 March 2011 and remained up to the balance sheet date unchanged. Regardless the reorganisation, the method of performing and recording the public commercial services that are earmarked for public transport has in the relevant period not changed.

In accordance with the Concession Agreement concluded with the Government of the Republic of Slovenia, and criteria approved by the latter, the controlling company Luka Koper, d.d. recognises long-term deferred income for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs. In the event of a surplus of costs over income from dock dues, the long-term deferred income is eliminated in the amount of surplus.

The Company as concession operator obtained from the Government of the Republic of Slovenia as concession provider the exclusive right for performing the port activity of cargo operation and maritime passenger transport in the area of the port, and the related exclusive right for port management, management of the port infrastructure that is earmarked for public transport, and (within the Article 44 of the Maritime Code) also the exclusive right to perform public commercial services of regular maintenance of the port infrastructure that is intended for public transport. Furthermore, the Company keeps pursuant to Article 7.9.6. of the Concession Agreement also records on investments made in the port infrastructure for individual years. The Company is required to indicate investments in each individual year by the structure as stated in the previous paragraph and in an appendix to the annual report, which is to be examined and confirmed by a certified auditor.

In accordance with Article 10.1. of the Concession Agreement, the Company is obliged to pay the concession tax, which amounts to 3.5% of the annual revenue generated less port taxes collected in the relevant year. The basis for assessing the concession tax is established by means of the audited Company's income statement. The amount of the annual concession tax is during the year settled in form of monthly advance payments calculated not later than by 30 July on the basis of audited data

for the previous calendar year.

Financial liabilities

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

Operating liabilities

Non-current operating liabilities include collaterals received for rented business premises. Trade liabilities and payables to the state and employees are shown separately. Other operating liabilities include short-term deferred costs or expenses and short-term accrued not invoiced income.

Income tax expense

Income tax is accounted for in compliance with provisions of the Corporate Income Tax Act. The basis for the income tax calculation is the gross profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such basis is used for accounting the corporate income tax liability. As for 2015 and the comparative 2014, income tax liability was calculated at the rate of 17 percent.

Deferred taxes

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

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

Earnings per share

The basic and diluted earnings per share were calculated by dividing the net profit for the period with the weighted average number of ordinary shares in issue.

Revenue

Operating income

Income from services rendered

Company's core activity is transshipment and warehousing of all types of goods, goods-related services and other accompanying services. Apart from raw oil and gas, the Company transships and renders services for all groups of goods, including passengers. The respective services are all carried out in Slovenia, for both local as well as foreign customers. Foreign customers come from European markets, which are considered as Company's most significant customers, as well as from Asia and America. Company's customers include the world's largest shipping companies, major international corporations, end-users of our services, and other major and smaller domestic and foreign companies that deem the port of Koper as the provider of the fastest and the most qualitative logistics service.

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

Income from services rendered is recognised using the stage of completion method on the reporting date. Under the method, income is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in connection with domestic and foreign customers.

Rental income

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

Other income

Other operating income comprises revaluation operating income from the sale of property, plant and equipment, subsidies, donations, insurance proceeds and other income. Government grants and other subsidies primarily refer to funds received for activities within the European development projects that aim to increase the port's competitiveness, energy efficiency, environmental safety, and ensuring efficient port processes. Subsidies received for covering costs incurred are recognised strictly as income in the same periods in which the costs are incurred. Other income is recognised when it can be justifiably expected that the related receipts will flow to the Company.

Finance income and finance expenses

Finance income comprises interest income from loans, default interest on late payment of services and receivables, dividend income, income from disposal of available-for-sale financial assets, and foreign exchange gains. Interest income is recognised when accrued using the effective interest rate method. Dividend income

is recognised in profit or loss when a shareholder's right to payment is established. Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through profit or loss. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

Costs and expenses

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

Impairment of assets

Impairment of non-financial assets

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

Impairment of financial assets

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

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

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

Statement of other comprehensive income

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

Statement of cash flows

The statement of cash flows is presented by applying the indirect method, on the basis of items reported in the statement of financial position as at 31 December 2015 and 31 December 2014, as well as items in the income statement for the financial year then ended, inclusive of any necessary adjustments of the cash flow.

Statement of changes in equity

The statement of changes in equity outlines changes in individual equity components during the financial year (total income and expenses, in addition to transactions with stakeholders that act owners), inclusive of the net profit or loss distribution. The statement of other comprehensive income is also included which increases net profit of the accounting period by total revenue and expenses directly recognised in the equity.

Risk management

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

Company's operations are exposed to risks, which largely depend on market laws and thereby requires active and ongoing monitoring. In addition to strategic and operational risks, the Company also encounters financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 36 'Financial instruments and financial risk management'.

Newly adopted standards and interpretations

The following new standards and interpretations are not yet effective for the annual period ended 31 December 2015 and have not been applied in preparing the financial statements hereunder:

IFRS 11 – Joint Arrangements

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations. Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured

The impact of the adopted amendment can be assessed during the year of its first application, as the latter depends on the purchase of joint operations that is carried out during the reporting period.

The Company is not subject to the amendment as its existing accounting policy for accounting of acquisitions in jointly-controlled entities complies with the respective amendment.

IAS 1 – Presentation of financial statements

Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements

The Company expects that the amendments, when initially applied, will not have a material impact on the presentation of its financial statements.

IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation. Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

Revenue-based depreciation banned for property, plant and equipment

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New restrictive test for intangible assets

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as

a measure of revenue.

It is expected that the amendments, when initially applied, will not have material impact on the Company's financial statements as it does not apply revenue-based methods of amortisation/depreciation.

IAS 19 – Employee Benefits

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions. Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Company does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

IAS 27 – Consolidated and separate financial statements

Amendments to IAS 27: Equity method in the separate financial statements. Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Company does not expect that the amendments, when initially applied, will have material impact on its financial statements as it plans to further disclose its investments in subsidiaries and associates at cost in compliance with IAS 39.

Fair value

Fair value is used with available-for-sale financial assets and hedging instruments, whereas all other financial statement items are presented at cost or amortised cost. Fair value is used with available-for-sale financial assets and hedging instruments, whereas all other financial statement items are presented at cost or amortised cost. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use

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

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

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

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

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

The fair value measurement hierarchy of the Company's assets and liabilities is presented in Note 36.

8 ADDITIONAL NOTES TO INCOME STATEMENT

Note 1 Revenue

(in EUR)	2015	2014
Revenue generated on sales with domestic customers	52,358,602	48,390,391
- services	50,882,844	46,794,022
- goods and material	1,802	19,312
- rentals	1,473,956	1,577,057
Revenue generated on sales with foreign customers	120,919,147	106,074,116
- services	120,830,516	105,911,680
- rentals	88,631	162,436
Total	173,277,749	154,464,507

Note 2 Other income

(in EUR)	2015	2014
Other operating income	1,854,175	832,920
Reversal of provisions	1,501,667	750,219
Subsidies, grants and similar income	6,000	-
Revaluation operating income	346,508	82,701
Income on sale of property, plant and equipment and investment property	69,366	46,165
Collected written-off receivables and written-off liabilities	277,142	36,536
Other income	961,902	1,391,873
Compensations and damages	441,414	504,095
Subsidies and other income not related to services	503,630	684,917
Other income	16,858	202,861
Total	2,816,077	2,224,793

Reversal of provisions in the amount of EUR 1,501,667 largely relates to the court settlement on the basis of which the Company paid EUR 262,000 and thus finally completed the lawsuit filed against Luka Koper, d.d. that lasted since 2012.

Subsidies and other income not related to services include accounted income from certified costs that occurred in connection with the European projects.

Note 3 Cost of material

(in EUR)	2015	2014
Cost of auxiliary material	2,158,264	1,821,116
Cost of spare parts	4,904,682	4,306,897
Cost of energy	6,289,254	6,482,935
Cost of office stationary	124,297	120,962
Other cost of material	377,402	324,354
Total	13,853,899	13,056,264

Note 4 Cost of services

(in EUR)	2015	2014
Port services	21,862,640	19,890,301
Cost of transportation	285,640	264,288
Cost of maintenance	6,892,423	6,441,282
Rentals	745,826	604,661
Reimbursement of labour-related costs	349,610	331,415
Costs of payment processing, bank charges and insurance premiums	621,385	513,218
Cost of intellectual and personal services	783,470	1,115,958
Advertising, trade fairs and hospitality	1,219,845	1,183,513
Costs of services provided by individuals not performing business activities	258,210	299,197
Cost of other services		
Sewage and disposal services	730,668	827,801
Information support	3,011,799	2,771,529
Concession-related costs	5,925,897	5,248,717
Costs of other services	2,434,930	1,767,136
Total	45,122,343	41,259,016

Port services account for the highest amount within cost of services. These include services rendered by providers of port services related to the Company's core activity. Providers of port services are subcontracted by Luka Koper and render basic port activities such as goods-related services (e.g. sorting, sampling, preparing pallets, protection, labelling, weighting, cleaning, reloading and other services), managing of port mechanisation and similar.

All lease arrangements are revocable and the relevant future liabilities arising thereunder are insignificant.

Note 5 Employee benefits expense

(in EUR)	2015	2014
Wages and salaries	27,413,885	24,951,405
Wage compensations	4,207,554	4,004,803
Costs of additional pension insurance	1,255,951	1,135,329
Employer's contributions on employee benefits	5,198,639	4,770,173
Annual holiday pay, reimbursements and other costs	3,712,771	3,014,723
Total	41,788,800	37,876,433

Apart from members of the Management Board and employees employed under individual contracts, the employees have in December 2015 received an additional average monthly salary (13th salary) for having reached the planned added value in 2015.

Other benefits awarded to employees include the payment of voluntary pension insurance premium by the employer, which has been funding the pension scheme for the 13th consecutive year.

The annual holiday pay amounted to EUR 791 per employee in 2015 (2014: EUR 789).

No loans were granted to employees under individual contracts and to members of the Management or Supervisory Board. The Company records no receivables due from members of the Management and Supervisory Board.

The average number of employees by education:

Level of education	Headcount in 2015	Headcount in 2014
VIII/2	2	2
VIII/1	18	19
VII	105	104
VI/2	131	124
VI/1	65	63
V	251	238
IV	208	199
III	13	12
I-II	45	46
Total	838	805

Note 6 Amortisation and depreciation expense

(in EUR)	2015	2014
Depreciation of buildings	11,938,448	11,499,450
Depreciation of equipment and spare parts	13,200,241	13,351,978
Depreciation of small tools	19,607	16,935
Depreciation of investment property	623,456	429,825
Amortisation of intangible assets	586,529	568,193
Total	26,368,281	25,866,381

Note 7 Other income

(in EUR)	2015	2014
Provisions	-	744,073
Impairment costs, write-offs and losses on property, plant and equipment, and investment property	1,846,854	95,167
Expenses for allowances for receivables	82,755	923,031
Levies that are not contingent upon employee benefits expense and other types of cost	6,256,233	5,315,198
Donations	153,497	156,628
Environmental levies	66,727	67,318
Awards and scholarship to students inclusive of tax	13,470	6,307
Awards and scholarship to students	8,260	2,100
Other costs and expenses	1,706,424	846,480
Total	10,134,220	8,156,302

Costs relating to provisions refer to formation of provisions of legal disputes and compensations, which the Company did not have in 2015.

Write-off expenses and losses on sale of property, plant and equipment and investment property in 2015 mostly represent impairment of assets being acquired, such as:

- investments in the project "Covering of the landfill site at the European energy terminal" (EUR 1,147,080),
- investments in the project "Set-up of the solar power station at Luka Koper" (EUR 497,940).

V letu 2015 je bil skladno z računovodsko politiko oblikovan popravek vrednosti terjatev v višini 82.755 evrov.

Dajatve v celoti predstavljajo nadomestilo za uporabo stavbnih zemljišč, ki je leta 2015 znašalo 6.051.056 evrov, leta 2014 pa 5.153.529 evrov.

Druge stroške in odhodke v letu 2015 v največji meri predstavljajo sodni stroški v višini 1.286.102 evrov, ki jih sestavljajo odhodki od sklenjenih sodnih poravnav in plačila sodnih taks. S sodnimi poravnavami je bila v letu 2015 izpostavljenost družbe znižana za 17.147.275 evrov.

Note 8 Finance income and finance expenses

(in EUR)	2015	2014
Finance income from shares and interests		
Finance income from shares and interests in Group companies	575,188	501,648
Finance income from shares and interests in jointly controlled entities	475,000	225,000
Finance income from shares and interests in other companies	1,152,515	1,603,651
Finance income - interest		
Interest income - Group companies	3,212	5,442
Interest income - other	62,993	107,646
Finance income from operating receivables		
Finance income from operating receivables due from others	185,062	183,069
Total finance income	2,453,970	2,626,456
Finance expenses for investments	-4,320,000	-62,577
Finance expenses - interest		
Interest expenses - Group companies	-158,469	-189,536
Interest expenses - associates and jointly controlled entities	-7,895	-8,894
Interest expenses - banks	-3,004,441	-3,874,097
Finance expenses for financial liabilities		
Finance expenses for trade payables	-366	-90
Finance expenses for other operating liabilities	-27,801	-12,170
Total finance expenses	-7,518,972	-4,147,364
Net financial result	-5,065,002	-1,520,908

Finance income from shares and interests in Group companies include profits for 2014 of Luka Koper INPO, d.o.o. (EUR 566,296) and Adria investicije, d.o.o. (EUR 8,892).

Finance income from shares and interests in associates refer to sharing of profits for 2014 of Adria Transport, d.o.o. (EUR 325,000) and Adria-Tow, d.o.o. (EUR 150,000). Finance income from shares and interests in other entities refer to dividends paid under securities invested in the company Krka, d.d. and Pokojninska družba A, d.o.o., and to the profit sharing of the company POSCO-ESDC, d.o.o.

Finance expenses for investments include impairment of the investment made in the company Trade Trans Invest Bratislava, a. s.; it was impaired in its full amount. Finance expenses for financial liabilities declined by 22% in 2015 mostly as a result of lower volume of borrowing, lower variable Euribor interest rate, and lower interest margin with three other banks. A detailed analysis of the interest rate risk and the sensibility of financial liabilities in terms of variable interest rate fluctuation is outlined in Note 36 'Financial instruments and financial risk management'.

Note 9 Taxes and effective tax rate

(in EUR)	2015	2014
Profit before tax	33,761,281	28,953,996
Income tax (17%)	5,739,418	4,922,179
Non-taxable income and increase in expenditure	-540,677	-412,429
Non-taxable dividends received	-374,460	-282,250
Tax incentives	-801,018	-2,217,512
Expenses not recognised for tax purposes	281,707	366,521
Impairment loss not recognised for tax purposes	631,996	129,073
Other reduction in the tax basis	-39,482	-
Other increase in the tax basis	18,723	-
Total tax expense	4,916,207	2,505,582
Effective tax rate	14.56%	8.65%

During the income tax calculation, the Company observed provisions of the Corporate Income Tax Act. The total tax expense comprises the income tax and deferred taxes recognised in the income statement.

Most of tax incentives refers to investments made in plant and equipment.

Note 10 Net earnings per share

(in EUR)	31 Dec 2015	31 Dec 2014
Net profit for the period	28,845,074	26,448,414
Total number of shares	14,000,000	14,000,000
Number of ordinary shares	14,000,000	14,000,000
Basic and diluted earnings per share	2.06	1.89

Net earnings per share for the fiscal year 2015 were calculated by dividing the net operating profit with the weighted average number of ordinary shares in issue during the year.

Following the conversion of all preference shares, the Company's registered capital consists solely of ordinary shares. Accordingly, the diluted earnings per share equal the basic earnings per share.

9 ADDITIONAL NOTES TO THE STATEMENT OF FINANCIAL POSITION

Note 11 Property, plant and equipment

(in EUR)	31 Dec 2015	31 Dec 2014
Land	7,276,705	7,276,705
Buildings	221,904,041	213,618,753
Plant and machinery	57,306,790	61,645,583
Property, plant and equipment being acquired and advances given	37,846,116	31,501,874
Total	324,333,652	314,042,915

No items of property, plant and equipment are pledged as collateral. No costs of borrowing were attributed to property, plant and equipment in 2015.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2015 equalled zero, is recorded at EUR 210,096,978 (2014: EUR 193,465,629).

As at 31 December 2015, the outstanding trade payables to suppliers of items of property, plant and equipment amounted to EUR 9,957,454 (2014: EUR 5,064,559).

In 2015, investments in property, plant and equipment amounted to EUR 36,684,380, the largest thereof include:

- the first stage of constructing new reservoirs for oil derivatives at the terminal for current cargo,
- construction of the track 21 a, b, c and the bridge over the channel,
- the second stage of deepening the ship canal within the aquarium to -15 metres and the northern part of the first pool,
- restoration of transport areas and warehouse facilities at the container terminal,
- purchase of numerous lifts and other reload equipment for the container terminal.

In 2015, a major impairment was carried out in connection with assets being acquired i.e. the project "Covering of the landfill site at the European energy terminal" was namely impaired in the amount of EUR 1,147,080, whereby also assets in the total net value of EUR 599,677 were written off. A significant portion thereof includes also a write-off relating to the project "Set-up of the solar power station at Luka Koper" in the amount of EUR 497,940, which was performed after the finished court settlement.

Movements in property, plant and equipment (PPE)

Financial year 2015

(in EUR)	Land	Buildings	Plant and equipment	Assets being acquired	Total
Cost					
Balance at 31 Dec 2014	7,276,705	405,931,859	243,288,085	31,501,874	687,998,523
Additions	-	27,144	23,542	36,633,694	36,684,380
Transfer from investment in progress	-	19,413,166	9,030,240	-28,443,406	-
Disposals	-	-284,954	-3,275,947	-	-3,560,901
Write-offs	-	-	-384,567	-497,940	-882,507
Impairments	-	-	-	-1,147,080	-1,147,080
Transfer to intangible assets	-	-	-	-113,499	-113,499
Transfer to investment property	-	-	-	-87,527	-87,527
Transfer from assets (disposal group) held for sale	-	826,300	348,939	-	1,175,239
Reclassifications within property, plant and equipment	-	-12,111	12,111	-	-
Balance at 31 Dec 2015	7,276,705	425,901,404	249,042,403	37,846,116	720,066,628
Accumulated depreciation					
Balance at 31 Dec 2014	-	192,313,106	181,642,502	-	373,955,608
Depreciation	-	11,938,448	13,219,849	-	25,158,297
Disposals	-	-257,189	-3,200,411	-	-3,457,600
Write-offs	-	-	-282,992	-	-282,992
Transfer from assets (disposal group) held for sale	-	10,724	348,939	-	359,663
Reclassifications within property, plant and equipment	-	-7,726	7,726	-	-
Balance at 31 Dec 2015	-	203,997,363	191,735,613	-	395,732,976
Carrying amount					
Balance at 31 Dec 2014	7,276,705	213,618,753	61,645,583	31,501,874	314,042,915
Balance at 31 Dec 2015	7,276,705	221,904,041	57,306,790	37,846,116	324,333,652

Financial year 2014

(in EUR)	Land	Buildings	Plant and equipment	Assets being acquired	Total
Cost					
Balance at 31 Dec 2013	7,280,453	400,600,590	234,900,188	21,107,663	663,888,894
					-
Additions	5,850	56,293	98,317	28,230,310	28,390,770
Transfer from investment in progress	-	7,962,519	9,198,338	-17,160,857	-
Disposals	-4,055	-21,970	-275,406	-	-301,431
Write-offs	-	-116,652	-505,796	-264,214	-886,662
Transfer from intangible assets	-	1,148,084	770,381	-	1,918,465
Transfer to investment property	-5,543	-4,371,505	-	-411,028	-4,788,076
Transfer from investment property	-	857,436	-	-	857,436
Transfer to assets (disposal group) held for sale	-	-	-1,223,963	-	-1,223,963
Transfer from assets (disposal group) held for sale	-	-	143,090	-	143,090
Reclassifications within property, plant and equipment	-	-182,936	182,936	-	-
Balance at 31 Dec 2014	7,276,705	405,931,859	243,288,085	31,501,874	687,998,523
Accumulated depreciation					
Balance at 31 Dec 2013	-	179,520,281	169,342,908	-	348,863,189
					-
Depreciation	-	11,499,450	13,368,913	-	24,868,363
Disposals	-	-443	-275,088	-	-275,531
Write-offs	-	-97,897	-505,796	-	-603,693
Transfer from intangible assets	-	1,148,084	770,381	-	1,918,465
Transfer to investment property	-	-319,050	-	-	-319,050
Transfer from investment property	-	587,229	-	-	587,229
Transfer to assets (disposal group) held for sale	-	-	-1,223,966	-	-1,223,966
Transfer from assets (disposal group) held for sale	-	-	140,602	-	140,602
Reclassifications within property, plant and equipment	-	-24,548	24,548	-	-
Balance at 31 Dec 2014	-	192,313,106	181,642,502	-	373,955,608
Carrying amount					
Balance at 31 Dec 2013	7,280,453	221,080,309	65,557,280	21,107,663	315,025,705
Balance at 31 Dec 2014	7,276,705	213,618,753	61,645,583	31,501,874	314,042,915

Note 12 Investment property

(in EUR)	31 Dec 2015	31 Dec 2014
Investment property - land	18,160,734	17,411,596
Investment property - buildings	12,285,222	12,828,685
Total	30,445,956	30,240,281

The item of investment property includes land and buildings leased out, and properties that increase the value of the non-current investment.

Leased properties

(in EUR)	2015	2014
Rental income on investment property	1,236,172	1,327,530
Depreciation of investment property	623,456	429,825

Investment properties are not pledged as collateral.

Fair value of investment property amounted as at 31 December 2015 to EUR 31,052,529.

Fair value of investment property was assessed on the basis of valuations, which were carried out by certified appraisers and valuations finished in December 2015 and January 2016. The valuations aimed at defining the fair value less expenses for selling the full ownership interest on properties for the purpose of financial reporting. The valuation was performed in accordance with the valuation hierarchy, the International Valuation Standards (IVS 2013), the Slovenian Accounting Standard 2, and the provisions of the Law of Property Code. The respective valuation procedure took account also the provisions of IAS 36 – Impairment of Assets, and IFRS 13 – Fair Value Measurement. The appraisers also inspected the properties on spot, whereby other data was collected from information on comparable sales and leases in similar environments.

Movements in investment property

Financial year 2015

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2014	17,411,596	19,621,986	37,033,582
Disposals, write-offs	-	-21,088	-21,088
Transfer from property, plant and equipment	-	87,527	87,527
Transfer from assets (disposal group) held for sale	321,284	542,376	863,660
Reclassifications within investment property	427,854	-427,854	-
Balance at 31 Dec 2015	18,160,734	19,802,947	37,963,681
Accumulated depreciation			
Balance at 31 Dec 2014	-	6,793,301	6,793,301
Depreciation	-	623,455	623,455
Disposals, write-offs	-	-20,191	-20,191
Transfer from assets (disposal group) held for sale	-	121,160	121,160
Balance at 31 Dec 2015	-	7,517,725	7,517,725
Carrying amount			
Balance at 31 Dec 2014	17,411,596	12,828,685	30,240,281
Balance at 31 Dec 2015	18,160,734	12,285,222	30,445,956

Financial year 2014

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2013	16,468,149	10,665,413	27,133,562
Transfer from property, plant and equipment	48,412	4,739,664	4,788,076
Transfer to property, plant and equipment	-	-857,436	-857,436
Transfer from assets (disposal group) held for sale	895,035	5,074,345	5,969,380
Balance at 31 Dec 2014	17,411,596	19,621,986	37,033,582
Accumulated depreciation			
Balance at 31 Dec 2013	-	3,494,783	3,494,783
Depreciation	-	429,825	429,825
Transfer from property, plant and equipment	-	319,050	319,050
Transfer to property, plant and equipment	-	-587,229	-587,229
Transfer from assets (disposal group) held for sale	-	3,136,872	3,136,872
Balance at 31 Dec 2014	-	6,793,301	6,793,301
Carrying amount			
Balance at 31 Dec 2013	16,468,149	7,170,630	23,638,779
Balance at 31 Dec 2014	17,411,596	12,828,685	30,240,281

Note 13 Intangible assets

Company's intangible assets comprise industrial property rights and other rights such as computer software, information systems and development-related projects and programmes, and amounted as at 31 December 2015 to EUR 4,326,997 (2014: EUR 4,612,609).

The cost of intangible assets in use, whose carrying amount as at 31 December 2015 equalled zero, is recorded at EUR 8,449,652 compared to the 31 December 2013 balance when it was EUR 8,408,537.

Payables to suppliers for intangible assets were as at the reporting date disclosed at EUR 11,543 (2014: 67,200).

Intangible assets were not pledged as collateral as at 31 December 2015.

Movements in intangible assets

Financial year 2015

(in EUR)	Industrial property rights	Intangible assets being acquired	Total
Cost			
Balance at 31 Dec 2014	14,090,470	553,357	14,643,827
Additions	-	187,418	187,418
Transfer from investments in course of construction	434,745	-434,745	-
Transfer from property, plant and equipment	113,499	-	113,499
Balance at 31 Dec 2015	14,638,714	306,030	14,944,744
Accumulated amortisation			
Balance at 31 Dec 2014	10,031,218	-	10,031,218
Amortisation	586,529	-	586,529
Balance at 31 Dec 2015	10,617,747	-	10,617,747
Carrying amount			
Balance at 31 Dec 2014	4,059,252	553,357	4,612,609
Balance at 31 Dec 2015	4,020,967	306,030	4,326,997

Financial year 2014

(in EUR)	Industrial property rights	Intangible assets being acquired	Total
Cost			
Balance at 31 Dec 2013	16,008,935	458,316	16,467,251
Additions	-	95,041	95,041
Transfer from property, plant and equipment	-1,918,465	-	-1,918,465
Balance at 31 Dec 2014	14,090,470	553,357	14,643,827
Accumulated amortisation			
Balance at 31 Dec 2013	11,381,490	-	11,381,490
Amortisation	568,193	-	568,193
Transfer to property, plant and equipment	-1,918,465	-	-1,918,465
Balance at 31 Dec 2014	10,031,218	-	10,031,218
Carrying amount			
Balance at 31 Dec 2013	4,627,445	458,316	5,085,761
Balance at 31 Dec 2014	4,059,252	553,357	4,612,609

Note 14 Shares and interests in Group companies

Investments in subsidiaries

As at 31 December 2015, investments in subsidiaries amounted to EUR 4,533,063.

No changes were recorded in 2015 with respect to investments in subsidiaries.

Investments in subsidiaries are not pledged as collateral.

Detailed presentation of basic data on subsidiaries is provided in Note 35 of this report.

Investments in subsidiaries

(in EUR)	Equity interest (in %)	Investments at 31 Dec 2015	Income in 2015	Profit or loss in 2015	No. of staff as at 31 Dec 2015
Subsidiaries:					
Luka Koper Inpo, d.o.o.	100.0	1,336,288	15,040,754	3,305,859	159
Luka Koper Pristan, d.o.o.	100.0	485,000	703,213	-825,492	4
Adria Terminali, d.o.o.	100.0	226,000	2,069,242	64,492	22
Adria Investicije, d.o.o.	100.0	1,775,775	39,937	11,746	-
Logis Nova, d.o.o.	100.0	710,000	19,124	2,587	-
TOC, d.o.o.	68.1	-	345,623	21,619	3
Total		4,533,063			

Note 15 Shares and interests in associates

(in EUR)	Equity interest (in %)	Investments as at 31 Dec 2015	Investments as at 31 Dec 2014
Associates:			
Adriafin d.o.o.	50.0	5,986,104	5,986,104
Adria Tow, d.o.o.	50.0	159,842	159,842
Adriat Transport, d.o.o.	50.0	450,000	450,000
Avtoservis, d.o.o.	49.0	141,764	141,764
Golf Istra – in bankruptcy, d.o.o.	20.0	-	-
Total		6,737,709	6,737,709

As at the end of 2015, the Company eliminated from its books the investment in the company Adriasole, d.o.o., as the latter completed its bankruptcy proceedings on 8 December 2015 and was deleted from the register of companies. The present value of the relevant company equalled zero on the date of deletion.

Shares and interests in associates are not pledged as collateral.

Note 16 Other non-current investments

(in EUR)	31 Dec 2015	31 Dec 2014
Other investments measured at cost	1,054,854	5,588,388
Other investments measured at fair value through equity	30,623,127	29,261,977
Total	31,677,981	34,850,365

In 2015, non-current investment were recorded at EUR 31,677,981 and comprise primarily investments in securities and equity interests. Investments in securities include investments in shares in Krka, d.d. and Intereuropa, d.d., whose value was EUR 29,007,579 as at the reporting date, and mutual funds, whose value was EUR 1,615,548 was as at 31 December 2015.

Investments measured at cost refer to investments in other companies, where its equity interest is less than 20%.

Movements in other non-current investments

(in EUR)	2015	2014
Balance at 1 January	34,850,365	33,261,899
Increase		
Transfer from assets (disposal group) held for sale	-	591,705
Revaluation to fair value through equity	1,361,149	1,287,685
Decrease		
Payout	-213,533	-
Impairment	-4,320,000	-
Revaluation to fair value through equity	-	-290,924
Balance at 31 December	31,677,981	34,850,365

Other non-current investments declined in 2015 primarily due to the impairment of the investment in the company Trade Trans Invest Bratislava, a. s. in the amount of EUR 4,320,000, and due to funds taken from the capital investment fund in the amount of EUR 213,533. The increase relates to the change in the fair value of investments in securities.

Other non-current investments are not pledged as collateral.

Note 17 Deposits and loans given

(in EUR)	31 Dec 2015	31 Dec 2014
Financial assets held to maturity		
Non-current loans given with purchase of bonds from others	360,884	528,976
Loans		
Non-current loans to others, including finance lease	39,535	69,338
Non-current housing loans to employees	21,608	37,940
Non-current loans to others	17,927	31,398
Total	400,419	598,314

Movements in deposits and loans given

Financial year 2015

(in EUR)	Held-to maturity financial assets	Loans	Total
Balance at 31 Dec 2014	528,976	69,338	598,314
Increase			
Interest	-	69	69
Decrease			
Repayments, disposal	-168,092	-17,761	-185,853
Transfer to current investments	-	-12,111	-12,111
Balance at 31 Dec 2015	360,884	39,535	400,419

Investments in held-to-maturity financial assets comprise bonds of Slovenian issuers, which declined in 2015 by EUR 168,092 as the result of paying coupons, and were as at 31 December 2015 recorded at EUR 360,884.

Financial year 2014

(in EUR)	Held-to maturity financial assets	Loans	Total
Balance at 31 Dec 2013	1,310,222	74,341	1,384,563
Increase			
Interest	-	234	234
Transfer from current investments	-	16,802	16,802
Decrease			-
Repayments, disposal	-781,246	-18,637	-799,883
Transfer to current investments	-	-1,478	-1,478
Disposal, long-term write-off	-	-1,924	-1,924
Balance at 31 Dec 2014	528,976	69,338	598,314

Note 18 Non-current operating receivables

Non-current operating receivables disclosed at EUR 37,931 refer to securities provided for the lease of premises for the representative offices and to the lease of the area required for the cars terminal.

Note 19 Deferred tax assets and deferred tax liabilities

(in EUR)	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Deferred tax assets and liabilities relating to:				
impairment of investments in subsidiaries	512,122	512,122	-	-
impairment of investments in associates	15,725	254,388	-	-
impairment of other investments and deductible temporary differences arising on securities	8,310,762	7,839,865	2,432,357	2,071,131
financial instruments	176,375	247,461	-	-
allowances for trade receivables	192,372	227,593	-	-
provisions for retirement benefits	273,623	96,833	-	-
provisions for jubilee premiums	44,186	32,167	-	-
long-term accrued costs and deferred income from public commercial services	409,091	409,091	-	-
Total	9,934,256	9,619,520	2,432,357	2,071,131

Deferred tax assets represent deductible temporary differences arising on securities, non-current investments, interest rate hedging, impairment of receivables, provisions for retirement benefits and jubilee premiums, and deferred income from public commercial services. Deferred taxes increase in 2015 the operating result by EUR 216,509, whereas in 2014 they reduced the said result in the amount of EUR 134,019. In 2015, deferred taxes lower the other comprehensive income by EUR 262,998 (2014: EUR 46,333).

Movements in deferred tax assets and deferred tax liabilities

Financial year 2015

	Terjatve			Deferred tax liabilities			
	Balance at	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at	Balance at	Recognised in the statement of other comprehensive income	Balance at
(in EUR)	31. 12. 2014			31 Dec 2015	31 Dec 2014		31 Dec 2015
Deferred tax assets and liabilities relating to:							
impairment of investments in subsidiaries	512,122	-	-	512,122	-	-	-
impairment of investments in associates	254,388	-238,663	-	15,725	-	-	-
impairment of other investments and deductible temporary differences arising on securities	7,839,865	341,066	129,831	8,310,762	2,071,131	361,226	2,432,357
financial instruments	247,461	-	-71,086	176,375	-	-	-
allowances for trade receivables	227,593	-35,220	-	192,372	-	-	-
provisions for retirement benefits	96,833	137,307	39,483	273,623	-	-	-
provisions for jubilee premiums	32,167	12,019	-	44,186	-	-	-
long-term accrued costs and deferred income from public commercial services	409,091	-	-	409,091	-	-	-
Total	9,619,520	216,509	98,228	9,934,256	2,071,131	361,226	2,432,357

Financial year 2014

	Deferred tax assets				Deferred tax liabilities		
	Balance at 31 Dec 2013	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2014	Balance at 31 Dec 2013	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2014
(in EUR)							
Deferred tax assets and liabilities relating to:							
impairment of investments in subsidiaries	507,971	4,151	-	512,122	-	-	-
impairment of investments in associates	426,088	-171,700	-	254,388	-	-	-
impairment of other investments and deductible temporary differences arising on securities	8,060,361	-	-220,496	7,839,865	2,072,721	-1,590	2,071,131
financial instruments	168,043	-	79,418	247,461	49,457	-49,457	-
allowances for trade receivables	77,526	150,068	-	227,593	-	-	-
provisions for retirement benefits	45,950	7,185	43,698	96,833	-	-	-
provisions for jubilee premiums	24,515	7,652	-	32,167	-	-	-
long-term accrued costs and deferred income from public commercial services	436,158	-27,067	-	409,091	-	-	-
tax losses	104,307	-104,307	-	-	-	-	-
Total	9,850,919	-134,018	-97,380	9,619,520	2,122,178	-51,047	2,071,131

Note 20 Assets (disposal group) held for sale

As at the year-end of 2015, the Company disclosed no assets (disposal group) held for sale if compared to the 2014 year-end balance when they amounted to EUR 1,781,382.

The Company sold assets in 2015 worth EUR 223,306, whereby EUR 815,576 of assets were invested in property, plant and equipment, and EUR 742,500 in investment property.

Movements in assets (disposal groups) held for sale

Financial year 2015

(in EUR)	Property, plant and equipment	Other assets	Total
Balance at 31 Dec 2014	1,781,382	-	1,781,382
Decrease			
Disposal	-223,306	-	-223,306
Transfer to investment property	-742,500	-	-742,500
Transfer to property, plant and equipment	-815,576	-	-815,576
			-
Balance at 31 Dec 2015	-	-	-

Financial year 2014

(in EUR)	Property, plant and equipment	Other assets	Total
Balance at 31 Dec 2013	4,706,246	3,526,933	8,233,179
Increase			
Additions	-	84,374	84,374
Decrease			
Repayments, disposal	-89,865		-89,865
Transfer to non-current investments	-	-3,562,480	-3,562,480
Transfer to investment property	-2,832,509	-	-2,832,509
Transfer to property, plant and equipment	-2,490	-	-2,490
Revaluation to fair value	-	-48,827	-48,827
Balance at 31 Dec 2014	1,781,382	-	1,781,382

Note 21 Inventories

As at 31 December 2015, inventories are recorded at EUR 813,734 (2014: EUR 463,957). Larger portion thereof relates to maintenance material and spare parts, as well as to overhead-related material and auxiliary material.

Note 22 Deposits and loans given

Movements in deposits and loans given

Financial year 2015

(in EUR)	Loans to Group companies	Loans/ deposits	Total
Balance at 31 Dec 2014	296,819	1,002,338	1,299,157
Increase			
New loans, acquisitions	65,000	816	65,816
Interest	-	11,046	11,046
Transfer from non-current investments	-	12,111	12,111
Decrease			
Repayments	-200,000	-1,011,006	-1,211,006
Balance at 31 Dec 2015	161,819	15,305	177,124

As for Group companies, a current loan was extended to the company Adria Terminali, d.o.o. and approved at the tax deductible interest rate among related parties.

Financial year 2014

(in EUR)	Loans to Group companies	Loans/ deposits	Total
Balance at 31 Dec 2013	422,819	112,164	534,983
Increase			
New loans, acquisitions	74,000	1,000,000	1,074,000
Interest	-	36	36
Transfer from non-current investments	-	1,478	1,478
Decrease			
Repayments	-200,000	-94,538	-294,538
Transfer to non-current investments	-	-16,802	-16,802
Balance at 31 Dec 2014	296,819	1,002,338	1,299,157

Note 23 Trade and other receivables

(in EUR)	31 Dec 2015	31 Dec 2014
Current trade receivables:		
domestic market	16,253,109	12,855,743
foreign markets	10,392,229	7,652,451
Current operating receivables due from Group companies	76,049	93,349
Current operating receivables due from associates	43,763	30,825
Current trade receivables	26,765,150	20,632,368
Current receivables due from dividends	200,000	200,000
Advances and collaterals given	81,542	30,716
Current receivables related to finance income	3,393	9,960
Receivables due from the state	1,299,823	1,897,923
Other current receivables	177,310	132,355
Total trade receivables	28,527,218	22,903,322
Short-term deferred costs and expenses	252,830	215,126
Accrued income	1,095,779	1,370,765
Other receivables	1,348,609	1,585,891
Total	29,875,827	24,489,213

With most trade receivables, the Company has an option to enforce a legal lien over the stored goods in its possession.

In 2015, the Company formed EUR 82,755 of allowances for receivables, whereby EUR 230,606 of written-off receivables were collected.

At 31 December 2015, no receivables were due from members of the Management Board or the Supervisory Board

For the purpose of collateralising a bank loan that as at 31 December 2015 amounted to EUR 5,300,000, the Company signed a contract on assigning receivables. As of the reporting date, these receivables amounted to EUR 139,210.

Current accrued income in its full amount refers to costs arising in connection with European development projects that are co-financed by European institutions.

Maturity of trade receivables and receivables relating to finance income:

(in EUR)	Balance at 31 Dec 2015	Allowances 2015	Balance at 31 Dec 2014	Allowances 2014
Outstanding trade receivables neither past due nor impaired	22,700,489		17,985,282	
Past due receivables:				
up to 30 days	3,060,815		2,247,969	
31 to 60 days overdue	804,985		181,011	
61 to 90 days overdue	67,298		51,926	
91 to 180 days overdue	118,995		148,778	
more than 180 days overdue	2,195,852	-2,179,891	2,414,437	-2,387,075
Total	28,948,434	-2,179,891	23,029,403	-2,387,075

Note: the amount comprises trade receivables due from subsidiaries and associates, and interest receivables.

Total interest income arising from late payments of receivables amounted to EUR 152,203 in the reporting period (2014: EUR 106,135).

Movements in allowances for receivables

(in EUR)	2015	2014
Balance at 1 January	2,387,075	1,545,097
Increase:		
Formation of allowances	82,755	923,031
Decrease:		
Collected receivables written off	-230,606	-36,536
Final write-off of receivables	-59,333	-44,517
Balance at 31 December	2,179,891	2,387,075

Note 24 Cash and cash equivalents

(in EUR)	31 Dec 2015	31 Dec 2014
Cash in hand	21	20
Bank balances	367,030	1,032,256
Current deposits	4,821,518	2,952,015
Total	5,188,569	3,984,291

At 31 December 2015, cash in the amount of EUR 35,188,569 encompasses bank balances and bank deposits with maturity of up to 3 months. The Company does not apply any overdraft facilities with banks. For daily cash surpluses on bank accounts, the Company has entered into framework deposit contracts and into a contract for transfer of any surplus cash, to secure optimum liquidity.

Note 25 Equity

Share capital

The share capital in the amount of EUR 58,420,965 consists of 14,000,000 registered ordinary no-par value shares of the controlling company Luka Koper, d.d. that are freely transferable. Nominal value of one share is EUR 4.17.

Capital surplus (share premium) and revenue reserves

The Company records legal reserves in the amount of 10% of share capital as required by the Companies Act (ZGD-1). Legal reserves and share premium are not included in the accumulated profit and are not subject to distribution. The Company has no statutory reserves, as they are not envisaged under the Articles of Association. Upon the proposal of the Management Board, the Company formed additional, other revenue reserves as at the year-end of 2015 in the amount of EUR 14,422,537 (half of the profit for the period) in compliance with Article 230, Paragraph 3 of the Companies Act.

(in EUR)	31 Dec 2015	31 Dec 2014
Share premium	89,562,703	89,562,703
Legal reserves	18,765,115	18,765,115
Other revenue reserves	89,979,979	75,557,441
Total	198,307,797	183,885,259

Reserves arising from valuation at fair value

Reserves arising on valuation at fair value exemplify investments measured at fair value, which refer to valuation of hedging instruments' fair value, and arising on unrealised actuarial gains and losses that amounted to EUR 12,439,658 at the end of 2015. After deducting deferred taxes, they are recorded at EUR 10,237,902.

Retained earnings

Retained earnings consist of the unappropriated portion of the net profit for the period, which as at 31 December 2015 amounted to EUR 14,422,537 and net profits brought forward that were recorded at EUR 1,458,277.

Use of accumulated profit as at 31 December 2014

The Management and Supervisory Board proposed the Shareholders' Meeting to appropriate the accumulated profit of 2014 in the amount of EUR 14,598,947 as follows:

- portion of accumulated profit in the amount of EUR 8,5400,000 is used for dividend pay-out i.e. EUR 0.61 gross per share,
- the residual amount of accumulated profit in the amount of EUR 6,058,947 is located among revenue reserves.

In a counter-proposal from 21 August 2015 filed during the 26th Shareholders' Meeting of Luka Koper, d.d., filed by SDH, d.d, the accumulated profit is to be appropriated as follows:

- portion of the accumulated profit in the amount of EUR 13,160,000 is used for dividend pay-out i.e. EUR 0.94 gross per share,
- the residual amount of accumulated profit in the amount of EUR 1,438,947 remains unappropriated.

Statement of accumulated profit for the financial year 2014 and the proposal for its distribution are provided in Section 10 'Statement of accumulated profit'.

Note 26 Provisions

(in EUR)	31 Dec 2015	31 Dec 2014
Provisions for retirement benefits and similar obligations	2,715,229	1,517,649
Provisions for legal disputes	475,224	2,675,441
Total	3,190,453	4,193,090

Movements of provisions

Financial year 2015

(in EUR)	Termination benefits	Jubilee premiums	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2014	1,139,211	378,438	1,517,649	2,675,441	4,193,090
Movement:					
Formation	1,122,442	202,778	1,325,220	-	1,325,220
Use	-66,256	-61,384	-127,640	-698,550	-826,190
Reversal	-	-	-	-1,501,667	-1,501,667
Balance at 31 Dec 2015	2,195,397	519,832	2,715,229	475,224	3,190,453
Non-current portion	2,062,151	453,836	2,515,987	475,224	2,991,211
Portion maturing in 2016	133,246	65,996	199,242	-	199,242
Balance at 31 Dec 2015	2,195,397	519,832	2,715,229	475,224	3,190,453

In 2015, the Company created additional provisions for retirement benefits in the amount of EUR 1,122,442. Based on the actuarial calculation, unrealised loss for the current and previous year was in connection with retirement benefits recognised in other comprehensive income at the amount of EUR 445,173, costs of current and previous years of service were recognised in the income statement in the amount of EUR 656,240 and interest expenses at EUR 21,029. The Company formed in 2015 also additional provisions for jubilee premiums in the amount of EUR 202,778. The total value of provisions formed for jubilee premiums in 2015 represent costs of current and previous years of service, and interest expenses as actuarial loss. Payments of jubilee premiums and retirement benefits amounted in 2015 to EUR 127,640. Provisions for legal disputes and retirement benefits were reduced in 2015 on the

basis of court settlements. The use of provisions in the amount of EUR 698,550 relates to two court settlements. As regards the first court settlement, the Company paid EUR 262,000 and thereby completed finally the litigations procedure against Luka Koper, d.d., which lasted since 2012. The Company formed EUR 1,761,967 of provisions for this court settlement, hence the surplus of EUR 1,501,667 was reversed. As for the second court settlement, the Company paid the agreed amount of EUR 436,550 for the procedure that started in 2014.

Financial year 2014

(in EUR)	Termination benefits	Jubilee premiums	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2013	540,593	288,410	829,003	3,077,543	3,906,546
Movement:					
Formation	616,253	141,462	757,715	744,073	1,501,788
Use	-17,635	-51,434	-69,069	-395,956	-465,025
Reversal	-	-	-	-750,219	-750,219
Balance at 31 Dec 2014	1,139,211	378,438	1,517,649	2,675,441	4,193,090
Non-current portion	1,072,955	317,054	1,390,009	2,675,441	4,065,450
Portion maturing in 2015	66,256	61,384	127,640	-	127,640
Balance at 31 Dec 2014	1,139,211	378,438	1,517,649	2,675,441	4,193,090

Note 27 Deferred income

(in EUR)	31 Dec 2015	31 Dec 2014
Long-term deferred income for regular maintenance	7,823,250	6,279,210
Long-term deferred income	3,034,711	1,095,904
Total	10,857,961	7,375,114

In compliance with the Concession Agreement, Luka Koper, d.d., has the right and obligation to collect port dues, which is income intended to cover the costs of performing commercial services. In connection with any annual surplus of revenue over costs, the Company formed deferred income for costs for port infrastructure's ordinary maintenance in future years.

Movement of deferred income

Financial year 2015

(in EUR)	Long-term deferred income for regular maintenance	Non-refundable grants received	Total
Balance at 31 Dec 2014	6,279,210	1,095,904	7,375,114
Movement:			-
Formation	1,544,040	2,124,296	3,668,336
Transfer to other liabilities	-	-150,696	-150,696
Use	-	-22,191	-22,191
Reversal	-	-12,602	-12,602
Balance at 31 Dec 2015	7,823,250	3,034,711	10,857,961

Non-refundable grants include grants received for investments in European development projects.

Financial year 2014

(in EUR)	Long-term deferred income for regular maintenance	Non-refundable grants received	Total
Balance at 31 Dec 2013	5,539,649	908,073	6,447,722
Movement:			
Formation	739,562	198,622	938,184
Use	-	-10,792	-10,792
Balance at 31 Dec 2014	6,279,211	1,095,903	7,375,114

Note 28 Loans and borrowings

(in EUR)	31 Dec 2015	31 Dec 2014
Non-current financial liabilities to Group companies	10,000,000	10,056,580
Non-current financial liabilities to associates	-	500,000
Non-current borrowings from domestic banks	66,544,844	56,897,142
Non-current borrowings from foreign banks	33,809,978	52,924,280
Total	110,354,822	120,378,002

Movement of borrowings

Financial year 2015

(in EUR)	Lender			Total
	Group companies	Associates	Banks	
Balance at 31 Dec 2014	10,056,580	500,000	109,821,422	120,378,002
Transfer from current borrowings	-	-	2,000,000	2,000,000
Repayments	-26,000	-	-1,992,065	-2,018,065
Deferred cost of approval	-	-	48,989	48,989
Transfer to current borrowings – portion maturing in 2016	-30,580	-500,000	-9,523,524	-10,054,104
Balance at 31 Dec 2015	10,000,000	-	100,354,822	110,354,822

Financial year 2014

(in EUR)	Lender			Total
	Group companies	Associates	Banks	
Balance at 31 Dec 2013	10,250,580	500,000	136,472,582	147,223,162
New borrowings	-	-	-10,750,000	-10,750,000
Repayments	-194,000	-	-	-194,000
Reclassifications	-	-	26,620	26,620
Transfer to current borrowings – portion maturing in 2015	-	-	-15,927,780	-15,927,780
Balance at 31 Dec 2014	10,056,580	500,000	109,821,422	120,378,002

Company's non-current borrowings have declined in 2015 in the amount of EUR 10,023,180 if compared to the previous year.

As at 31 December 2015, non-current borrowings from banks amounted to EUR 100,354,822. A portion of principal amounts (EUR 9,523,524) which falls due in 2016, was re-classified to current liabilities.

All bank loans bear the variable interest rate.

The Company discloses two larger borrowings that are hedged against interest rate risk by interest rate swaps. The total hedged amount of both borrowings is as at the reporting date recorded at EUR 62,142,857. Further details on the relevant interest rate hedging are provided in Note 36 Financial instruments and financial risk management, in the section 'Management of interest rate risk'.

Interest rate agreed in loan contracts with related entities is the tax recognised rate for transactions with related parties.

All non-current loans are repaid according to a predetermined schedule. For some of the loans the Company was granted a moratorium on the payment of the principal. All liabilities from non-current borrowings from banks are collateralised with blank bills of exchange and financial covenants, whereby one borrowing by assignment of receivables. The Company complies with all financial covenants under the loan agreements.

In 2015, the Company refinanced EUR 30,000,000 of borrowings i.e. one borrowing in the amount of EUR 20,000,000 thus extending its repayment period from 2018 to 2025 and not causing any other significant changes to applicable terms of the loan, and a borrowing from one of the subsidiaries with the principal amount of EUR 10,000,000 and extending the repayment period up to 31 December 2021.

In addition to bank borrowings, the Company records EUR 12 million of non-current borrowings with subsidiaries and associates. Of the total amount borrowed, EUR 10,530,580 (2014: EUR 10,556,580) was drawn as at 31 December 2015 and EUR 10,000,000 thereof represents non-current borrowings. All stated loan contracts were agreed as non-current revolving credits maturing in 2016.

The Company settles all financial liabilities on an ongoing basis and records no past due payables.

The item of borrowings comprises also costs of loan approval, which reduce the balance of borrowings received.

Luka Koper, d.d. ensures that the borrowings are managed by observing the effective interest rate principal, hence any expenses related to an individual borrowing are upon accrual deferred among non-current liabilities and thereupon reversed on a monthly basis until the date of maturity. Accordingly, deferred costs referring to non-current liabilities for loans received amounted to EUR 149,583 as at 31 December 2015 (2014: EUR 198,571) and they reduce the actual balance of loan principals.

Balances of loan principals (non-current and current borrowings) presented below are exclusive of deferred costs of loan approval.

Loan principals (non-current and current borrowings)

(in EUR)	Currency of loan	Interest rate	Date of maturity	Approved principal amount	Principal at 31 Dec 2015	Principal at 31 Dec 2014
Loans A	EUR	1.579	from 31 Dec 2016 to 31 Dec 2021	12,000,000	10,530,580	10,556,580
Loans B	EUR	Euribor 3m + from 0.706 to 2.500	from 1 Dec 2015 to 21 Jul 2031	135,000,000	82,885,072	73,947,773
Loans C	EUR	Euribor 6m + from 1.200 to 2.000	from 30 Jun 2018 to 14 Apr 2025	70,000,000	27,142,857	52,000,000
Total				217,000,000	120,558,509	136,504,353
- whereof current portion					10,054,104	15,927,780

Balance of non-current and current borrowings from banks at par value and by their maturity

Financial year 2015

(in EUR)	Principal at 31 Dec 2015	2016	2017	2018	2019	2020	Period 2021–2031
Principal amount of bank borrowings by maturity	110,027,930	9,523,524	11,761,732	14,310,399	12,504,399	14,398,602	47,529,274
Expected interest		1,787,257	1,473,925	1,233,259	972,803	704,356	1,816,240
Total	110,027,930	11,310,781	13,235,657	15,543,658	13,477,202	15,102,958	49,345,514

Financial year 2014

(in EUR)	Principal at 31 Dec 2014	2015	2016	2017	2018	2019	Period 2020–2031
Principal amount of bank borrowings by maturity	125,947,773	15,927,780	12,856,858	14,428,399	22,310,399	10,504,399	49,919,939
Expected interest		2,427,584	2,062,467	1,768,915	1,391,454	1,034,795	2,794,807
Total	125,947,773	18,355,364	14,919,325	16,197,314	23,701,853	11,539,194	52,714,746

Note 29 Other non-current financial liabilities

(in EUR)	31 Dec 2015	31 Dec 2014
Other non-current financial liabilities	639,954	1,455,653
Total	639,954	1,455,653

Other non-current financial liabilities include the fair value of instrument (i.e. interest rate swap), which the Company entered into in connection with two larger borrowings for the purpose of hedging against interest rate risk. A portion of non-current financial liabilities that falls due for payment in 2016 was transferred to other current financial liabilities in the amount of EUR 397,546. Further details on interest rate hedging are outlined in Note 36 Financial instruments and financial risk management, in the section 'Management of interest rate risk'.

Note 30 Non-current operating liabilities

Non-current operating liabilities comprise non-current collaterals received for leased premises, and a non-current collateral received in 2015 in connection with the working of the tax warehouse at the terminal for current cargo in the amount of EUR 184,554 (2014: EUR 81,281).

Note 31 Loans and borrowings

(in EUR)	31 Dec 2015	31 Dec 2014
Current financial liabilities to Group companies	30,580	-
Current financial liabilities to associates	500,000	-
Current borrowings from domestic banks	8,375,983	11,927,780
Current borrowings from foreign banks	1,147,541	4,000,000
Total	10,054,104	15,927,780

Current borrowings from banks refer as at 31 December 2015 to the portion of non-current principal amounts, which mature in 2016 according to amortisation schedules.

Movement of loans and borrowings

Financial year 2015

(in EUR)	Lender			Total
	Group companies	Associates	Banks	
Balance at 31 Dec 2014	-	-	15,927,780	15,927,780
Repayments	-	-	-13,927,780	-13,927,780
Transfer from non-current borrowings – portion maturing in 2016	30,580	500,000	9,523,524	10,054,104
Transfer to non-current borrowings	-	-	-2,000,000	-2,000,000
Balance at 31 Dec 2015	30,580	500,000	9,523,524	10,054,104

Financial year 2014

(in EUR)	Lender			Total
	Group companies	Associates	Banks	
Balance at 31 Dec 2013	-	-	15,211,280	15,211,280
New borrowings	2,000,000	80,000	200,000	2,280,000
Repayments	-2,000,000	-80,000	-15,411,280	-17,491,280
Transfer from non-current borrowings – portion maturing in 2016	-	-	15,927,780	15,927,780
Balance at 31 Dec 2014	-	-	15,927,780	15,927,780

Note 32 Other current financial liabilities

(in EUR)	31 Dec 2015	31 Dec 2014
Other current financial liabilities	848,073	441,329
Total	848,073	441,329

Other current financial liabilities include interest payables and liabilities under the interest rate swap, which was entered into with the purpose to manage the interest rate risk, and the current portion of other non-current financial liabilities referring to hedging against interest rate risk. The current portion is recorded at EUR 397,546. In 2015, total interest expenses amounted by applying the effective interest method to EUR 3,170,805 and EUR 4,072,527 in 2014.

Note 33 Trade and other payables

(in EUR)	31 Dec 2015	31 Dec 2014
Current liabilities to:		
domestic suppliers	12,111,020	8,711,388
foreign suppliers	2,720,702	736,782
Current liabilities to Group companies	488,206	465,692
Current liabilities to associates	99,564	61,469
Current trade payables	15,419,492	9,975,331
Current liabilities from advances	42,340	72,850
Current liabilities to employees	3,028,348	4,001,963
Current liabilities to state and other institutions	909,664	464,328
Total operating liabilities	19,399,844	14,514,472
Accrued costs	4,912,465	2,357,770
Other operating liabilities	4,912,465	2,357,770
Total	24,312,309	16,872,242

At the year-end of 2015, current operating liabilities show an increase over the previous year by EUR 7,440,067. Operating liabilities increased due to trade payables that are higher by EUR 5,383,552 primarily due to suppliers in connection with investments, and accrued costs that are higher by EUR 2,554,695.

Accrued costs comprise costs for the use of the construction land, accrued costs of the concession, costs for the collective job performance, accrued interest for loans and borrowings, accrued costs for remunerations and bonuses paid under individual contracts, and accrued costs for unused vacation days.

Note 34 Contingent assets and liabilities

(in EUR)	31 Dec 2015	31 Dec 2014
Securities given	15,984,283	6,218,999
Guarantees received	10,013,571	8,478,473
Contingent assets under legal disputes	32,638,935	37,306,115
Other contingent assets	67,153	140,840
Total contingent assets	58,703,942	52,144,427
Guarantees given	1,560,000	1,260,000
Securities given	7,152,284	8,611,613
Contingent liabilities under legal disputes	3,012,100	17,960,410
Approved borrowing	36,000,000	36,000,000
Total contingent liabilities	47,724,384	63,832,023

Guarantees issued refer to customs operations and as at the reporting date amounted to EUR 1,560,000.

The Company provided securities:

- in the amount of EUR 5,055,219 to the company Adria Transport, d.o.o. in connection with a lease of locomotives,
- in the amount of EUR 1,847,065 to the company Adria-Tow, d.o.o. for a borrowing received,
- in the amount of EUR 250,000 to the company Adria Terminali, d.o.o. in connection with liabilities under customs charges.

Companies that received collaterals and guarantees from Luka Koper, d.d. regularly pay their liabilities in this connection and as at 31 December 2015 discloses no outstanding instalments.

Contingent liabilities under legal disputes include as at 31 December 2015 six lawsuits filed against the Company. With respect to the reports submitted by the lawyers, no risks exist based on which the contingent liabilities hereunder should be disclosed among provisions for legal disputes. The Company reduced its exposure to legal risks in 2015 by EUR 17,147,275.

In 2015, the Company recorded EUR 14,947,058 of contingent liabilities arising on disputes with court settlements, where not all claimed payments were made but solely EUR 1,601,550 and accompanying court charges of Company's proceedings.

As the end of 2014, the Company signed a contract on drawing a borrowing extended by the European Investment Bank (EIB) for the project of extending the first pier. The respective borrowing shall be drawn in compliance with provisions on the project's development. Terms and conditions for drawing the first tranche of the borrowing were not met as at 31 December 2015 as the Company has not yet received the building permit.

Note 35 Related party transactions

Remuneration of Members of the Management Board in 2015

	Gross salary (fixed part)	Gross salary (variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total receipts
Marko Rems, Member until 5 March 2014	-	3,083	-	-	-	3,083
Gašpar Gašpar-Mišič, President until 11 April 2014	-	5,894	-	-	-	5,894
Dragomir Matić, President since 10 June 2014	162,162	12,001	791	282	6,015	181,251
Andraž Novak, Member since 10 June 2014	148,658	17,984	791	282	3,340	171,055
Matjaž Stare, Workers Director until 17 October 2015	128,895	64,070	791	256	919	194,931
Jože Jaklin, Member from 1 February 2014 to 2 January 2015	12,479	17,521	-	46	137	30,183
Irena Vincek, Member since 21 August 2015	40,936	-	-	94	803	41,833
Tine Svoljšak, Member from 1 February 2015 to 30 June 2015	61,732	-	724	116	809	63,381
Stojan Čepar, Workers Director since 30 November 2015	538	-	-	-	-	538
Total	555,400	120,553	3,097	1,076	12,023	692,149

Remuneration of Members of the Management Board in 2014

	Gross salary (fixed part)	Gross salary (variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total receipts
Bojan Brank, President until 6 September 2013	-	1,854	-	-	-	1,854
Gašpar Gašpar-Mišič, President until 11 April 2014	65,617	844	789	67	1,349	68,665
Dragomir Matić, President since 10 June 2014	71,962	-	460	129	-	72,551
Marko Rems, member until 5 March 2014	34,373	21,429	132	28	1,654	57,615
Andraž Novak, member from 13 January 2014 to 10 April 2014, President from 11 April 2014 to 9 June 2014, member since 10 April 2014	130,456	-	789	181	4,175	135,602
Jože Jaklin, member since 1 February 2014	112,813	-	723	181	686	114,404
Matjaž Stare, Workers Director	133,817	2,426	789	209	1,590	138,832
Total	549,039	26,553	3,683	795	9,453	589,523

To determine the variable income, i.e. remuneration for the Management Board, several quantitative indicators were applied, which contribute to the long-term interests of the Company.

A Member of the Management Board is remunerated in accordance with the 4th bullet of Article 4, Paragraph 1 of the Act Governing the Remuneration of Managers of Companies with Majority Ownership held by the Republic of Slovenia or Self-Governing Local Communities. Accordingly, one half of the remuneration is paid on the basis of the resolution of the Supervisory Board, after two years of the individual annual report consideration. A Member of the Management Board has a duty to return the variable income provided that all conditions for the return of the remuneration for performance have been fulfilled pursuant to the Companies Act. An end-of-term allowance is not paid to President/member of the Management Board when his mandate ends and he/she continues to work in the Company. Should, however, the President/member of the Management Board upon the end of his/her term issue a written statement that he/she will no longer be employed in the Company, a severance pay is paid the amount equalling six times the average monthly earnings he/she received during the term of office as President/member of Management Board, unless the term of office ended in a way that according to the contract omits the right to severance pay.

The contracts of the Members of the Management Board do not include the variable income or remuneration determined in the form of shares.

Receipts of group of persons in 2015

Groups of persons	Gross salary (fixed and variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total receipts
Members of the Management Board	675,953	3,097	1,076	12,023	692,149
Members of the Supervisory Board (nine members)	224,657	-	2,538	-	227,195
Employees with individual employment contracts	2,153,997	18,544	-	43,510	2,216,051
Total	3,054,607	21,641	3,614	55,533	3,135,395

Receipts of group of persons in 2014

Skupine oseb	Gross salary (fixed and variable part)	Annual holiday pay and jubilee premiums	Insurance premium benefits	Benefits and other receipts	Total receipts
Člani uprave	575,592	3,683	795	9,453	589,523
Člani nadzornega sveta (devet članov)	237,936	-	1,757	-	239,693
Zaposleni na podlagi individualnih pogodb o zaposlitvi	2,053,329	18,545	-	106,852	2,178,726
Skupaj	2,866,856	22,228	2,552	116,305	3,007,942

Gross remuneration of members of the Supervisory Board and its Committees in 2015

	Performance of function	Insurance premium benefits (SB)	Attendance fees and reimbursement of costs	Total gross earnings
Alenka Žnidaršič Kranjc, member since 7 October 2013	17,339	282	5,412	23,033
Elen Tvrdy, member since 7 October 2013	17,050	282	3,990	21,322
Rado Antolovič, member since 7 October 2013	17,339	282	43,627	61,248
Andrej Šercer, member since 7 October 2013	17,339	282	4,832	22,453
Žiga Škerjanec, member since 7 October 2013	15,894	282	5,422	21,598
Stojan Čepar, member since 18 March 2013	17,284	282	4,080	21,646
Mladen Jovičič, member since 18 March 2013	14,449	282	4,660	19,391
Nebojša Topič, member since 28 July 2008	11,568	282	3,025	14,875
Sabina Mozetič, member since 12 July 2011	13,206	282	2,930	16,418
Blanka Vežjak, external member of the Audit Committee until 22 August 2014	2,916	-	2,295	5,211
TOTAL	144,384	2,538	80,273	227,195

On the basis of the provisions of Article 25 of the Articles of Association of Luka Koper, d.d., the 26th General Meeting adopted on 21 August 2015 a decision on determining the payment for performance of functions and attendance fees to the Members of the Supervisory Board and Members of Committees of the Supervisory Board.

For attending a session, Members of the Supervisory Board receive attendance fee of EUR 275 gross each. For attending a session of the Committee, Members of the Committee of the Supervisory Board receive a fee amounting to 80 percent of the fee for the attendance at a session of the Supervisory Board. The fee for a correspondence session is 80 percent of the fee for an ordinary session.

Irrespective of the aforementioned, an individual Member of the Supervisory Board is entitled to the payment of attendance fees in an individual year until the total amount of such fees (either from sessions of the Supervisory Board or sessions of the Committees of the Supervisory Board) reaches the value of 50 percent of the basic payment for performing the function of an individual Member of the Supervisory Board.

In addition to attendance fees, Members of the Supervisory Board each receive the basic payment for carrying out their functions in the amount of EUR 13,000 gross annually. The Chairman of the Supervisory Board is entitled to the supplement of 50 percent of the basic payment for carrying out the function of a Member of the Supervisory Board, whereas his deputy is entitled to 10 percent of the basic payment for carrying out the function of a Member of the Supervisory Board. Members of the Committee of the Supervisory Board each receive a supplement for carrying out their functions, amounting to 25 percent of the basic payment for carrying out the function of a Member of the Supervisory Board. The Chairman of the Committee is also entitled to an additional supplement of 50 percent for carrying out the function of a Member of the Supervisory Board.

An external member of a Supervisory Board's Committee, who is not a Member of the Supervisory Board, receives payment for carrying out the function in the amount of 25 percent of the basic gross payment for carrying out the function of a Member of the Supervisory Board.

Members of the Supervisory Board and the Committees of the Supervisory Board receive basic salary and an additional fee for carrying out the function in proportionate monthly payments, which they are entitled to while carrying out their function. A monthly payment is equal to one twelfth of the aforementioned annual sums. If they have carried out their function for less than a month, they are entitled to a pro rata payment considering the number of working days.

Members of the Supervisory Board and of Committees of the Supervisory Board, including the external members of the Committees of the Supervisory Board, are entitled to refund of travel expenses and other attendance-related expenses in compliance with the Company's Articles of Association.

Transactions with the Government of the Republic of Slovenia

The Government of the Republic of Slovenia has no direct impact on the governance of the Company and is thereby no related entity. In 2015, Luka Koper, d.d. and the Government of the Republic of Slovenia carried out following transactions:

(in EUR)	Payments in 2015	Costs/expenses in 2015
Concessions	5,574,406	5,922,700
Dividends	6,711,600	-
Corporate income tax (taxes and advance payments)	4,743,126	5,132,716
Other taxes and contributions	5,584,741	5,198,639
Total	22,613,873	16,254,055

No other transactions between the Government of the Republic of Slovenia and the Company were recorded.

Dividends were paid out to two other companies, where the Government of the Republic of Slovenia holds a controlling interest i.e. to the company SDH, d.d. in the amount of EUR 1,464,386 and the company Kapitalska družba, d.d. in the amount of EUR 654,784.

The Company records transactions also with companies, where the Government of the Republic of Slovenia has (direct or indirect) controlling influence or 20%.

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

In 2015, transactions conducted between Luka Koper, d.d. and companies where the Government of the Republic of Slovenia has a direct or indirect influence amounted to EUR 18,998,743 and include sales to these companies (EUR 13,448,427) and purchases (EUR 5,550,316). Most of sales refers to services in connection with the port activity, whereby most of purchases to the energy, costs of railway transport and costs of insurance. As at 31 December 2015, Luka Koper, d.d. recorded receivables to these companies in the amount of EUR 2,215,857 and liabilities at EUR 32,062,088. The larger part of liabilities includes the loan by SID - Slovenska izvozna in razvojna banka, d.d., which was raised under market terms.

Transactions with subsidiaries and associates

(in EUR)	2015	2014
Sale to subsidiaries:		
Luka Koper INPO, d.o.o.	1,262,738	1,129,668
Luka Koper Pristan, d.o.o.	108,285	95,117
Adria Terminali, d.o.o.	412,365	452,443
TOC, d.o.o.	4,200	4,200
Adria Investicije, d.o.o.	2,657	1,758
Logis-Nova, d.o.o.	1,200	4,582
Sale to associates:		
Adria Transport, d.o.o.	213,242	165,999
Adria-Tow, d.o.o.	168,596	151,587
Avtoservis, d.o.o.	192,810	147,421
Adriaфин, d.o.o.	13,440	13,440
Total	2,379,533	2,166,215

All transactions with related parties were performed under market terms.

(in EUR)	2015	2014
Purchase from subsidiaries:		
Luka Koper INPO, d.o.o.	4,045,740	3,296,115
Luka Koper Pristan, d.o.o.	9,685	18,077
Adria Terminali, d.o.o.	-	-
TOC, d.o.o.	12,947	10,023
Adria Investicije, d.o.o.	39,936	24,230
Purchase from associates:		
Adria Transport, d.o.o.	179,383	118,280
Adria-Tow, d.o.o.	29,194	15,246
Avtoservis, d.o.o.	840,973	502,197
Total	5,157,858	3,984,168

The substantial part of purchases from subsidiaries refers to the company Luka Koper INPO, d.o.o., which carries out maintenance work on the port infrastructure and electrical installation work for the Company.

(in EUR)	31 Dec 2015	31 Dec 2014
Trade and other receivables due from subsidiaries:		
Luka Koper INPO, d.o.o.	40,531	28,887
Luka Koper Pristan, d.o.o.	846	1,021
Adria Terminali, d.o.o.	34,406	63,014
TOC, d.o.o.	427	427
Trade and other receivables due from associates:		
Adria Transport, d.o.o.	21,521	16,296
Adria-Tow, d.o.o.	9,663	7,928
Avtoservis, d.o.o.	11,213	5,185
Adriaфин, d.o.o.	201,366	201,366
Adriasole, d.o.o.	-	49
Total	319,973	324,173

(in EUR)	31 Dec 2015	31 Dec 2014
Operating liabilities to subsidiaries:		
Luka Koper INPO, d.o.o.	811,580	462,471
Luka Koper Pristan, d.o.o.	230	399
Adria Terminali, d.o.o.	-	-
TOC, d.o.o.	2,822	2,822
Operating liabilities to associates:		
Adria Transport, d.o.o.	20,331	14,933
Adria-Tow, d.o.o.	1,653	-
Avtoservis, d.o.o.	77,580	61,469
Total	914,196	542,094

(in EUR)	31 Dec 2015	31 Dec 2014
Loans to subsidiaries:		
Adria Terminali, d.o.o.	161,819	296,819
Total	161,819	296,819

(in EUR)	31 Dec 2015	31 Dec 2014
Finance income from loans to subsidiaries:		
Adria Terminali, d.o.o.	3,211	5,442
Total	3,211	5,442

(in EUR)	31 Dec 2015	31 Dec 2014
Borrowings from subsidiaries:		
Luka Koper INPO, d.o.o.	10,000,000	10,000,000
Luka Koper Pristan, d.o.o.	30,580	56,580
Borrowings from associates:		
Adria-Tow, d.o.o.	500,000	500,000
Total	10,530,580	10,556,580

(in EUR)	31 Dec 2015	31 Dec 2014
Finance expenses for liabilities to subsidiaries:		
Luka Koper INPO, d.o.o.	157,890	186,746
Luka Koper Pristan, d.o.o.	569	2,791
Finance expenses for liabilities to associates:		
Adria-Tow, d.o.o.	7,895	8,894
Total	166,354	198,431

Note 36 Financial instruments and financial risk management

The most significant financial risks to which Luka Koper, d.d. is exposed to, include:

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

The management of financial risks has been organised within the parent Company's finance department. The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of unpredictability and, consequently, higher level of risk. The Company has consequently tightened the control over individual financial categories. Other, mainly non-financial risks are described in detail in the section Risk Management of the Business Report.

1. Risk management of the change in fair value

The Company has invested 6.8% of its assets (2014: 6.7%) in investments measured at fair value. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal. This type of risk was identified in association with investments in market securities of successful Slovenian companies. As at 31 December 2015, the value of current available-for-sale investments at fair value through equity amounted to EUR 30,623,127. This value comprises shares of Slovenian companies and units of mutual fund assets.

Sensitivity analysis of investments at fair value:

Risk of change in fair value of securities as at 31 December 2015

Change of index (in %)	Impact on equity
-10 %	-3,062,313
10 %	3,062,313

Risk of change in fair value of securities as at 31 December 2014

Change of index (in %)	Impact on equity
-10 %	-2,926,198
10 %	2,926,198

The sensitivity analysis of investments at fair value is based on the assumption of a 10 percent increase in the value of the index and accordingly such growth would result in an increase in the fair value of the market securities portfolio by EUR 3,062,313. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by that same amount.

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

Fair value hierarchy

(in EUR)	Note	Carrying amount	Valuation at fair value		
			Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
		at 31 Dec 2015			
Assets measured at fair value					
Other interests and shares	16	30.623.127	30,623,127	-	-
Assets measured at cost					
Loans given	17, 22	577.543	-	-	577,543
Other shares and interests	16	12.325.626	-	-	12,325,626
Operating receivables	23	28.527.218	-	-	28,527,218
Liabilities measured at fair value					
Interest rate hedging for borrowings	29	639.954	-	639,954	-
Liabilities measured at amortised cost					
Other financial liabilities	32	848.073	-	397,546	450,527
Borrowings	28, 31	120.558.509	-	-	120,558,509
Operating liabilities	33	19.399.844	-	-	19,399,844

(in EUR)	Note	Carrying amount	Valuation at fair value		
			Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
		at 31 Dec 2015			
Assets measured at fair value					
Other interests and shares	16	30,623,127	30,623,127	-	-
Assets measured at cost					
Loans given	17, 22	577,543	-	-	577,543
Other shares and interests	16	12,325,626	-	-	12,325,626
Operating receivables	23	28,527,218	-	-	28,527,218
Liabilities measured at fair value					
Interest rate hedging	29	639,954	-	639,954	-
Liabilities measured at amortised cost					
Other financial liabilities	32	848,073	-	397,546	450,527
Borrowings	28, 31	120,558,509	-	-	120,558,509
Operating liabilities	33	19,399,844	-	-	19,399,844

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

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

2. Management of interest rate risk

With respect to its liabilities structure, the Company faces also interest rest risk as an unexpected growth in variable interest rates can have an adverse effect on the planned results. In 2015, the Company has succeeded in reducing its financial liabilities by 11.8% over the previous year; as at the reporting date, these liabilities were recorded at EUR 121,896,953. Due to lower volume of borrowing, the lower Euribor variable interest rates and the decrease of the interest rate margin with these banks resulted also in lower financial expenses for financial liabilities.

The share of financial liabilities in the overall structure of liabilities decreased from 32% in 2014 to 27% in 2015. The effect of possible changes in variable interest rates on the Company's future operating results is presented in the table below.

In previous years, the Company entered into an interest rate hedge for two major non-current borrowings, whose total outstanding amount as at 31 December 2015 is recorded at EUR 62,142,857; one borrowings in the amount of EUR 27,142,857 matures in 2025 and the other in the amount of EUR 35,000,000 falls due in 2031. The first borrowing was a hedging instrument entered into already in 2011, whereby the other borrowing in 2013. Possible change in variable interest rates can have an impact on 39.7 percent (2014: 44.6 percent) of Company's total borrowings, as the residual 60.3 percent were hedged against possible change in variable interest rates.

Overview of exposure

(in EUR)	31 Dec 2015	Exposure 2015	31 Dec 2014	Exposure 2014
Borrowings received at variable interest rate (without interest rate hedge)	47,885,073	39.7%	60,947,773	44.6%
Borrowings received at variable interest rate (with interest rate hedge)	62,142,856	51.5%	65,000,000	47.6%
Borrowings received at nominal interest rate	10,530,580	8.7%	10,556,580	7.7%
Total	120.558.509	100.0%	136.504.353	100.0%

Both instruments were entered into for the period of five years and fully comply with individual loans in the hedging period. Possible changes in the market values of hedging instruments are recognised in the items of equity. The two interest rate swaps are carried in the books of account under the principle of hedge accounting. As at 31 December 2015, the fair value of both interest rate swaps is recognised as the non-current liability in the amount of EUR 639,954 and as the current liability, which falls due for payment in 2016 in the amount of EUR 397,546.

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

(in EUR)	Borrowings from banks under the variable interest rate as at 2015	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	47,885,073	19,252	82,203	201,916
Total effect	47,885,073	19,252	82,203	201,916

(in EUR)	Borrowings from banks under the variable interest rate as at 2014	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	38,947,773	38,948	97,369	194,739
6M EURIBOR	22,000,000	22,000	55,000	110,000
Total effect	60,947,773	60,948	152,369	304,739

The analysis of financial liabilities' sensitivity to changes in variable interest rates is based on the assumption of potential growth in interest rates of 15, 25 and 50 base points. Given the assumption that variable interest rates will grow by 15 base points, Company's interest expenses would in view of unchanged borrowing grew by EUR 19,252. If the variable interest rates are to grow by 25 or 50 base points, the interest expenses would increase by EUR 82,203 or by EUR 201,916 respectively. At the year-end of 2015, Company's borrowings were not hedged against interest rate risk and were subject to the movement of the 3M Euribor. Two borrowings totalling to EUR 62,142,857 were hedged with interest rate swaps, hence they are not included in the sensitivity overview above and are subject to the variable interest rate.

3. Management of liquidity risk

Liquidity risk is the risk that the Company will fail to settle its liabilities at maturity. The Company manages liquidity risk by regular planning of cash flows required to settle liabilities with diverse maturity. Additional measures for preventing delays in receivable collection include regular monitoring of payments and immediate response to any delays and charging penalty interest in accordance with the Company's uniform policy of receivable management. In the last three years, the Company was able to early repay the bank borrowings based on the surplus of funds.

(in EUR)	Up to 3 months	3 to 12 months	1 to 2 years	3 to 5 years	More than 5 years	Total
2015						
Loans and borrowings*	579,710	9,474,394	11,761,732	41,213,399	57,529,274	120,558,509
Accrued interest maturing in the next calendar year	33,947	-	-	-	-	33,947
Expected interest on all borrowings	335,166	1,569,968	1,583,425	3,238,917	1,925,740	8,653,216
Other financial liabilities	450,527	397,546	-	639,954	-	1,488,027
Payables to suppliers	15,419,492	-	-	-	-	15,419,492
Other operating liabilities	3,980,352	-	-	-	-	3,980,352
Total	20,799,194	11,441,908	13,345,157	45,092,270	59,455,014	150,133,543
						-
2014						
Loans and borrowings*	2,299,008	13,620,835	23,413,438	47,243,196	49,927,876	136,504,353
Accrued interest maturing in the next calendar year	54,319	-	-	-	-	54,319
Expected interest on all borrowings	403,437	2,190,835	2,229,155	4,195,164	2,794,807	11,813,398
Other financial liabilities	387,010	-	-	1,455,653	-	1,842,663
Payables to suppliers	9,975,331	-	-	-	-	9,975,331
Other operating liabilities	4,539,142	-	-	-	-	4,539,142
Total	17,658,247	15,811,670	25,642,593	52,894,013	52,722,683	164,729,206

*The item includes also borrowings from subsidiaries and associates

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars (USD). The average monthly balance of outstanding trade receivables amounted to USD 216 thousand at the end of 2015. As at 31 December 2015, outstanding receivables denominated in US dollars amounted to 0.79 percent (2014: 1.33 percent) of total outstanding trade receivables. According to the Company's estimates, the share of receivables denominated in US dollars is insignificant and for this reason, it was decided not to hedge this risk item.

5. Management of credit risk

Management of the risk of default on the side of the counterparty or the credit risk has gained in importance in recent years. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduces the assessed probability of timely inflows and increases additional costs of financing the operation. Accordingly, the Company accelerated collection-related activities in the past five years and more consistently monitored trade receivables past due. In case of customers, where the Company detects late payments and inconsistency in observing adopted business agreements, an advance payment system is set up for all ordered services with the aim to avoid late-payment culture. The latter area is positively impacted by the specific structure of Company's customers, which are predominantly major companies, freight forwarders and forwarding agents that have been Company's business partners for a number of years.

Certain receivables have been secured with collaterals, which are returned to the customers once all obligations have been settled. Investments include loans, which are secured with blank bills of exchange and other movable and immovable property.

Assets exposed to credit risk:

(in EUR)	Note	31 Dec 2015	31 Dec 2014
Non-current loans	17	400,419	598,314
Non-current operating liabilities	18	37,931	5,681
Current deposits	22	-	1,000,036
Current loans	22	177,124	299,121
Current trade receivables	23	26,765,150	20,632,368
Other current receivables	23	1,762,068	2,270,954
Cash and cash equivalents	24	5,188,569	3,984,291
Guarantees and collaterals granted	34	8,712,284	9,871,613
Total		43,043,545	40,443,760

6. Risk management relating to adequate capital structure

Equity is the most expensive source of financing, hence it is vital for the Company to successfully identify the optimal capital structure as equity is in its form the most expensive source of financing. As in 2014, the Company also in 2015 succeeded in reducing its overall debt as its financial liabilities declined by nearly 12% to EUR 121,896,953 if compared to the previous year. Such movement has had a positive impact on the risk of adequate capital structure.

(in EUR)	31 Dec 2015	31 Dec 2014
Total liabilities	165,635,740	171,167,185
Cash and cash equivalents and current deposits	-5,188,569	-4,984,327
Net debt	160,447,171	166,182,858
Equity	282,847,478	266,091,272
Net debt/equity	0.57	0.62

Company's long-term strategic goal for the 2010–2015 period is to maintain the debtor's share within the liabilities side below 40%. At the end of 2015, the respective debtor's share was 36.9% and declined over 2014 by 2.2 p.p.

Note 37 Transactions with the audit firm

The contractual value of audit services render for the Company by the company KPMG Slovenija, d.o.o. for the fiscal year 2015 is recorded at EUR 25,000 (exclusive of VAT). The contractual value of providing assurance on financial statements for the commercial public service for the financial year 2015, which was for the Company carried out by KPMG Slovenija, d.o.o. amounted to EUR 2,000 (exclusive of VAT). The company KPMG poslovno svetovanje, d.o.o. was engaged to independently assess the quality of internal audit's working and the relevant fee amounted to EUR 5,700 (exclusive of VAT).

10 STATEMENT OF ACCUMULATED PROFIT

In 2015, the Company generated a net profit of EUR 28,845,074.48. Upon the Management Board's proposal, the Company used half of the net profit of 2015 to create other revenue reserves in the amount of EUR 14,422,537.24 in accordance with Article 230, Paragraph 3 of the Companies Act. THE Company total accumulated profit for 2015 equals EUR 15,880,814.24.

(in EUR)	2015	2014
Net profit for the period	28,845,074.48	26,448,414.59
Retained earnings	1,458,277.00	1,374,740.02
Increase in revenue reserves	-14,422,537.24	-13,224,207.30
Total accumulated profit	15,880,814.24	14,598,947.31

The Company's dividend policy is maintaining the stakeholders' tendency towards dividend earnings and towards using the net profit for the period in order to finance investment projects. Taking into account the financial results achieved in 2015 and the Company's dividend policy, the appropriation of accumulated profit, which was EUR 15,880,814.24 as at 31 December 2015, as proposed by the Management and Supervisory Board is as follows:

- a portion in the amount of EUR 9,520,000.00 is to be used for dividend payout in the gross value of EUR 0.68 per ordinary share,
- the residual amount of accumulated profit of EUR 6,360,814.24 remain unallocated.

11 EVENTS AFTER THE REPORTING DATE

After the completion of the financial year the company did not recorded significant events that could have effect on the Company's financial statements.

12 INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

To the Shareholders of Luka Koper d.d., Koper

Report on the Financial Statements

We have audited the accompanying separated financial statements of Luka Koper d.d., Koper, which comprise the separated statement of financial position as at 31 December 2015, the separated income statement, the separated statement of other comprehensive income, the separated statement of changes in equity and the separated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the EU and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

KPMG Slovenija, podjetje za revidiranje, d.o.o., slovenska družba
z omejeno odgovornostjo in članica KPMG mreže neodvisnih družb
članic, ki so povezane s švicarskim združenjem KPMG International
Cooperative ("KPMG International").

TIR: SI 58 2000 3000 1851 102
vpiše v sodni register: Območno sodišče v Ljubljani
SI, rmg, v.l.: 06/17/2002/106
matična številka: 54 302 03 EUR
ID za DDV: S020437145
matična št.: 5648558

**Opinion**


In our opinion, the financial statements present fairly, in all material respects, the financial position of Luka Koper d.d., Koper as at 31 December 2015, 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

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

On behalf of the audit company

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.


Tomaž Mahnič, FCCA
Certified Auditor

Boris Drobnič 
Partner

KPMG Slovenija, d.o.o.
1

Ljubljana, 31 March 2016

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ACCOUNTING REPORT CONSOLIDATED FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP 2015



1 CONSOLIDATED INCOME STATEMENT

(in EUR)	Note	2015	2014
Revenue	1	184,273,472	163,595,376
Capitalised own products and services		8,247	6,184
Other income	2	4,906,217	4,518,874
Cost of material	3	-15,067,925	-13,903,600
Cost of services	4	-45,829,483	-41,518,173
Employee benefits expense	5	-48,075,673	-43,758,410
Amortisation and depreciation expense	6	-27,514,749	-27,411,852
Other operating expenses	7	-10,279,603	-8,147,373
Operating profit		42,420,503	33,381,026
Finance income		1,436,307	1,920,883
Finance expenses		-7,366,822	-3,960,476
Loss from financing activities	8	-5,930,515	-2,039,593
Profit or loss of associates		1,328,228	615,896
Profit before tax		37,818,216	31,957,329
Income tax expense	9	-5,641,987	-2,721,508
Deferred taxes	9, 18	238,494	-137,479
Net profit for the period		32,414,723	29,098,342
Net profit attributable to owners of the company		32,407,833	29,092,600
Net profit attributable to non-controlling interests		6,890	5,742
Net earnings per share – basic and diluted	10	2.31	2.08

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

2 CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

(in EUR)	Note	2015	2014
Profit for the period		32,414,723	29,098,342
Change in revaluation surplus of available-for-sale financial assets	15	959,078	1,745,173
Deferred tax on revaluation of available-for-sale financial assets	18	-163,043	-296,680
Change in fair value of hedging instruments	28	418,153	-758,091
Deferred tax on change in value of hedging instruments	18	-71,086	128,875
Actuarial gains or losses on post-employment benefits	25	-511,731	-563,457
Deferred tax on unrealised actuarial gains or losses	18	43,497	47,894
Change in actuarial gains and losses in retained earnings		19,330	-
Total comprehensive income that will not be reclassified subsequently to profit or loss		694,198	303,714
Other comprehensive income		694,198	303,714
Total comprehensive income for the period		33,108,921	29,402,056
Total comprehensive income of owners of the company		33,102,031	29,396,314
Total comprehensive income of non-controlling interests		6,890	5,742

3 CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(in EUR)	Note	31 Dec 2015	31 Dec 2014
ASSETS			
Property, plant and equipment	11	341,565,465	332,361,327
Investment property	12	18,749,424	18,168,835
Intangible assets	13	4,732,332	5,068,037
Shares and interests in associates	14	11,699,829	10,846,601
Other non-current investments	15	34,490,093	38,064,548
Loans given and deposits	16	400,419	598,314
Non-current operating receivables	17	37,931	5,681
Deferred tax assets	18	9,657,416	9,298,704
Non-current assets		421,332,909	414,412,047
Assets held for sale	19	14,047	1,783,637
Inventories	20	813,734	463,957
Deposits and loans given	21	311,887	4,175,082
Trade and other receivables	22	31,908,819	25,788,483
Deferred tax assets		-	21,554
Cash and cash equivalents	23	12,610,049	5,940,791
Current assets		45,658,536	38,173,504
TOTAL ASSETS		466,991,445	452,585,551
EQUITY AND LIABILITIES			
Share capital		58,420,965	58,420,965
Capital surplus (share premium)		89,562,703	89,562,703
Revenue reserves		108,745,096	94,322,559
Reserves arising from valuation at fair value		10,203,618	9,528,750
Retained earnings		39,187,701	34,325,097
Equity of owners of the parent		306,120,083	286,160,074
Non-controlling interests		170,386	163,496
Equity	24	306,290,469	286,323,570
Deferred income	25	3,690,601	4,383,592
Provisions	26	13,785,360	10,859,503
Loans and borrowings	27	100,354,822	110,321,422
Other non-current financial liabilities	28	639,954	1,455,653
Non-current operating liabilities	29	263,401	149,512
Deferred tax liabilities	18	2,441,778	2,148,904
Non-current liabilities		121,175,916	129,318,586
Loans and borrowings	30	10,023,524	15,927,780
Other current financial liabilities	31	848,234	441,701
Income tax liabilities		2,923,564	2,371,563
Trade and other payables	32	25,729,738	18,202,351
Current liabilities		39,525,060	36,943,395
TOTAL EQUITY AND LIABILITIES		466,991,445	452,585,551

4 CONSOLIDATED STATEMENT OF CASH FLOWS

(in EUR)	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	32,414,723	29,098,342
Adjustments for:		
Amortisation/Depreciation	27,514,749	27,411,852
Reversal and impairment losses on property, plant and equipment, and intangible assets	1,807,704	371,661
Gain on sale of property, plant and equipment, intangible assets and investment property	-112,875	-9,040
Allowances for receivables	111,044	932,347
Collected written-off receivables and liabilities	-286,317	-
Reversal of provisions	-1,501,667	-789,128
Finance income	-1,436,307	-1,920,883
Finance expenses	7,366,822	3,960,476
Recognised results of subsidiaries under equity method	-1,328,228	-615,896
Income tax expense and income (expenses) from deferred taxes	5,403,493	2,858,987
Profit before change in net current operating assets and taxes	69,953,141	61,298,718
Change in operating receivables	-5,876,821	-1,089,487
Change in inventories	-349,777	-463,957
Change in assets (disposal group) held for sale	225,396	-
Change in operating liabilities	7,660,183	3,070,887
Change in provision	296,945	561,382
Change in non-current deferred income	2,913,255	131,688
Cash generated in operating activities	74,822,322	63,509,231
Interest expenses	-3,046,822	-3,961,143
Tax expenses	-5,064,815	760,758
Net cash from operating activities	66,710,685	60,308,846
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	274,900	316,760
Dividends received – associates	475,000	225,000
Dividends – other companies	1,161,407	933,651
Proceeds from sale of property, plant and equipment, and intangible assets	254,344	81,889
Proceeds from investment property	897	-
Proceeds from sale, less investments and loans given	4,286,554	3,155,457
Acquisition of property, plant and equipment, and intangible assets	-37,402,753	-29,958,975
Acquisition of investments, increase in loans given	-11,931	-4,015,255
Net cash used in investing activities	-30,961,582	-29,261,473
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from current borrowings	-	280,000
Repayment of non-current borrowings	-1,992,065	-10,750,000
Repayment of current borrowings	-13,927,780	-15,516,797
Change in equity	-	-42,626
Dividends paid	-13,160,000	-2,240,000
Net cash used in financing activities	-29,079,845	-28,269,423
Net increase in cash and cash equivalents	6,669,258	2,777,950
Opening balance of cash and cash equivalents	5,940,791	3,162,841
Closing balance of cash and cash equivalents	12,610,049	5,940,791

5 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Financial year 2015

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising on valuation at fair value			Total equity of owners of the parent company	Non-controlling interests	Total equity
						Investments	Financial instruments	Actuarial gains/losses			
Balance at 31 Dec 2014	58,420,965	89,562,703	18,765,117	75,557,442	34,325,097	11,285,672	-1,208,193	-548,729	286,160,074	163,496	286,323,570
Changes of equity – transactions with owners											
Repayment of equity	-	-	-	-	-	-	-	-	-	-	-
Dividends paid	-	-	-	-	-13,160,000	-	-	-	-13,160,000	-	-13,160,000
Remuneration paid to Management and Supervisory Board	-	-	-	-	-	-	-	-	-	-	-
Other changes in equity – correction of previous errors	-	-	-	-	17,977	-	-	-	17,977	-	17,977
	-	-	-	-	-13,142,023	-	-	-	-13,142,023	-	-13,142,023
Total comprehensive income for the period											
Profit for the period	-	-	-	-	32,407,833	-	-	-	32,407,833	6,890	32,414,723
Change in revaluation surplus of financial assets, less tax	-	-	-	-	-	796,035	-	-	796,035	-	796,035
Change in fair value of hedging instruments, less tax	-	-	-	-	-	-	347,067	-	347,067	-	347,067
Unrealised actuarial gains or losses, less tax	-	-	-	-	19,330	-	-	-468,234	-448,904	-	-448,904
	-	-	-	-	32,427,163	796,035	347,067	-468,234	33,102,031	6,890	33,108,921
Changes within equity											
Allocation of the remaining portion of profit of the comparable period to other equity components	-	-	-	-	-	-	-	-	-	-	-
Allocation of part of profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	-	-	-	14,422,537	-14,422,537	-	-	-	-	-	-
	-	-	-	14,422,537	-14,422,537	-	-	-	-	-	-
Balance at 31 Dec 2015	58,420,965	89,562,703	18,765,117	89,979,979	39,187,701	12,081,707	-861,126	-1,016,963	306,120,083	170,386	306,290,469

Financial year 2014

(in EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Reserves arising on valuation at fair value			Total equity of owners of the parent company	Non-controlling interests	Total equity
						Investments	Financial instruments	Actuarial gains/losses			
Balance at 31 Dec 2013	58,420,965	89,562,703	18,765,117	62,333,234	20,759,851	9,837,179	-578,977	-33,166	259,066,906	137,234	259,204,140
Changes of equity – transactions with owners											
Dividends paid	-	-	-	-	-2,240,000	-	-	-	-2,240,000	-	-2,240,000
Other changes in equity – correction of income tax from previous period	-	-	-	-	-63,146	-	-	-	-63,146	20,520	-42,626
	-	-	-	-	-2,303,146	-	-	-	-2,303,146	20,520	-2,282,626
Total comprehensive income for the period											
Profit for the period	-	-	-	-	29,092,600	-	-	-	29,092,600	5,742	29,098,342
Change in revaluation surplus of financial assets, less tax	-	-	-	-	-	1,448,493	-	-	1,448,493	-	1,448,493
Change in fair value of hedging instruments, less tax	-	-	-	-	-	-	-629,216	-	-629,216	-	-629,216
Unrealised actuarial gains or losses, less tax	-	-	-	-	-	-	-	-515,563	-515,563	-	-515,563
	-	-	-	-	29,092,600	1,448,493	-629,216	-515,563	29,396,314	5,742	29,402,056
Changes within equity											
Allocation of part of profit for the period to other equity components pursuant to resolution of the Management and Supervisory Board	-	-	-	13,224,208	-13,224,208	-	-	-	-	-	-
Allocation of part of profit for formation of additional reserves pursuant to the resolution of Shareholders' Meeting	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	13,224,208	-13,224,208	-	-	-	-	-	-
Balance at 31 Dec 2014	58,420,965	89,562,703	18,765,117	75,557,442	34,325,097	11,285,672	-1,208,193	-548,729	286,160,074	163,496	286,323,570

6 COMPOSITION OF THE LUKA KOPER GROUP

The consolidated financial statements of the Luka Koper Group for the year ended 31 December 2015 consist of the financial statements of the controlling company Luka Koper d.d., its subsidiaries, as well as attributable profits or losses of associates and jointly controlled entities.

Subsidiaries included in the consolidated financial statements:

- Luka Koper INPO, d.o.o. (100%)
- Adria Terminali, d.o.o. (100%)
- Luka Koper Pristan, d.o.o. (100%)
- TOC, d.o.o. (68.13%)

Associates included in the consolidated financial statements:

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

Companies excluded from the consolidated financial statements as at 31 December 2015:

- Logis Nova, d.o.o. (100%)
- Adria Investicije, d.o.o. (100%)
- Golf Istra, d.o.o. – in bankruptcy, 20% (compulsory settlement proceedings started as at 9 October 2014)

The companies Adria Investicije, d.o.o. and Logis Nova, d.o.o. were not included in the consolidated financial statements as they operate in a limited scope and are not considered significant for the fair presentation of the Group's financial position.

7 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

a) Basis for preparation of financial statements

Reporting entity

Luka Koper, d.d., pristaniški in logistični sistem (hereinafter referred to also as 'Company') with its registered office at Vojkovo nabrežje 38 in Koper, Slovenia, is the controlling company of the Luka Koper Group. Consolidated financial statements for the year ended 31 December 2015 refer to the Luka Koper Group, which contains the controlling company and its subsidiaries, jointly controlled entities and associates.

The port's core activity is the cargo handling and warehousing of all types of goods, which the controlling company supplements with diverse goods-related services and other services and thereby secures an overall logistics support. Given the concessions agreement, Luka Koper, d.d. maintains the port infrastructure and provides for the port's development.

Consolidated financial statements of the Luka Koper Group have been compiled for the financial year ended 31 December 2015.

Statement of compliance

The consolidated financial statements of the Luka Koper Group have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) and adopted by the European Union, and in accordance with provisions of the Slovenian Companies Act.

The Management Board of Luka Koper, d.d. approved the consolidated financial statements on 22 March 2016.

Basis of measurement

The financial statements have been prepared on the historical cost basis, except for derivatives and available-for-sale financial assets that were measured at fair value. Methods applied for fair value measurement are clarified within the note 'Fair value'.

Functional and presentation currency

Consolidated financial statements are presented in EUR (exclusive of cents), which is the functional currency of the controlling company.

Use of estimates and judgements

The preparation of consolidated financial statements in conformity with IFRSs, requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The estimates are formed with respect to experience and expectations in the

accounting period. Actual results may differ from these estimates, hence estimates and underlying assumptions are reviewed on an ongoing basis.

Impairment of financial instruments and non-financial assets

Information on significant estimates about uncertainty and critical judgment in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements, was applied in assessment of:

- the value of property, plant and equipment (Note 11),
- the value of investment property (Note 12),
- the valuation of investments in associates and other companies (Notes 14 and 15), and
- the recognition of deferred tax assets (Note 18).

Deferred taxes

Based on the estimate that sufficient profit will be available in the future, the Group created deferred tax assets provided under following (Note 18):

- provisions for jubilee premiums and retirement benefits,
- financial instruments,
- impairment of investments,
- differences arising on revaluation of available-for-sale investments,
- impairment of receivables.

Deferred tax assets recognised, under the formation of provisions for jubilee premiums and retirement benefits, are reduced by the relevant amounts of provisions utilised or increased by the amounts of newly formed provisions.

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

Deductible temporary differences were recognised at the tax rate of 17 percent, which equals the rate applied since 2013.

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

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

Provisions

The management approves the substance and amount of provisions formed for (Note 25):

- jubilee premiums and retirement benefits on the basis of actuarial calculation,
- for legal disputes and damages on the basis of recognition-related criteria.

8 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Accounting policies applied

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

Luka Koper Group companies apply uniform accounting policies that were changed and adjusted to Group's policies where necessary.

Basis for consolidation

Subsidiaries

Subsidiaries are entities controlled by the parent or controlling company. Control exists when the controlling company has the ability to make decisions on the company's financial and business policies in order to obtain benefits from its operations. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Associates

Associates are those entities in which the Group has significant influence but not control over the financial and operating policies. Investments in associates are initially recognised at cost and thereupon accounted for under the equity method. The consolidated financial statements of the Luka Koper Group comprise the Group's share in profits and losses of jointly controlled entities, accounted for under the equity method, upon the adjustment of accounting policies from the date when significant influence begins until the date when it ends. If Group's share in the losses of associates exceeds their share, the book value of the Group's share is reduced to zero, whereas the share in further losses is no longer recognised.

Transactions eliminated on consolidation

Balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is evidence of impairment.

Foreign currency transactions

Transactions in foreign currency are translated into euro at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities expressed in foreign currency are translated at the reference

exchange rate of the ECB at the reporting date. All differences resulting from foreign currency translation are recognised in profit or loss.

Property, plant and equipment

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

In addition to property, plant and equipment being acquired, the item of assets being acquired includes also advances for acquiring property, plant and equipment.

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

Land is accounted for separately and is not subject to depreciation.

Borrowing costs

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

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost. The replaced component is no longer subject to recognition. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. All other expenditure is expensed when incurred.

Depreciation

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

Asset	2015	2014
Buildings	16.67 to 66.67 years	16.67 to 66.67 years
Transport and transhipment equipment	5 to 17.86 years	5 years to 17.86 years
- locomotives	6.67 to 10 years	6.67 to 10 years
- forklifts, shippers	8 years	8 years
Computer hardware	4 to 5 years	4 to 5 years
Other equipment	4 to 10 years	4 to 10 years

Derecognition

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

Investment property

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

Investment property	2015	2014
Buildings	16.67 to 66.67 years	16.67 to 66.67 years

Intangible assets

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

Amortisation

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

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

The period and method of amortisation of an intangible asset with finite useful life

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

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

Intangible assets	2015	2014
Long-term property rights (concessions, patents, licences, trademarks and similar rights)	5 to 10 years	5 to 10 years
Costs of development	10 years	10 years

Investments in associates and other companies

Investments in associates and other companies are measured at their cost. On each balance sheet date, the Group assesses whether there is any indication that the investment is to be impaired. Any impairment of investment is disclosed in the income statement.

Financial instruments

Financial instruments are classified into following categories:

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

Loans and receivables

Loans and receivables are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

Non-current and current receivables are carried separately in books of account. Interest arising on stated receivables are recorded among off balance sheet items. Current and non-current trade receivables are upon recognition recognised at amounts agreed in the contracts or recorded in the relevant accounting documents. Other operating receivables include short-term deferred income and accrued costs or expenses.

Allowances for trade receivables

Allowances are created for all trade receivables and interest receivables individually and in their full amount. Allowances for receivables due from companies, which are

in bankruptcy or liquidation procedure, are formed in the total amount (100 percent) immediately once such proceeding begins.

Impairment loss is charged against revaluation operating expenses associated with receivables.

Loans given

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

Borrowings

On initial recognition, borrowings are carried at their fair value and thereupon at amortised cost using the effective interest rate method. Major amount of borrowings represent bank loans with repayment of principal when the loan contract matures. In terms of their maturity, borrowings are classified into non-current and current financial liabilities. On the last day of the year, all financial liabilities maturing in the next year are reclassified to current financial liabilities. Borrowings are insured with bills of exchange and certain loan covenants, whereby one borrowing is collateralised with assignment of receivables.

Available-for-sale financial assets

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

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

This category includes non-current assets, items of property, plant and equipment and financial assets that are non-current in nature and whose carrying amounts will be settled predominantly by their sale in the next 12 months. The period of sale completion may be extended over 12 months if this delay is caused by events and

circumstances that are beyond the control of the company and there is sufficient evidence that it is consistently pursuing its plans to dispose the asset.

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

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

Inventories

Inventories of material are valued at the lower of cost or net realisable value. An item of inventories of materials is initially recognised at cost, comprising its purchase price, import duties and other non-refundable purchase taxes, and directly attributable costs of acquisition. Non-refundable purchase taxes include also the non-refundable VAT. The cost is lower by discounts and rebates obtained. The weighted average price method is used for lowering the inventories of material. Small tools put in use are immediately transferred among costs. Inventories are not subject to revaluation due to impairment.

Cash

Cash comprises cash on hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months.

Derivatives

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

Equity

Share capital

The share capital of the controlling company Luka Koper, d.d. is divided into 14,000,000 ordinary, freely transferable, registered, no par value shares.

Dividends

Dividends are recognised in the controlling company's financial statements once the decision on the distribution of dividends is adopted by the Shareholders' Meeting.

Authorised capital

As at 31 December 2015, the Company had no authorised capital.

Provisions

Provisions for legal disputes and damages

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

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

Provisions for retirement benefits and jubilee premiums

In accordance with statutory requirements and the collective agreement, the Group is obligated to pay jubilee premiums and termination benefits on retirement. These payments are measured using the method of accounting, which requires that an actuarial liability is assessed on the basis of the expected salary increase from the valuation date until the anticipated retirement of an employee. This means that benefits are accrued in proportion with the work performed. The assessed liability is recognised as the present value of expected future expenditure. Anticipated salary increase and employee turnover are also considered as part of the measurement. Unrealised actuarial gains or losses of the current year from termination benefits are recognised in other comprehensive income under equity, whereas unrealised actuarial gains or losses based on the actuarial calculation of current employee benefits and interest are recognised in profit or loss. Current employee benefit costs and interest expense associated with jubilee premiums are recognised in profit or loss as actuarial gains or losses.

Calculation of provisions for jubilee premiums and retirement benefits is based on the actuarial calculation as of 31 December 2015, which took into account following assumptions:

- currently applicable amount of termination benefits upon retirement and jubilee premiums;
- mortality rate that is based on mortality tables from 2007 applicable for Slovenia and presented separately for men and women, decreased by 10% (active population). In total, the aforesaid shows as at 31 December 2015 a 0.3 percent decline in mortality for the next fiscal year (in terms of number of staff);

- staff fluctuation, which is declining on a straight-line basis from 1.0 percent at 15 years to 0.5 percent at 54 years, and thereupon remains constant at 0.5 percent. In total, the aforesaid indicates as at 31 December 2015 an annual fluctuation of 0.7 percent for the next year;
- for 2016 and 2017 rates of wage's average growth in the Republic of Slovenia taken from the Autumn forecast of economic development for 2015 (UMAR). The average wages in Slovenia are from 2017 onwards expected to increase with the 2 percent inflation and the actual growth by 0.5 percent. It is assumed, the amounts as set in the Decree on the levels of reimbursed work-related expenses and of certain income not to be included in the tax base (Official Journal of RS, no. 140/06 and 76/08) in 2016 and 2017 shall not increase, whereby an increase of these amounts is expected subsequently in accordance with the inflation;
- increase in basic salaries in the amount of the annual inflation, increased by 0.2 percent from 2020 onwards; the growth of the basic gross salaries is taken into account due to promotion i.e. 0.5 percent p.a. Bonus for the overall years in services is taken into account at 0.5 percent of the basic salary for each fully employed year of total period of employment. In case of four individual contracts, the bonus for the overall years in service is not accounted. Accordingly, the Company's nominal growth rate of monthly wages would in view of the inflation and the actual growth be 0.8 percent in the next year, 1.4 percent in 2017, whereby in 2018 and 2019 the growth would be 2 percent, and 2.2 percent from 2020 onwards;
- the discount rate for the calculation as at 31 December 2015 is stipulated at 2.1 percent on the basis of the yield of Slovenia's government bonds announced as at 31 December 2015, and by interpolation with respect to the average weighted duration of Group's commitments (13.9 years).

Concession-related activity

In September 2008, Luka Koper, d.d. (controlling company) and the Government of the Republic of Slovenia have within the Decree on the administration of the freight port of Koper, port operations, and on granting concession for the administration, management, development and regular maintenance of its infrastructure, settled the relations in this port by means of a Concession Agreement in compliance with the Maritime Code, and defined the concession relationship for the period of 35 years from the date of the Agreement's conclusion.

Pursuant to provisions of the Concession Agreement, the concession operator is required to keep its books of account in a way that provides for separate financial monitoring of the activity, which is carried out on the basis of exclusive rights granted.

In its books of account, the controlling company keeps separate records of income from port tax in an individual year and costs of performing concessions activities. Possible income surplus generated through port tax over maintenance costs relating to port infrastructure, is kept by the concession provider as short-term deferred

income for costs of maintaining the port infrastructure in the coming years as required by Article 9.3. of the Concession Agreement. The accounting monitoring of the public commercial services is based on policies and principles of cost accounting and criteria of separate bookkeeping that were customised and confirmed by the Ministry of Transport of the Republic of Slovenia on 15 March 2011 and remained up to the balance sheet date unchanged. Regardless the reorganisation, the method of performing and recording the public commercial services that are earmarked for public transport has in the relevant period not changed.

In accordance with the Concession Agreement concluded with the Government of the Republic of Slovenia, and criteria approved by the latter, the controlling company Luka Koper, d.d. recognises long-term deferred income for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs. In the event of a surplus of costs over income from dock dues, the long-term deferred income is eliminated in the amount of surplus.

The controlling company as concession operator obtained from the Government of the Republic of Slovenia as concession provider the exclusive right for performing the port activity of cargo operation and maritime passenger transport in the area of the port, and the related exclusive right for port management, management of the port infrastructure that is earmarked for public transport, and (within the Article 44 of the Maritime Code) also the exclusive right to perform public commercial services of regular maintenance of the port infrastructure that is intended for public transport.

Furthermore, the controlling company keeps pursuant to Article 7.9.6. of the Concession Agreement also records on investments made in the port infrastructure for individual years. The controlling company is required to indicate investments in each individual year by the structure as stated in the previous paragraph and in an appendix to the annual report, which is to be examined and confirmed by a certified auditor.

In accordance with Article 10.1. of the Concession Agreement, the controlling company is obliged to pay the concession tax, which amounts to 3.5% of the annual revenue generated less port taxes collected in the relevant year. The basis for assessing the concession tax is established by means of the audited controlling company's income statement. The amount of the annual concession tax is during the year settled in form of monthly advance payments calculated not later than by 30 July on the basis of audited data for the previous calendar year.

Financial liabilities

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

Operating liabilities

Non-current operating liabilities include collaterals received for rented business premises. Trade liabilities and payables to the state and employees are shown separately. Other operating liabilities include short-term deferred costs or expenses and short-term accrued not invoiced income.

Income tax expense

Income tax is accounted for in compliance with provisions of the Corporate Income Tax Act. The basis for the income tax calculation is the gross profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such basis is used for accounting the corporate income tax liability. As for 2015 and the comparative 2014, income tax liability was calculated at the rate of 17 percent.

Deferred taxes

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

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

Earnings per share

The basic and diluted earnings per share were calculated by dividing the net profit for the period with the weighted average number of ordinary shares.

Revenue

Operating income

Income from services rendered

Group's core activity is transshipment and warehousing of all types of goods, goods-related services and other accompanying services. Apart from raw oil and gas, the Group transships and renders services for all groups of goods, including passengers. The respective services are all carried out in Slovenia, for both local as well as foreign customers. Foreign customers come from European markets, which are considered as Group's most significant customers, as well as from Asia and

America. Group's customers include the world's largest shipping companies, major international corporations, end-users of our services, and other major and smaller domestic and foreign companies that deem the port of Koper as the provider of the fastest and the most qualitative logistics service.

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

Income from services rendered is recognised using the stage of completion method on the reporting date. Under the method, income is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in connection with domestic and foreign customers.

Rental income

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

Other income

Other operating income comprises revaluation operating income from the sale of property, plant and equipment, subsidies, donations, insurance proceeds and other income. Government grants and other subsidies primarily refer to funds received for activities within the European development projects that aim to increase the port's competitiveness, energy efficiency, environmental safety, and ensuring efficient port processes. Subsidies received for covering costs incurred are recognised strictly as income in the same periods in which the costs are incurred.

Income from utilising retained wage contributions are recognised in compliance with the Vocational Rehabilitation and Employment of Disabled Persons Act in the amount of eligibly used funds.

Other income is recognised when it can be justifiably expected that the related receipts will flow to the Group.

Finance income and finance expenses

Finance income comprises interest income from loans, default interest on late payment of services and receivables, dividend income, income from disposal of available-for-sale financial assets, and foreign exchange gains. Interest income is recognised when accrued using the effective interest rate method. Dividend income is recognised in profit or loss when a shareholder's right to payment is established. Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through profit or loss. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

Costs and expenses

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

Impairment of assets

Impairment of non-financial assets

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

Impairment of financial assets

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

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

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

Statement of comprehensive income

The statement of comprehensive income outlines the net profit or loss for the period as well as other comprehensive income inclusive of items that will be reclassified to profit and loss at a future date and those that will never be reclassified to profit or

loss in accordance with the provisions and requirements of other IFRSs.

Statement of cash flows

The Group's statement of cash flows is presented by applying the indirect method, on the basis of items reported in the statement of financial position as at 31 December 2015 and 31 December 2014, as well as items in the income statement for the financial year then ended, inclusive of any necessary adjustments of the cash flow.

Statement of changes in equity

The statement of changes in equity outlines changes in individual equity components during the financial year (total income and expenses, in addition to transactions with stakeholders that act as owners), inclusive of the net profit or loss distribution. The statement of comprehensive income is also included, which increases net profit of the accounting period by total revenue and expenses directly recognised in the equity.

Risk management

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

The Group's operations are exposed to strategic, operational and financial risks, which largely depend on market laws and thereby require active monitoring. Procedures for risk identification are described in the business report's chapter Risk management. In addition to strategic and operational risks, the Group also encounters financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 35 'Financial instruments and financial risk management'.

Newly adopted standards and interpretations

The following new standards and interpretations are not yet effective for the annual period ended 31 December 2015 and have not been applied in preparing the financial statements hereunder:

IFRS 11 – Joint Arrangements

Amendments to IFRS 11 - Accounting for Acquisitions of Interests in Joint Operations. Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

These Amendments require business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business.

Business combination accounting also applies to the acquisition of additional interests in a joint operation while the joint operator retains joint control. The additional interest acquired will be measured at fair value. The previously held interests in the joint operation will not be remeasured

The impact of the adopted amendment can be assessed during the year of its first application, as the latter depends on the purchase of joint operations that is carried out during the reporting period.

The Group shall not apply the amendment before the stated date as its existing accounting policy for accounting of acquisitions in jointly-controlled entities complies with the respective amendment.

IAS 1 – Presentation of financial statements

Effective for annual periods beginning on or after 1 January 2016. Early application is permitted.

The Amendments to IAS 1 include the following five, narrow-focus improvements to the disclosure requirements contained in the standard.

The guidance on materiality in IAS 1 has been amended to clarify that:

- Immaterial information can detract from useful information.
- Materiality applies to the whole of the financial statements.
- Materiality applies to each disclosure requirement in an IFRS.

The guidance on the order of the notes (including the accounting policies) have been amended, to:

- Remove language from IAS 1 that has been interpreted as prescribing the order of notes to the financial statements.
- Clarify that entities have flexibility about where they disclose accounting policies in the financial statements

The Group expects that the amendments, when initially applied, will not have a material impact on the presentation of its financial statements.

IAS 16 – Property, plant and equipment and IAS 38 – Intangible assets

Amendments to IAS 16 and IAS 38 - Clarification of Acceptable Methods of Depreciation and Amortisation. Effective for annual periods beginning on or after 1 January 2016; to be applied prospectively. Early application is permitted.

Revenue-based depreciation banned for property, plant and equipment

The amendments explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment.

New restrictive test for intangible assets

The amendments introduce a rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.

It is expected that the amendments, when initially applied, will not have material

impact on the Group's financial statements as it does not apply revenue-based methods of amortisation/depreciation.

IAS 19 – Employee Benefits

Amendments to IAS 19 – Defined Benefit Plans: Employee Contributions. Effective for annual periods beginning on or after 1 February 2015. The amendments apply retrospectively. Earlier application is permitted.

The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. Namely that they are:

- set out in the formal terms of the plan;
- linked to service; and
- independent of the number of years of service.

When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.

The Group does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

IAS 27 – Consolidated and separate financial statements

Amendments to IAS 27: Equity method in the separate financial statements. Effective for annual periods beginning on or after 1 January 2016 and apply retrospectively. Early application is permitted.

The amendments to IAS 27 allow an entity to use the equity method in its separate financial statements to account for investments in subsidiaries, associates and joint ventures.

The Group does not expect that the amendments, when initially applied, will have material impact on its financial statements as it plans to further disclose its investments in subsidiaries and associates at cost in compliance with IAS 39.

Fair value

Fair value is used with available-for-sale financial assets and hedging instruments, whereas all other financial statement items are presented at cost or amortised cost. Fair value is used with available-for-sale financial assets and hedging instruments, whereas all other financial statement items are presented at cost or amortised cost. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

All assets and liabilities for which fair value is measured or disclosed in the financial

statements are categorised within the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole:

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

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

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

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

The fair value measurement hierarchy of the controlling company's assets and liabilities is presented in Note 35.

Segments

The Group account for business segments i.e. separately for the port activity and other activities. The respective port activity comprises all related activities such as transshipment and warehousing of goods, goods-related services, managing the port area, logistics services, services related to the maritime activity, and maintenance of the port area. Other activities comprise hospitality services, the quality control activity, and the rear logistics activity.

	Port activity		Other		Total		Consolidation bookings		Total Group	
(in EUR)	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Revenue from sales outside the Group	181,286,067	160,876,001	2,987,405	2,719,375	184,273,472	163,595,376	-	-	184,273,472	163,595,376
Revenue from inter-segment sales	496,364	514,776	23,620	27,823	519,984	542,599	-519,984	-542,599	-	-
Amortisation and depreciation expense	26,792,242	26,708,951	722,507	702,901	27,514,749	27,411,852	-	-	27,514,749	27,411,852
Profit or loss	42,815,443	33,788,023	-394,940	-406,997	42,420,503	33,381,026	-	-	42,420,503	33,381,026
Finance	1,439,061	1,925,922	1,027	3,214	1,440,088	1,929,136	-3,781	-8,253	1,436,307	1,920,883
Finance expenses	-7,367,248	-3,963,160	-3,355	-5,569	-7,370,603	-3,968,729	3,781	8,253	-7,366,822	-3,960,476
Profit or loss from financing activities	-5,928,187	-2,037,238	-2,328	-2,355	-5,930,515	-2,039,593	-	-	-5,930,515	-2,039,593
Profits of associates under equity method	-	-	-	-	-	-	1,328,228	615,896	1,328,228	615,896
Income tax and deferred taxes	-5,405,350	-2,855,767	1,857	-3,220	-5,403,493	-2,858,987	-	-	-5,403,493	-2,858,987
Profit or loss for the period	31,481,906	28,895,018	-395,411	-412,572	31,086,495	28,482,446	1,328,228	-	32,414,723	29,098,342
	Port activity		Other		Total		Consolidation bookings		Total Group	
(in EUR)	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Total assets	454,827,170	438,154,210	17,249,162	19,340,495	472,076,332	457,494,705	-5,084,887	-4,909,154	466,991,445	452,585,551
Whereof shares and interests in associates	6,737,709	6,737,709	-	-	6,737,709	6,737,709	4,962,120	4,108,892	11,699,829	10,846,601
Liabilities	160,251,816	165,803,358	482,936	882,516	160,734,752	166,685,874	-33,776	-423,893	160,700,976	166,261,981

9 ADDITIONAL NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 1 Revenue

(in EUR)	2015	2014
Revenue generated on sales with domestic customers	58,821,259	53,621,589
- services	57,591,106	52,360,456
- goods and material	1,802	19,312
- rentals	1,228,351	1,241,821
Revenue generated on sales with foreign customers	125,452,213	109,973,787
- services	125,363,293	109,811,013
- rentals	88,920	162,774
Total	184,273,472	163,595,376

Note 2 Other income

(in EUR)	2015	2014
Other operating income	3,920,038	3,112,300
Reversal of provisions	1,501,667	750,219
Subsidies, grants and similar income	2,019,179	2,263,857
Revaluation operating income	399,192	98,224
Income on sale of property, plant and equipment and investment property	112,875	61,287
Collected written-off receivables and written-off liabilities	286,317	36,937
Other income	986,179	1,406,574
Compensations and damages	465,624	516,881
Subsidies and other income not related to services	503,630	686,717
Other income	16,925	202,976
Total	4,906,217	4,518,874

Reversal of provisions in the amount of EUR 1,501,667 largely relates to the court settlement on the basis of which the controlling company paid EUR 262,000 and thus finally completed the lawsuit filed against Luka Koper, d.d. that lasted since 2012. Subsidies, grants and similar income in the amount of EUR 2,019,179 nearly fully refer to the company Luka Koper Inpo, d.o.o. in connection with using assigned funds from retained contributions in the amount of EUR (EUR 1,972,806). The assets are used in compliance with the Vocational Rehabilitation and Employment of Disabled Persons Act for covering 75% of wages for disabled persons and labour costs for staff which assists the disabled persons. Subsidies and other income not related to services include accounted income from certified costs that occurred in connection with the European projects.

Note 3 Cost of material

(in EUR)	2015	2014
Cost of material	1,439	1,300
Cost of auxiliary material	3,405,045	2,411,522
Cost of spare parts	4,582,749	4,009,900
Cost of energy	6,523,217	6,993,042
Cost of office stationary	141,434	136,935
Other cost of material	414,041	350,901
Total	15,067,925	13,903,600

Note 4 Cost of services

(in EUR)	2015	2014
Cost of services rendered in connection with the core activity	21,853,774	20,274,065
Cost of transportation	233,830	291,150
Cost of maintenance	5,435,192	5,473,217
Rentals	979,298	696,855
Reimbursement of labour-related costs	376,383	362,446
Costs of payment processing, bank charges and insurance premiums	686,585	582,405
Cost of intellectual and personal services	822,363	1,168,195
Advertising, trade fairs and hospitality	1,225,432	1,181,103
Costs of services provided by individuals not performing business activities	282,498	345,388
Cost of other services		
Sewage and disposal services	131,540	247,400
Information support	3,190,061	2,947,575
Concession-related costs	5,925,896	5,248,716
Costs of other services	4,686,631	2,699,658
Total	45,829,483	41,518,173

Cost of services rendered in connection with the core activity account for the largest portion among cost of services. These include services rendered by providers of port services related to the Group's core activity. Providers of port services are subcontracted by the controlling company and render basic port activities such as goods-related services (e.g. sorting, sampling, preparing pallets, protection, labelling, weighting, cleaning, reloading and other services), managing of port mechanisation and similar.

All lease arrangements are revocable and the relevant future liabilities arising thereunder are insignificant.

Note 5 Employee benefits expense

(in EUR)	2015	2014
Wages and salaries	31,229,804	28,662,755
Wage compensations	4,868,779	4,670,548
Costs of additional pension insurance	1,450,401	1,324,769
Employer's contributions on employee benefits	5,943,978	5,488,858
Annual holiday pay, reimbursements and other costs	4,582,711	3,611,480
Total	48,075,673	43,758,410

In December 2015, all employees employed in Luka Koper, d.d., Luka Koper INPO, d.o.o., Luka Koper Terminali, d.o.o., and TOC, d.o.o., except for the members of the Management Board and staff with individual contracts of employment, received an additional average monthly salary (13th salary) for having reached the planned added value in 2015.

Other benefits awarded to employees include the payment of voluntary pension insurance premium by the employer, which has been funding the pension scheme for the 13th consecutive year.

The annual holiday pay amounted to EUR 791 per employee in 2015 (2014: EUR 789).

No loans were granted to employees under individual contracts and to members of the Management or Supervisory Board. The controlling company records no receivables due from members of the Management and Supervisory Board.

The average number of employees in the Luka Koper Group by education:

Level of education	Headcount in 2015	Headcount in 2014
VIII/2	2	2
VIII/1	20	19
VII	114	112
VI/2	141	132
VI/1	75	72
V	289	271
IV	269	264
III	21	19
I-II	114	118
Total	1,045	1,009

Note 6 Amortisation and depreciation expense

(in EUR)	2015	2014
Depreciation of buildings	12,532,807	12,001,758
Depreciation of equipment and spare parts	14,126,482	14,678,061
Depreciation of small tools	26,627	25,571
Depreciation of investment property	192,211	88,053
Amortisation of intangible assets	636,622	618,409
Total	27,514,749	27,411,852

Note 7 Other operating expenses

(in EUR)	2015	2014
Provisions	-	744,073
Impairment costs, write-offs and losses on property, plant and equipment, and investment property	1,907,963	107,447
Expenses for allowances for receivables	111,044	932,347
Levies that are not contingent upon employee benefits expense and other types of cost	6,302,973	5,357,176
Donations	155,760	159,609
Environmental levies	54,080	38,124
Awards and scholarship to students inclusive of tax	15,531	7,368
Awards and scholarship to students	8,260	2,100
Other costs and expenses	1,723,992	799,129
Total	10,279,603	8,147,373

Costs relating to provisions refer to formation of provisions of legal disputes and compensations, which the Group did not have in 2015.

Write-off expenses and losses on sale of property, plant and equipment and investment property in 2015 mostly represent impairment of assets being acquired, such as:

- investments in the project "Covering of the landfill site at the European energy terminal" (EUR 1,147,080),
- investments in the project "Set-up of the solar power station at Luka Koper" (EUR 497,940).

Pursuant to the accounting policy, allowances for receivables were formed in 2015 in the amount of EUR 111,044.

Levies fully refer to the use of building land, which in 2015 amounted to EUR 6,302,973 (2014: EUR 5,357,176).

Other costs and expenses in 2015 primarily comprise court-related costs in the amount of EUR 1,287,415 that include expenses for court settlements and court fees. The Group's exposure was in 2015 reduced by EUR 17,147,275 based on court settlements.

Note 8 Finance income and finance expenses

(in EUR)	2015	2014
Finance income from shares and interests		
Finance income from shares and interests in Group companies	1,161,407	1,603,651
Finance income from loans		
Finance income from loans to others	77,715	125,779
Finance income from operating receivables		
Finance income from operating receivables due from others	197,185	191,453
Total finance income	1,436,307	1,920,883
Finance expenses for investments	-4,320,000	-62,577
Finance expenses for financial liabilities		
Finance expenses for borrowings from associates	-7,895	-8,894
Finance expenses for borrowings from banks	-3,004,441	-3,874,097
Finance expenses for operating liabilities		
Finance expenses for trade payables	-450	-303
Finance expenses for other operating liabilities	-34,036	-14,605
Total finance expenses	-7,366,822	-3,960,476
Net financial result	-5,930,515	-2,039,593

Finance income from shares and interests in other entities refers to dividends received in connection with securities deposited in the company Krka, d.d. and Pokojninska družba A, d.o.o., and to profit sharing by the company POSCO-ESDC, d.o.o.

Finance expenses for investments refer to the investment made in the company Trade Trans Invest Bratislava, a. s., which was impaired in its full amount.

Finance expenses for financial liabilities declined by 22% in 2015 mostly as a result of lower volume of borrowing, lower variable Euribor interest rate, and lower interest margin with three other banks. A detailed analysis of the interest rate risk and the sensibility of financial liabilities in terms of variable interest rate fluctuation is outlined in Note 36 'Financial instruments and financial risk management'.

Note 9 Taxes and effective tax rate

(in EUR)	2015	2014
Profit before tax	37,818,216	31,957,329
Income tax	6,429,097	5,432,746
Non-taxable income and increase in expenditure	-543,436	-418,955
Non-taxable dividends received	-374,460	-282,251
Tax incentives	-1,035,543	-2,407,460
Expenses not recognised for tax purposes	320,599	402,009
Impairment loss not recognised for tax purposes	631,996	129,073
Other reduction in the tax basis	-43,496	3,825
Impact of the changed tax rate	18,736	-
Total tax expense	5,403,493	2,858,987
Effective tax rate	14.29%	8.95%

During the income tax calculation, all Group companies observed provisions of the Corporate Income Tax Act.

The total tax expense comprises the income tax and deferred taxes recognised in the income statement.

Note 10 Net earnings per share

In 2015, the Group reported net profit in the amount of EUR 32,414,723 (2014: EUR 29,098,342), whereof EUR 32,407,833 is attributable to the owner of the parent (2014: EUR 29,092,600) and EUR 6,890 to owners of non-controlling interests (2014: EUR 5,742). The non-controlling interest belongs to the co-owner of subsidiary TOC, d.o.o.

(in EUR)	31 Dec 2015	31 Dec 2014
Net profit for the period of the owner of the parent company	32,407,833	29,092,600
Total number of shares	14,000,000	14,000,000
Number of ordinary shares	14,000,000	14,000,000
Basic and diluted earnings per shares	2.31	2.08

Net earnings per share were calculated by dividing the net operating profit with the weighted average number of ordinary shares in issue during the year. Following the conversion of all preference shares, the Group's registered capital consists solely of ordinary shares. Accordingly, the diluted earnings per share equal the basic earnings per share.

10 ADDITIONAL NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 11 Property, plant and equipment

(in EUR)	31 Dec 2015	31 Dec 2014
Land	10,445,956	10,018,102
Buildings	233,620,036	226,216,314
Plant and machinery	59,652,478	64,622,590
Property, plant and equipment being acquired and advances given	37,846,995	31,504,321
Total	341,565,465	332,361,327

No items of property, plant and equipment are pledged as collateral. No costs of borrowing were attributed to property, plant and equipment in 2015.

The estimated useful lives of Group's property, plant and equipment have not changed in 2015.

The cost of the property, plant and equipment in use, of which the carrying value as at 31 December 2015 equalled zero, is recorded at EUR 216,202,397 (2014: EUR 197,974,034).

As at 31 December 2015, the outstanding trade payables to suppliers of items of property, plant and equipment amounted to EUR 10,083,190 (2014: EUR 5,274,443). In 2015, investments in property, plant and equipment amounted to EUR 37,215,335. Most of investments were made in the controlling company Luka Koper, d.d., the largest thereof include:

- the first stage of constructing new reservoirs for oil derivatives at the terminal for current cargo,
- construction of the track 21 a, b, c and the bridge over the channel,
- the second stage of deepening the ship canal within the aquarium to -15 metres and the northern part of the first pool,
- restoration of transport areas and warehouse facilities at the container terminal,
- purchase of numerous lifts and other reload equipment for the container terminal.

In 2015, a major impairment was carried out in connection with assets being acquired i.e. the project «Covering of the landfill site at the European energy terminal» was namely impaired in the amount of EUR 1,147,080, whereby also assets in the total

net value of EUR 599,677 were written off. A significant portion thereof includes also a write-off relating to the project " Set-up of the solar power station at Luka Koper" in the amount of EUR 497,940, which was performed after the finished court settlement.

On the basis of a valuation, the Group impaired a property of the subsidiary Luka Koper Pristan, d.o.o. in the amount of EUR 56,377.

In 2015, a valuation of properties of Luka Koper Pristan, d.o.o. was carried out by a certified appraiser with the relevant report being prepared in January 2016. The valuations aimed at defining the fair value less expenses for selling the full ownership interest on properties for the purpose of financial reporting. The valuation was performed in accordance with the valuation hierarchy, the International Valuation Standards (IVS 2013), the Slovenian Accounting Standard 2, and the provisions of the Law of Property Code. The respective valuation procedure took account also the provisions of IAS 36 – Impairment of Assets, and IFRS 13 – Fair Value Measurement. The appraisers also inspected the properties on spot, whereby other data was collected from information on comparable sales and leases in similar environments.

Movements in property, plant and equipment

Financial year 2015

(in EUR)	Land	Buildings	Plant and equipment	Assets being acquired	Total
Cost					
Balance at 31 Dec 2014	10,018,102	425,819,839	255,576,392	31,471,216	722,885,549
Additions	-	65,980	377,883	36,771,472	37,215,335
Transfer to investments in course of construction	-	19,571,353	9,034,625	-28,605,978	-
Disposals	-	-303,371	-3,558,551	-	-3,861,922
Write-offs	-	-	-431,895	-497,940	-929,835
Impairments	-	-279,581	-	-1,147,080	-1,426,661
Transfer to intangible assets	-	-	-	-113,499	-113,499
Transfer to investment property	-	-	-	-31,196	-31,196
Transfer to assets (disposal group) held for sale	-	826,300	348,939	-	1,175,239
Transfer from assets (disposal group) held for sale	-	-	-1,011,388	-	-1,011,388
Reclassifications within investment property	427,854	-439,965	12,111	-	-
Balance at 31 Dec 2015	10,445,956	445,260,555	260,348,116	37,846,995	753,901,622
Accumulated depreciation					
Balance at 31 Dec 2014	-	199,603,525	190,953,802	-	390,557,327
Depreciation	-	12,532,806	14,153,112	-	26,685,918
Disposals	-	-275,606	-3,440,277	-	-3,715,883
Write-offs	-	-	-330,158	-	-330,158
Impairments	-	-223,204	-	-	-223,204
Transfer to assets (disposal group) held for sale	-	-	-997,506	-	-997,506
Transfer from assets (disposal group) held for sale	-	10,724	348,939	-	359,663
Reclassifications within investment property	-	-7,726	7,726	-	-
Balance at 31 Dec 2015	-	211,640,519	200,695,638	-	412,336,157
Carrying amount					
Balance at 31 Dec 2014	10,018,102	226,216,314	64,622,590	31,471,216	332,328,222
Balance at 31 Dec 2015	10,445,956	233,620,036	59,652,478	37,846,995	341,565,465

Financial year 2014

(in EUR)	Land	Buildings	Plant and equipment	Assets being acquired	Total
Cost					
Balance at 31 Dec 2013	9,612,708	416,024,687	245,975,025	21,272,796	692,885,216
Additions	5,850	134,826	1,202,402	28,520,856	29,863,934
Transfer to investments in course of construction	-	8,206,536	9,325,959	-17,858,106	-325,611
Disposals	-4,055	-22,067	-293,642	-	-319,764
Write-offs	-	-116,652	-505,796	-264,214	-886,662
Transfer from intangible assets	-	1,148,084	770,381	-	1,918,465
Transfer to investment property	-	-3,382,497	-	-167,011	-3,549,508
Transfer from investment property	-	857,436	-	-	857,436
Transfer to assets (disposal group) held for sale	-	-	-1,223,963	-	-1,223,963
Transfer from assets (disposal group) held for sale	403,599	3,152,422	143,090	-	3,699,111
Reclassifications within investment property	-	-182,936	182,936	-	-
Balance at 31 Dec 2014	10,018,102	425,819,839	255,576,392	31,504,321	722,918,654
Accumulated depreciation					
Balance at 31 Dec 2013	-	184,669,646	177,325,365	-	361,995,011
Depreciation	-	12,001,759	14,703,631	-	26,705,390
Disposals	-	-620	-280,963	-	-281,583
Write-offs	-	-97,897	-505,796	-	-603,693
Transfer from intangible assets	-	1,148,084	770,381	-	1,918,465
Transfer to investment property	-	-9,907	-	-	-9,907
Transfer to assets (disposal group) held for sale	-	-	-1,223,966	-	-1,223,966
Transfer from assets (disposal group) held for sale	-	1,917,008	140,602	-	2,057,610
Reclassifications within investment property	-	-24,548	24,548	-	-
Balance at 31 Dec 2014	-	199,603,525	190,953,802	-	390,557,327
Carrying amount					
Balance at 31 Dec 2013	9,612,708	231,355,041	68,649,660	21,272,796	330,890,205
Balance at 31 Dec 2014	10,018,102	226,216,314	64,622,590	31,504,321	332,361,327

Note 12 Investment property

(in EUR)	31 Dec 2015	31 Dec 2014
Investment property – land	14,991,483	14,670,199
Investment property - buildings	3,757,941	3,498,636
Total	18,749,424	18,168,835

The item of investment property includes land and buildings leased out, and properties that increase the value of the non-current investment.

Investment property increased over the 2014 balance as a result of reclassifying a part of investment property from 'property, plant and equipment' from 'assets held for sale'.

Leased properties

(in EUR)	2015	2014
Rental income on investment property	826,714	871,764
Depreciation of investment property	192,211	88,053

Investment properties are not pledged as collateral.

Fair value of investment property amounted as at 31 December 2015 to EUR 19,192,651.

Fair value of investment property was assessed on the basis of valuations, which were carried out by certified appraisers and valuations finished in December 2015 and January 2016. The valuations aimed at defining the fair value less expenses for selling the full ownership interest on properties for the purpose of financial reporting. The valuation was performed in accordance with the valuation hierarchy, the International Valuation Standards (IVS 2013), the Slovenian Accounting Standard 2, and the provisions of the Law of Property Code. The respective valuation procedure took account also the provisions of IAS 36 – Impairment of Assets, and IFRS 13 – Fair Value Measurement. The appraisers also inspected the properties on spot, whereby other data was collected from information on comparable sales and leases in similar environments.

Movements in investment property

Financial year 2015

(in EUR)	Land	Buildings	Total
Cost			
Balance at 31 Dec 2014	14,670,199	4,930,809	19,601,008
Disposals, write-offs	-	-2,689	-2,689
Transfer from property, plant and equipment	-	31,196	31,196
Transfer from assets (disposal group) held for sale	321,284	542,376	863,660
Balance at 31 Dec 2015	14,991,483	5,501,692	20,493,175
Accumulated depreciation			
Balance at 31 Dec 2014	-	1,432,173	1,432,173
Depreciation	-	192,210	192,210
Disposals, write-offs	-	-1,792	-1,792
Transfer from assets (disposal group) held for sale	-	121,160	121,160
Balance at 31 Dec 2015	-	1,743,751	1,743,751
Carrying amount			
Balance at 31 Dec 2014	14,670,199	3,498,636	18,168,835
Balance at 31 Dec 2015	14,991,483	3,757,941	18,749,424

Financial year 2014

(in EUR)	Land	Buildings	Total
Cost			
31 Dec 2013	14,135,894	359,683	14,495,577
Transfer from property, plant and equipment	-	3,549,508	3,549,508
Transfer to property, plant and equipment	-	-857,436	-857,436
Transfer from assets (disposal group) held for sale	534,305	1,879,054	2,413,359
31 Dec 2014	14,670,199	4,930,809	19,601,008
Accumulated depreciation			
31 Dec 2013	-	114,349	114,349
	-		
Depreciation	-	88,053	88,053
Transfer from property, plant and equipment	-	9,907	9,907
Transfer from assets (disposal group) held for sale	-	1,219,864	1,219,864
31 Dec 2014	-	1,432,173	1,432,173
Carrying amount			
31 Dec 2013	14,135,894	245,334	14,381,228
31 Dec 2014	14,670,199	3,498,636	18,168,835

Note 13 Intangible assets

(in EUR)	31 Dec 2015	31 Dec 2014
Development costs	273,522	312,596
Non-current property rights (concessions, patents, licences, trademarks and similar rights)	4,458,810	4,755,441
Total	4,732,332	5,068,037

The cost of intangible assets in use, whose carrying amount as at 31 December 2015 equalled zero, is recorded at EUR 8,451,488 compared to the 2014 balance when it was EUR 8,408,537.

Trade payables relating to intangible assets amounted to EUR 11,543 as at the end of 2015 (2014: EUR 67,200).

Intangible assets were not pledged as collateral in the reporting period.

Group's intangible assets include industrial property rights and other rights, as well as costs of development. Industrial property rights and other rights comprise computer software, information systems and development-related projects. Development costs in the amount of EUR 312,596 relate to the company TOC, d.o.o. in connection with the CAPSorbs project (development of efficient ecological absorbents to control spills all types of hydrophilic and hydrophobic hazardous and non-hazardous substances on hard and on water surfaces).

Movements in intangible assets

Financial year 2015

(in EUR)	Development costs	Industrial property rights	Intangible assets being acquired	Total
Cost				
Balance at 31 Dec 2014	390,746	14,297,766	553,357	15,241,869
Additions	-	-	187,418	187,418
Transfer from investments in course of construction	-	434,745	-434,745	-
Transfer from property, plant and equipment	-	113,499	-	113,499
Balance at 31 Dec 2015	390,746	14,846,010	306,030	15,542,786
Accumulated amortisation				
Balance at 31 Dec 2014	78,150	10,095,682	-	10,173,832
Amortisation	39,074	597,548	-	636,622
Balance at 31 Dec 2015	117,224	10,693,230	-	10,810,454
Carrying amount				
Balance at 31 Dec 2014	312,596	4,202,084	553,357	5,068,037
Balance at 31 Dec 2015	273,522	4,152,780	306,030	4,732,332

Financial year 2014

(in EUR)	Development costs	Industrial property rights	Intangible assets being acquired	Total
Cost				
Balance at 31 Dec 2013	390,746	16,216,231	458,316	17,065,293
Additions	-	-	95,041	95,041
Transfer to property, plant and equipment	-	-1,918,465	-	-1,918,465
Balance at 31 Dec 2014	390,746	14,297,766	553,357	15,241,869
Accumulated amortisation				
Balance at 31 Dec 2013	39,075	11,434,813	-	11,473,888
Amortisation	39,075	579,334	-	618,409
Transfer to property, plant and equipment	-	-1,918,465	-	-1,918,465
Balance at 31 Dec 2014	78,150	10,095,682	-	10,173,832
Carrying amount				
Balance at 31 Dec 2013	351,671	4,781,418	458,316	5,591,405
Balance at 31 Dec 2014	312,596	4,202,084	553,357	5,068,037

Note 14 Shares and interests in associates

		31 Dec 2015	31 Dec 2014
(in EUR)	Country	Equity interest (in %)	Equity interest (in %)
Associates:			
Adriaфин, d.o.o.	Slovenia	50.0	50.0
Adria Transport, d.o.o.	Slovenia	50.0	50.0
Adria-Tow, d.o.o.	Slovenia	50.0	50.0
Adriasole, d.o.o.*	Slovenia	-	98.0
Avtoservis, d.o.o.	Slovenia	49.0	49.0
Golf Istra, d.o.o.	Slovenia	20.0	20.0

* Company was deleted in 2015 from register of companies

Shares and interests in associates are not pledged as collateral.

Movement of shares and interests in associates

(in EUR)	2015	2014
Balance at 1 January	10,846,601	11,435,706
Increase		
Attributable profits	1,328,228	615,895
Decrease		
Disposal	-	-980,000
Dividends paid	-475,000	-225,000
Balance at 31 December	11,699,829	10,846,601

As at the end of 2015, the Group eliminated from its books the investment in the company Adriasole, d.o.o., as the latter completed its bankruptcy proceedings on 8 December 2015 and was deleted from the register of companies. The present value of the relevant company equalled zero on the date of deletion.

Profits in the total amount of EUR 1,328,228 were generated in 2015 in connection with investments in associates.

Significant data on associates

Financial year 2015

(in EUR)	Equity interest (in %)	Assets	Liabilities	Revenue	Profit or loss for the period	Profit or loss attributable to the Group	Payment of previous year's profit
Adria Transport, d.o.o.	50.0	14,335,662	11,411,754	9,902,993	1,046,962	523,481	325,000
Adria Tow, d.o.o.	50.0	11,519,826	2,620,990	5,451,171	1,129,486	564,721	150,000
Adriaфин d.o.o.	50.0	10,550,070	408,878	91,849	-7,615	-3,808	-
Avtoservis, d.o.o.	49.0	2,782,341	324,289	2,457,359	497,620	243,834	-

Financial year 2014

(in EUR)	Equity interest (in %)	Assets	Liabilities	Revenue	Profit or loss for the period	Profit or loss attributable to the Group	Payment of previous year's profit
Adria Transport, d.o.o.	50.0	14,934,548	12,407,601	10,716,879	759,281	379,640	150,000
Adria Tow, d.o.o.	50.0	11,425,658	3,356,308	4,870,102	488,604	244,302	750,000
Adriaфин d.o.o.	50.0	10,555,772	406,965	210,740	-120,560	-60,280	-
Avtoservis, d.o.o.	49.0	2,074,858	114,426	1,764,286	106,598	52,234	-

Note 15 Other non-current investments

(in EUR)	31 Dec 2015	31 Dec 2014
Other investments measured at cost	3,540,629	8,074,163
Other investments measured at fair value through equity	30,949,464	29,990,385
Total	34,490,093	38,064,548

In 2015, non-current investment were recorded at EUR 34,490,093 and comprise primarily investments in securities and equity interests. Investments in securities include investments in shares in Krka, d.d. and Intereuropa, d.d., whose value was EUR 29,333,916 as at the reporting date, and mutual funds, whose value was EUR 1,615,548 was as at 31 December 2015.

Other investments measured at fair value refer to investments in other companies, where the Group's equity interest is less than 20%, and two companies that are fully (100%) owned by the controlling company and are not consolidated due to insignificance.

Movements in other non-current investments

(in EUR)	2015	2014
Balance at 31 Dec 2014	38,064,548	33,261,899
Increase		
Transfer from assets (disposal group) held for sale	-	3,348,400
Revaluation to fair value through equity	959,078	1,745,173
Decrease		
Payout	-213,533	-
Impairment	-4,320,000	-
Revaluation to fair value through equity	-	-290,924
Balance at 31 December	34,490,093	38,064,548

Other non-current investments declined in 2015 primarily due to the impairment of the investment in the company Trade Trans Invest Bratislava, a. s. in the amount of EUR 4,320,000, and due to funds taken from the capital investment fund in the amount of EUR 213,533. The increase relates to the change in the fair value of investments in securities.

Other non-current investments are not pledged as collateral.

Note 16 Deposits and loans given

(in EUR)	31 Dec 2015	31 Dec 2014
Financial assets held to maturity		
Non-current loans given with purchase of bonds from others	360,884	528,976
Loans		
Non-current loans to others	39,535	69,338
Non-current housing loans to employees	21,608	37,940
Non-current loans to others	17,927	31,398
Total	400,419	598,314

Investments in held-to-maturity financial assets comprise bonds of Slovenian issuers, which declined in 2015 by EUR 168,092 as the result of paying coupons, and were as at 31 December 2015 recorded at EUR 360,884.

Housing loans were approved to employees in accordance with the 1991 Housing Act and later on in compliance with the controlling company's internal housing rules. The longest repayment period is 20 years.

Movements in deposits and loans given

Financial year 2015

(in EUR)	Held-to maturity financial assets	Loans	Total
Balance at 31 Dec 2014	528,976	69,338	598,314
Increase			
Interest	-	69	69
Decrease			-
Repayments	-168,092	-17,761	-185,853
Transfer to current investments	-	-12,111	-12,111
Balance at 31 Dec 2015	360,884	39,535	400,419

Financial year 2014

(in EUR)	Held-to maturity financial assets	Loans	Total
Balance at 31 Dec 2013	1,310,222	237,867	1,548,089
Increase			
Interest	-	234	234
Transfer from current investments	-	16,802	16,802
Decrease			
Repayments, disposal	-781,246	-18,637	-799,883
Transfer to current investments	-	-165,004	-165,004
Write-off, impairment, disposal	-	-1,924	-1,924
Balance at 31 Dec 2014	528,976	69,338	598,314

Note 17 Non-current operating receivables

Non-current operating receivables disclosed at EUR 37,931 refer to securities provided for the lease of premises for the controlling company's representative offices and to the lease of the area required for the cars terminal.

Note 18 Deferred tax assets and deferred tax liabilities

(in EUR)	Deferred tax assets		Deferred tax liabilities	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
Deferred tax assets and liabilities relating to:				
impairment of investments in associates	15,725	254,388	-	-
impairment of other investments and deductible temporary differences arising on securities	8,478,190	7,989,315	2,441,778	2,148,904
financial instruments	176,375	247,461	-	-
allowances for trade receivables	217,712	254,935	-	-
provisions for retirement benefits	309,087	105,000	-	-
provisions for jubilee premiums	51,235	38,513	-	-
long-term accrued costs and deferred income from public commercial services	409,092	409,092	-	-
Total	9,657,416	9,298,704	2,441,778	2,148,904

Deferred tax assets represent deductible temporary differences arising on securities, non-current investments, interest rate hedging, impairment of receivables, provisions for retirement benefits and jubilee premiums, and deferred income from public commercial services. Deferred taxes increase in 2015 the operating result by EUR 238,494, whereas in 2014 they reduced the said result in the amount of EUR 137,479. In 2015, deferred taxes lower the other comprehensive income by EUR 190,632 (2014: EUR 119,910) and increase the equity by EUR 17,977.

Movements in deferred tax assets and deferred tax liabilities

Financial year 2015

(in EUR)	Deferred tax assets				Deferred tax liabilities			
	Balance at 31 Dec 2014	Recognised in the income statement	Recognised in the statement of changes in equity	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2015	Balance at 31 Dec 2014	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2015
Deferred tax assets and liabilities relating to:								
impairment of investments in associates	254,388	-238,663	-	-	15,725	-	-	-
impairment of other investments and deductible	7,989,315	341,067	17,977	129,831	8,478,190	2,148,904	292,874	2,441,778
temporary differences arising on securities	247,461	-	-	-71,086	176,375	-	-	-
financial instruments	254,935	-37,223	-	-	217,712	-	-	-
allowances for trade receivables	105,000	160,591	-	43,496	309,087	-	-	-
provisions for retirement benefits	38,513	12,722	-	-	51,235	-	-	-
provisions for jubilee premiums	409,092	-	-	-	409,092	-	-	-
long-term accrued costs and deferred income from public								
commercial services	9,298,704	238,494	17,977	102,241	9,657,416	2,148,904	292,874	2,441,778
Total	9.619.520	216.509		98.228	9.934.256	2.071.131	361.226	2.432.357

Financial year 2014

(in EUR)	Deferred tax assets				Obveznosti		
	Balance at 31 Dec 2013	Recognised in the income statement	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2014	Balance at 31 Dec 2013	Recognised in the statement of other comprehensive income	Balance at 31 Dec 2014
Deferred tax assets and liabilities relating to:							
impairment of investments in associates	426,088	-171,700	-	254,388	-	-	-
impairment of other investments and deductible temporary differences arising on securities	8,205,661	4,150	-220,496	7,989,315	2,072,721	76,183	2,148,904
financial instruments	168,043	-	79,418	247,461	49,457	-49,457	-
allowances for trade receivables	104,761	150,174	-	254,935	-	-	-
provisions for retirement benefits	52,693	4,413	47,894	105,000	-	-	-
provisions for jubilee premiums	31,655	6,858	-	38,513	-	-	-
long-term accrued costs and deferred income from public commercial services	436,158	-27,066	-	409,092	-	-	-
Deferred tax assets and liabilities relating to:	104,308	-104,308	-	-	-	-	-
Total	9,529,367	-137,479	-93,184	9,298,704	2,122,178	26,726	2,148,904

Note 19 Assets (disposal group) held for sale

As at the year-end of 2015, the Group disclosed EUR 14,047 of assets (disposal group) held for sale compared to the 2014 year-end balance when they amounted to EUR 1,783,637.

The Group sold assets in 2015 worth EUR 225,396, whereby EUR 815,576 of assets were invested in property, plant and equipment, and EUR 742,500 in investment property.

Movements in assets (disposal groups) held for sale

Financial year 2015

(in EUR)	Property, plant and equipment	Other assets	Total
Balance at 31 Dec 2014	1,783,637	-	1,783,637
Increase			
Transfer from property, plant and equipment	13,882	-	13,882
Decrease			
Disposal	-225,396	-	-225,396
Transfer to investment property	-742,500	-	-742,500
Transfer to property, plant and equipment	-815,576	-	-815,576
Balance at 31 Dec 2015	14,047	-	14,047

Financial year 2014

(in EUR)	Property, plant and equipment	Other assets	Total
Balance at 31 Dec 2013	4,708,501	3,312,854	8,021,355
Increase			
Additions	-	84,374	84,374
Decrease			
Disposal	-89,868	-	-89,868
Impairment	-	-48,827	-48,827
Transfer to non-current investments	-	-3,348,401	-3,348,401
Transfer to property, plant and equipment	-1,641,501	-	-1,641,501
Transfer to investment property	-1,193,495	-	-1,193,495
Total 31 Dec 2014	1,783,637	-	1,783,637

Note 20 Inventories

As at 31 December 2015, inventories are recorded at EUR 813,734 (2014: EUR 463,957). Larger portion thereof relates to maintenance material and spare parts, as well as to overhead-related material and auxiliary material all referring to the controlling company.

Note 21 Deposits and loans given

(in EUR)	31 Dec 2015	31 Dec 2014
Current loans to others	15,305	2,302
Non-current deposits to others	296,582	4,172,780
Total	311,887	4,175,082

Movements in deposits and loans given

(in EUR)	2015	2014
Balance at 1 January	4,175,082	735,800
Increase		
New loans, deposits	816	4,015,255
Interest	11,046	36
Transfer from non-current investments	12,111	165,004
Decrease		
Repayments	-3,887,168	-724,211
Transfer to non-current investments	-	-16,802
Balance at 31 December	311,887	4,175,082

Note 22 Trade and other receivables

(in EUR)	31 Dec 2015	31 Dec 2014
Current trade receivables:		
domestic market	17,787,919	13,628,995
foreign markets	10,484,805	7,892,734
Current operating receivables due from associates	43,763	30,825
Current trade receivables	28,316,487	21,552,554
Current receivables due from dividends	200,000	200,000
Advances and collaterals given	82,500	43,470
Current receivables related to finance income	17,240	27,792
Receivables due from the state	1,384,713	1,963,108
Other current receivables	207,386	400,297
Total trade receivables	30,208,326	24,187,221
Short-term deferred costs and expenses	603,868	230,498
Accrued income	1,095,779	1,370,764
Other receivables	1,700,493	1,601,262
Total	31,908,819	25,788,483

With most trade receivables, the Group has an option to enforce a legal lien over the stored goods in its possession.

In 2015, the Group formed EUR 111,044 of allowances for receivables, whereby EUR 238,709 of written-off receivables were collected.

At 31 December 2015, no receivables were due from members of the Management Board or the Supervisory Board.

For the purpose of collateralising a bank loan that as at 31 December 2015 amounted to EUR 5,300,000, the Group signed a contract on assigning receivables. As of the reporting date, these receivables amounted to EUR 139,210.

Current accrued income in its full amount refers to costs arising in connection with European development projects that are co-financed by European institutions.

Maturity of trade receivables and receivables relating to finance income:

(in EUR)	Balance at 31 Dec 2015	Allowances 2015	Balance at 31 Dec 2014	Allowances 2014
Outstanding trade receivables neither past due nor impaired	23,247,673	-	18,579,231	-
Past due receivables:				
up to 30 days	3,949,482	-	2,417,118	-
31 to 60 days overdue	909,348	-	275,535	-
61 to 90 days overdue	77,834	-	78,731	-
91 to 180 days overdue	122,904	-	190,387	-
more than 180 days overdue	2,378,450	-2,351,964	2,593,431	-2,554,087
Total	30,685,691	-2,351,964	24,134,433	-2,554,087

Movements in allowances for receivables

(in EUR)	2015	2014
Balance at 1 January	2,554,087	1,755,192
Increase:		
Formation of allowances	111,044	932,347
Decrease:		
Collected receivables written off	-238,710	-36,937
Final write-off of receivables	-74,457	-96,515
Balance at 31 December	2,351,964	2,554,087

Note 23 Cash and cash equivalents

(in EUR)	31 Dec 2015	31 Dec 2014
Cash in hand	7,606	6,898
Bank balances	573,190	1,226,895
Current deposits	12,029,253	4,706,998
Total	12,610,049	5,940,791

Note 24 Equity

Share capital

The share capital in the amount of EUR 58,420,965 consists of 14,000,000 registered ordinary no-par value shares of the controlling company Luka Koper, d.d. that are freely transferable. Nominal value of one share is EUR 4.17.

The ownerships structure, the movement of the share price and the dividend policy are in detail outlined in the business report of the Luka Koper Group within the section 'The LKPG share'.

Capital surplus (share premium) and revenue reserves

The Group records legal reserves in the amount of 10% of share capital as required by the Companies Act (ZGD-1). Legal reserves and share premium are not included in the accumulated profit and are not subject to distribution. The Group has no statutory reserves, as they are not envisaged under the Articles of Association. Upon the proposal of the Management Board, the controlling company formed additional, other revenue reserves as at the year-end of 2015 in the amount of EUR 14,422,537 (half of the profit for the period) in compliance with Article 230, Paragraph 3 of the Companies Act.

(in EUR)	31 Dec 2015	31 Dec 2014
Share premium	89,562,703	89,562,703
Legal reserves	18,765,117	18,765,117
Other revenue reserves	89,979,979	75,557,442
Total	198,307,799	183,885,262

Reserves arising from valuation at fair value

Reserves arising on valuation at fair value exemplify investments measured at fair value, which refer to valuation of hedging instruments' fair value, and arising on unrealised actuarial gains and losses that amounted to EUR 12,407,337 at the end of 2015. After deducting deferred taxes, they are recorded at EUR 10,203,618.

Retained earnings

Retained earnings consist of the unappropriated portion of the net profit for the period, which as at 31 December 2015 amounted to EUR 17,985,297 and net profits brought forward that were recorded at EUR 21,202,404.

Note 25 Provisions

(v evrih)	31. 12. 2015	31. 12. 2014
Rezervacije za odpravnine in jubilejne nagrade	3.215.377	1.708.151
Rezervacije za tožbe	475.224	2.675.441
Skupaj	3.690.601	4.383.592

Movements of provisions

Financial year 2015

(in EUR)	Termination benefits	Jubilee premiums	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2014	1,245,691	462,460	1,708,151	2,675,441	4,383,592
Movement:					
Formation	1,458,803	212,350	1,671,153	-	1,671,153
Use	-91,877	-72,050	-163,927	-698,550	-862,477
Reversal	-	-	-	-1,501,667	-1,501,667
Balance at 31 Dec 2015	2,612,617	602,760	3,215,377	475,224	3,690,601
Non-current portion	2,420,809	528,494	2,949,303	475,224	3,424,527
Portion maturing in 2016	191,808	74,266	266,074	-	266,074
Balance at 31 Dec 2015	2,612,617	602,760	3,215,377	475,224	3,690,601

In 2015, the Group created additional provisions for retirement benefits in the amount of EUR 1,458,803. Based on the actuarial calculation, unrealised loss for the current and previous year was in connection with retirement benefits recognised in other comprehensive income at the amount of EUR 492,401, costs of current and previous years of service were recognised in the income statement in the amount of EUR 939,655 and interest expenses at EUR 26,747. The Group formed in 2015 also additional provisions for jubilee premiums in the amount of EUR 212,350. The total value of provisions formed for jubilee premiums in 2015 represent costs of current and previous years of service, and interest expenses as actuarial loss. Payments of jubilee premiums and retirement benefits amounted in 2015 to EUR 163,927.

Provisions for legal disputes and retirement benefits were reduced in 2015 on the basis of court settlements. The use of provisions in the amount of EUR 698,550 relates to two court settlements. As regards the first court settlement, the controlling company paid EUR 262,000 and thereby completed finally the litigations procedure against Luka Koper, d.d., which lasted since 2012. The controlling company formed EUR 1,761,967 of provisions for this court settlement, hence the surplus of EUR 1,501,667 was reversed. As for the second court settlement, the controlling company paid the agreed amount of EUR 436,550 for the procedure that started in 2014.

Financial year 2014

(in EUR)	Termination benefits	Jubilee premiums	Total post-employment benefits	Claims and damages	Total
Balance at 31 Dec 2013	636,447	381,785	1,018,232	3,077,543	4,095,775
Movement:					
Formation	710,528	148,048	858,576	744,073	1,602,649
Use	-62,375	-67,373	-129,748	-395,956	-525,704
Reversal	-38,909	-	-38,909	-750,219	-789,128
Balance at 31 Dec 2014	1,245,691	462,460	1,708,151	2,675,441	4,383,592
Non-current portion	1,153,814	390,410	1,544,224	2,675,441	4,219,665
Portion maturing in 2016	91,877	72,050	163,927	-	163,927
Balance at 31 Dec 2014	1,245,691	462,460	1,708,151	2,675,441	4,383,592

Note 26 Deferred income

(in EUR)	31 Dec 2015	31 Dec 2014
Long-term deferred income for regular maintenance	7,823,250	6,279,210
Non-refundable grants received	3,575,640	1,708,014
Other long-term deferred income	2,386,470	2,872,279
Total	13,785,360	10,859,503

In compliance with the Concession Agreement, the controlling company Luka Koper, d.d., has the right to collect port taxes, which is income intended to cover the costs of performing commercial services. Any annual surplus of revenue over costs is retained as a provision for costs of ordinary maintenance of port infrastructure in future years.

Group's non-refundable grants received include retained contributions for staff employed in the company Luka Koper INPO, d.o.o. such contributions for retirement and disability insurance, health insurance and maternity leave allowance. Assets are thereupon used in accordance with the Vocational Rehabilitation and Employment of Disabled Persons Act, for covering 75% of wages for disabled persons and labour costs for staff which assists the disabled persons. In addition, the relevant grants comprise also non-refundable funds received for investments in European development projects.

Group's other long-term deferred income comprises long-term deferred income earmarked for covering costs of depreciating fixed assets acquired within development-related projects.

Movement of deferred income

Financial year 2015

(in EUR)	Long-term deferred income for regular maintenance	Non-refundable grants received	Other long-term deferred income	Total
Balance at 31 Dec 2014	6,279,210	1,708,014	2,872,279	10,859,503
Movement:				
Formation	1,544,040	3,493,007	-	5,037,047
Transfer to other liabilities	-	-150,696	-	-150,696
Use	-	-1,462,083	-485,809	-1,947,892
Reversal	-	-12,602	-	-12,602
Balance at 31 Dec 2015	7,823,250	3,575,640	2,386,470	13,785,360

Financial year 2014

(in EUR)	Long-term deferred income for regular maintenance	Non-refundable grants received	Other long-term deferred income	Total
Balance at 31 Dec 2013	5,539,649	1,339,322	3,848,844	10,727,815
Movement:				
Formation	739,561	1,356,051	424,631	2,520,243
Use	-	-987,359	-1,401,196	-2,388,555
Balance at 31 Dec 2014	6,279,210	1,708,014	2,872,279	10,859,503

Note 27 Loans and borrowings

(in EUR)	31 Dec 2015	31 Dec 2014
Non-current financial liabilities to associates	-	500,000
Non-current borrowings from domestic banks	66,544,844	56,897,142
Non-current borrowings from foreign banks	33,809,978	52,924,280
Total	100,354,822	110,321,422

Movement of borrowings

Financial year 2015

(in EUR)	Lender		Total
	Associates	Banks	
Balance at 31 Dec 2014	500,000	109,821,422	110,321,422
Transfer from current borrowings	-	2,000,000	2,000,000
Repayments		-1,992,065	-1,992,065
Deferred cost of approval	-	48,989	48,989
Transfer to current borrowings – portion maturing in 2016	-500,000	-9,523,524	-10,023,524
Balance at 31 Dec 2015	-	100,354,822	100,354,822

Financial year 2014

(in EUR)	Lender		
	Associates	Banks	Total
Balance at 31 Dec 2013	500,000	136,472,581	136,972,581
Repayments	-	-10,750,000	-10,750,000
Deferred cost of approval	-	26,621	26,621
Transfer to current borrowings – portion maturing in 2015	-	-15,927,780	-15,927,780
Balance at 31 Dec 2014	500,000	109,821,422	110,321,422

Group's non-current borrowings have declined in 2015 in the amount of EUR 9,966,600 if compared to the previous year.

As at 31 December 2015, non-current borrowings from banks amounted to EUR 100,354,822. A portion of principal amounts (EUR 9,523,524) which falls due in 2016, was re-classified to current liabilities.

All bank loans bear the variable interest rate.

The controlling company discloses two larger borrowings that are hedged against interest rate risk by interest rate swaps. The total hedged amount of both borrowings is as at the reporting date recorded at EUR 62,142,857. Further details on the relevant interest rate hedging are provided in Note 35 Financial instruments and financial risk management, in the section 'Management of interest rate risk'. Interest rate agreed in loan contracts with related entities is the tax recognised rate for transactions with related parties.

All non-current loans are repaid according to a predetermined schedule. For some of the loans the Group was granted a moratorium on the payment of the principal. All liabilities from non-current borrowings from banks are collateralised with blank bills of exchange and financial covenants, whereby one borrowing by assignment of receivables. The Group complies with all financial covenants under the loan agreements.

In 2015, the Group refinanced one of bank borrowings in the amount of EUR 20,000,000 thus extending its repayment period from 2018 to 2025 and not causing any other significant changes to applicable terms of the loan.

In addition to bank borrowings, the Group records EUR 1.5 million of non-current borrowings with associates. Of the total amount borrowed, EUR 500,000 was drawn as at 31 December 2015. All stated loan contracts were agreed as non-current revolving credits maturing in 2016.

The Group settles all financial liabilities on an ongoing basis and records no past due payables.

The item of borrowings comprises also costs of loan approval, which reduce the balance of borrowings received.

The Group ensures that the borrowings are managed by observing the effective interest rate principal, hence any expenses related to an individual borrowing are upon accrual deferred among non-current liabilities and thereupon reversed on a monthly basis until the date of maturity. Accordingly, deferred costs referring to non-current liabilities for loans received amounted to EUR 149,583 as at 31 December 2015 (2014: EUR 198,571) and they reduce the actual balance of loan principals.

Balances of loan principals (non-current and current borrowings) presented below are exclusive of deferred costs of loan approval.

Loan principals (non-current and current borrowings)

(in EUR)	Currency of loan	Interest rate	Date of maturity	Approved principal amount	Principal at 31 Dec 2015	Principal at 31 Dec 2014
Loans A	EUR	1.579	from 31 Dec 2016 to 31 Dec 2021	1,500,000	500,000	500.000
Loans B	EUR	Euribor 3m + from 0.706 to 2.500	from 1 Dec 2015 to 21 Jul 2031	135,000,000	82,885,072	73.947.773
Loans C	EUR	Euribor 6m + from 1.200 to 2.000	from 30 Jun 2018 to 14 Apr 2025	70,000,000	27,142,857	52.000.000
Total				206,500,000	110,527,929	126.447.773
- whereof current portion					10,023,524	15,927,780

The balances of loan principals are exclusive of costs of loan approval, which were as at the year-end of 2015 recorded at EUR 149,583 (2014: EUR 198,571).

Balance of non-current and current borrowings from banks at par value and by their maturity

Financial year 2015

	Principal at						Period
(in EUR)	31 Dec 2015	2016	2017	2018	2019	2020	2021–2031
Principal amount of bank borrowings by maturity	110,027,930	9,523,524	11,761,732	14,310,399	12,504,399	14,398,602	47,529,274
Expected interest		1,787,257	1,473,925	1,233,259	972,803	704,356	1,816,240
Total	110,027,930	11,310,781	13,235,657	15,543,658	13,477,202	15,102,958	49,345,514

Financial year 2014

	Principal at						Period
(in EUR)	31 Dec 2014	2015	2016	2017	2018	2019	2020–2031
Principal amount of bank borrowings by maturity	125,947,773	15,927,780	12,856,858	14,428,399	22,310,399	10,504,399	49,919,939
Expected interest	11,480,022	2,427,584	2,062,467	1,768,915	1,391,454	1,034,795	2,794,807
Total	137,427,795	18,355,364	14,919,325	16,197,314	23,701,853	11,539,194	52,714,746

Note 28 Other non-current financial liabilities

As at the reporting date, other non-current financial liabilities amounted to EUR 639,954 (2014: EUR 1,455,563) and include the fair value of instrument (i.e. interest rate swap), which the controlling company Luka Koper, d.d. entered into in connection with two larger borrowings for the purpose of hedging against interest rate risk. A portion of non-current financial liabilities that falls due for payment in 2016 was transferred to other current financial liabilities in the amount of EUR 397,546. Further details on interest rate hedging are outlined in Note 35 Financial instruments and financial risk management, in the section 'Management of interest rate risk'.

Note 29 Non-current operating liabilities

Non-current operating liabilities amounted as at 31 December 2015 to EUR 263,401 (2014: EUR 149,512) and comprise non-current collaterals received for leased premises, and a non-current collateral received in 2015 in connection with the working of the tax warehouse at the terminal for current cargo.

Note 30 Loans and borrowings

(in EUR)	31 Dec 2015	31 Dec 2014
Current financial liabilities to associates	500,000	-
Current borrowings from domestic banks	8,375,983	11,927,780
Current borrowings from foreign banks	1,147,541	4,000,000
Total	10,023,524	15,927,780

Current borrowings from banks refer as at 31 December 2015 to the portion of non-current principal amounts, which mature in 2016 according to amortisation schedules.

Movement of loans and borrowings

Financial year 2015

(in EUR)	Lender		
	Associates	Banks	Total
Balance at 31 Dec 2014	-	15,927,780	15,927,780
Repayments		-13,927,780	-13,927,780
Transfer from non-current borrowings – portion maturing in 2016	500,000	9,523,524	10,023,524
Transfer to non-current borrowings	-	-2,000,000	-2,000,000
Balance at 31 Dec 2015	500,000	9,523,524	10,023,524

Financial year 2014

(in EUR)	Lender		
	Associates	Banks	Total
Balance at 31 Dec 2013	-	15,211,280	15,211,280
New borrowings	80,000	200,000	280,000
Repayments	-80,000	-15,411,280	-15,491,280
Transfer from non-current borrowings – portion maturing in 2015	-	15,927,780	15,927,780
Balance at 31 Dec 2014	-	15,927,780	15,927,780

Note 31 Other non-current financial liabilities

Other current financial liabilities amounted as at the year-end of 2015 to EUR 848,234 (2014: EUR 441,701) and include interest payables and liabilities under the interest rate swap, which was entered into with the purpose to manage the interest rate risk, and the current portion of other non-current financial liabilities referring to hedging against interest rate risk. The current portion is recorded at EUR 397,546.

In 2015, total interest expenses amounted by applying the effective interest method to EUR 3,012,336 and EUR 3,882,991 in 2014.

Note 32 Trade and other payables

(in EUR)	31 Dec 2015	31 Dec 2014
Current liabilities to:		
domestic suppliers	13,164,430	9,377,218
foreign suppliers	2,740,831	751,791
Current liabilities to associates	99,564	61,469
Current trade payables	16,004,825	10,190,478
Current liabilities from advances	78,381	98,404
Current liabilities to employees	3,422,925	4,348,695
Current liabilities to state and other institutions	948,764	498,926
Current operating liabilities	20,454,895	15,136,503
Accrued costs or expenses	5,176,915	2,911,575
Short-term deferred income	6,275	30,264
Other operating liabilities	91,653	124,009
Other operating liabilities	5,274,843	3,065,848
Total	25,729,738	18,202,351

At the year-end of 2015, current operating liabilities show an increase over the previous year by EUR 7,527,387. Operating liabilities increased due to trade payables that are higher by EUR 5,814,347 primarily due to suppliers in connection with investments, and accrued costs that are higher by EUR 2,265,340.

Accrued costs comprise costs for the use of the construction land, accrued costs of the concession, costs for the collective job performance, accrued interest for

loans and borrowings, accrued costs for remunerations and bonuses paid under individual contracts, and accrued costs for unused vacation days.

Note 33 Contingent assets and liabilities

(in EUR)	31 Dec 2015	31 Dec 2014
Securities given	15,984,283	6,218,999
Guarantees received	10,281,042	8,478,473
Contingent assets under legal disputes	32,638,935	37,306,115
Other contingent assets	70,225	140,840
Total contingent assets	58,974,485	52,144,427
Guarantees given	2,106,270	1,260,000
Securities given	6,902,284	8,361,613
Contingent liabilities under legal disputes	3,012,100	17,960,410
Approved borrowing	36,000,000	36,000,000
Total contingent liabilities	48,020,654	63,582,023

Guarantees issued refer to customs operations and as at the reporting date amounted to EUR 2,106,270.

Securities provided refer:

- in the amount of EUR 5,055,219 to the company Adria Transport, d. o. o. in connection with a lease of locomotives,
- in the amount of EUR 1,847,065 to the company Adria-Tow, d. o. o. for a borrowing received.

Companies that received collaterals and guarantees from the controlling company regularly pay their liabilities in this connection and as at 31 December 2015 discloses no outstanding instalments.

Contingent liabilities under legal disputes include as at 31 December 2015 six lawsuits. With respect to the reports submitted by the lawyers, no risks exist based on which the contingent liabilities hereunder should be disclosed among provisions for legal disputes. The Company reduced its exposure to legal risks in 2015 by EUR 17,147,275.

In 2015, the Group recorded EUR 14,947,058 of contingent liabilities arising on disputes with court settlements, where not all claimed payments were made but solely EUR 1,601,550 and accompanying court charges of Company's proceedings. As the end of 2014, the controlling company signed a contract on drawing a borrowing

extended by the European Investment Bank (EIB) for the project of extending the first pier. The respective borrowing shall be drawn in compliance with provisions on the project's development. Terms and conditions for drawing the first tranche of the borrowing were not met as at 31 December 2015 as the controlling company has not yet received the building permit.

Note 34 Related party transactions

Remuneration of members of the Management and Supervisory Board of the controlling company are outlined in Note 32 of its accounting report. Remuneration of groups of persons in the controlling company and subsidiaries are presented in tables below.

Remuneration of groups of persons in 2015

Gross remuneration of groups of persons (in EUR)	Gross salary (fixed and variable part)	Annual holiday pay and jubilee premiums	Benefits and other receipts	Total
Members of the Management Board	675,953	3,097	13,099	692,149
Members of the Supervisory Board (nine members)	219,446	-	2,538	221,984
Employees of the controlling company with individual employment contracts	2,153,997	18,544	43,510	2,216,051
Managing directors of subsidiaries	52,574	53,029	105,603	211,206
Total	3,101,970	74,670	164,750	3,341,390

Related party transactions

Income statement items (in EUR)	Luka Koper Group	
	2015	2014
Revenue from sales to associates	698,414	283,266
Cost of material charged to associates	90,837	60,060
Cost of services charged to associates	980,073	599,557
Other operating expenses charged to associates	22,889	11,445
Finance income from financial liabilities to associates	7,895	8,894
Profits or losses of associates	1,328,250	615,896

Items of statement of financial position (in EUR)	Luka Koper Group	
	31 Dec 2015	31 Dec 2014
Non-current investments except loans to associates	11,699,851	10,971,162
Current operating receivables due from associates	243,763	230,825
Non-current financial liabilities due from associates	-	500,000
Current financial liabilities to associates	500,000	-
Current operating liabilities to associates	99,564	61,469

Transactions with the Government of the Republic of Slovenia

The Government of the Republic of Slovenia has no direct impact on the governance of the Luka Koper Group and is thereby no related entity. In 2015, the Luka Koper Group and the Government of the Republic of Slovenia carried out following transactions:

(in EUR)	Payments in 2015	Costs/expenses in 2015
Concessions	5,574,406	5,922,700
Dividends	6,711,600	-
Corporate income tax (taxes and advance payments)	5,064,815	5,641,987
Other taxes and contributions	6,379,527	5,943,978
Total	23,730,348	17,508,665

As at 31 December 2015, the Group recorded a receivables due from the Ministry of Infrastructure – Slovenian Maritime Administration in the amount of EUR 240,613 in connection with deepening the entry channel into the first pool. No other transactions were recorded with the Government of the Republic of Slovenia.

Dividends were paid out to two other companies, where the Government of the Republic of Slovenia holds a controlling interest i.e. to the company SDH, d. d. in the amount of EUR 1,464,386 and the company Kapitalska družba, d. d. in the amount of EUR 654,784.

The Group records transactions also with companies, where the Government of the Republic of Slovenia has (direct or indirect) controlling influence or 20%.

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

In 2015, transactions conducted between the Luka Koper Group and companies where the Government of the Republic of Slovenia has a direct or indirect influence amounted to EUR 19,560,786 and include sales to these companies (EUR 13,874,608) and purchases (EUR 5,686,178). Most of sales refers to services in connection with the port activity, whereby most of purchases to the energy, costs of railway transport and costs of insurance. As at 31 December 2015, the Group recorded receivables to these companies in the amount of EUR 2,250,483 and liabilities at EUR 32,062,088. The larger part of liabilities includes the loan by SID - Slovenska izvozna in razvojna banka, d. d., which was raised under market terms.

Note 35 Financial instruments and financial risk management

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

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

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

1. Risk management relating to change in fair value

The Group has invested 6.6% of its assets (equalling the rate in 2014) in investments measured at fair value, whereof 99 percent is attributable to the controlling company. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal. This type of risk was identified by the Group in association with investments in market securities of successful Slovenian companies. As at 31 December 2015, the value of current available-for-sale investments at fair value through equity amounted to EUR 30,949,464. This value comprises shares of Slovenian companies and units of mutual fund assets.

Sensitivity analysis of investments at fair value:

Risk of change in fair value of securities as at 31 December 2015

Change of index (in %)	Impact on equity
-10%	-3,094,946
10%	3,094,946

Risk of change in fair value of securities as at 31 December 2014

Change of index (in %)	Impact on equity
-10%	-3,062,313
10%	3,062,313

The sensitivity analysis of investments at fair value is based on the assumption of a 10 percent increase in the value of the index and accordingly such growth would result in an increase in the fair value of the market securities portfolio by EUR 3,094,946. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by that same amount.

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

Fair value hierarchy

(in EUR)	Note	Valuation at fair value			
		Carrying amount at 31 Dec 2015	Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measure at fair value					
Other non-current investments	15	30,949,464	30,949,464	-	-
Assets measured at cost					
Loans given	16, 21	712,306	-	-	712,306
Other non-current investments	15	3,540,629	-	-	3,540,629
Trade and other receivables	22	30,208,326	-	-	30,208,326
Liabilities measured at fair value					
Interest rate hedging for borrowings	28	639,954	-	639,954	-
Liabilities measured at amortised cost					
Other financial liabilities	31	848,234	-	397,456	450,688
Borrowings	27, 30	110,527,929	-	-	110,527,929
Trade and other liabilities	32	20,454,895	-	-	20,454,895

(in EUR)	Note	Valuation at fair value			
		Carrying amount at 31 Dec 2014	Direct stock market quotation (Level 1)	Value defined on the basis of comparable market inputs (Level 2)	No observable market inputs (Level 3)
Assets measure at fair value					
Other non-current investments	15	29,990,385	29,990,385	-	-
Assets measured at cost					
Loans given	16, 21	4,773,396	-	-	4,773,396
Other non-current investments	15	8,074,163	-	-	8,074,163
Trade and other receivables	22	24,187,221	-	-	15,413,997
			-	-	-
Liabilities measured at fair value					
Interest rate hedging for borrowings	28	1,455,653	-	1,455,653	-
Liabilities measured at amortised cost					
Other financial liabilities	31	441,701	-	-	441,701
Borrowings	27, 30	126,447,773	-	-	126,447,773
Trade and other liabilities	32	15,136,503	-	-	15,136,503

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

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

2. Management of interest rate risk

With respect to its liabilities structure, the Group faces also interest rest risk as an unexpected growth in variable interest rates can have an adverse effect on the planned results. In 2015, the Group has succeeded in reducing its financial liabilities by 12.7% over the previous year; as at the reporting date, these liabilities were recorded at EUR 111,866,534. Due to lower volume of borrowing, the lower Euribor variable interest rates and the decrease of the interest rate margin with these banks

resulted also in lower financial expenses for financial liabilities.

The share of financial liabilities in the overall structure of liabilities decreased from 28% in 2014 to 24% in 2015. The effect of possible changes in variable interest rates on the future operating result is presented in the table below.

In previous years, the controlling company entered into an interest rate hedge for two major non-current borrowings, whose total outstanding amount as at 31 December 2015 is recorded at EUR 62,142,857; one borrowings in the amount of EUR 27,142,857 matures in 2025 and the other in the amount of EUR 35,000,000 falls due in 2031. The first borrowing was a hedging instrument entered into already in 2011, whereby the other borrowing in 2013. Possible change in variable interest rates can have an impact on 43 percent (2014: 48 percent) of Group's total borrowings, as the residual 57 percent were hedged against possible change in variable interest rates.

Overview of exposure

(in EUR)	31 Dec 2015	Exposure 2015	31 Dec 2014	Exposure 2014
Borrowings received at variable interest rate (without interest rate hedge)	47,885,073	43.3%	60,947,773	48.2%
Borrowings received at variable interest rate (with interest rate hedge)	62,142,856	56.2%	65,000,000	51.4%
Borrowings received at nominal interest rate	500,000	0.5%	500,000	0.4%
Total	110,527,929	100.0%	126,447,773	100.0%

Both instruments were entered into for the period of five years and fully comply with individual loans in the hedging period. Possible changes in the market values of hedging instruments are recognised in the items of equity. The two interest rate swaps are carried in the books of account under the principle of hedge accounting. As at 31 December 2015, the fair value of both interest rate swaps is recognised as the non-current liability in the amount of EUR 639,954 and as the current liability, which falls due for payment in 2016 in the amount of EUR 397,546.

Analiza občutljivosti bančnih posojil glede na spremembo variabilnih obrestnih mer:

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

(in EUR)	Borrowings from banks under the variable interest rate as at 2015	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	47,885,073	19,252	82,203	201,916
Total effect	47,885,073	19,252	82,203	201,916

(in EUR)	Borrowings from banks under the variable interest rate as at 2015	Increase by 15 bp	Increase by 25 bp	Increase by 50 bp
3M EURIBOR	38,947,773	38,948	97,369	194,739
6M EURIBOR	22,000,000	22,000	55,000	110,000
Total effect	60,947,773	60,948	152,369	304,739

The analysis of financial liabilities' sensitivity to changes in variable interest rates is based on the assumption of potential growth in interest rates of 15, 25 and 50 base points. Given the assumption that variable interest rates will grow by 15 base points, Group's interest expenses would in view of unchanged borrowing grew by EUR 19,252. If the variable interest rates are to grow by 25 or 50 base points, the interest expenses would increase by EUR 82,203 or by EUR 201,916 respectively. At the year-end of 2015, Group's borrowings were not hedged against interest rate risk and were subject to the movement of the 3M Euribor. Two borrowings totalling to EUR 62,142,857 were hedged with interest rate swaps, hence they are not included in the sensitivity overview above and are subject to the variable interest rate.

3. Management of liquidity risk

Liquidity risk is the risk that the Group will fail to settle its liabilities at maturity. The Group manages liquidity risk by regular planning of cash flows required to settle liabilities with diverse maturity. Additional measures for preventing delays in receivable collection include regular monitoring of payments and immediate response to any delays and charging penalty interest in accordance with the uniform policy of receivable management. In the last three years, the Group was able to early repay the bank borrowings based on the surplus of funds.

(in EUR)	Up to 3 months	3 to 12 months	1 to 2 years	3 to 5 years	More than 5 years	Total
2015						
Loans and borrowings*	579,710	9,443,814	11,761,732	41,213,399	47,529,274	110,527,929
Accrued interest maturing in the next calendar year	34,108	-	-	-	-	34,108
Expected interest on all borrowings	307,821	1,487,331	1,473,926	2,910,417	1,816,240	7,995,735
Other financial liabilities	450,688	397,546	-	639,954	-	1,488,188
Payables to suppliers	16,004,825	-	-	-	-	16,004,825
Other operating liabilities	4,450,070	-	-	-	-	4,450,070
Total	21,827,222	11,328,691	13,235,658	44,763,770	49,345,514	140,500,855
2014						
Loans and borrowings*	2,299,008	13,620,835	13,356,858	47,243,196	49,927,876	126,447,773
Accrued interest maturing in the next calendar year	54,319	-	-	-	-	54,319
Expected interest on all borrowings	305,956	2,129,522	2,070,362	4,195,164	2,794,807	11,495,811
Other financial liabilities	441,701	-	-	1,455,653	-	1,897,354
Payables to suppliers	10,190,478	-	-	-	-	10,190,478
Other operating liabilities	4,946,025	-	-	-	-	4,946,025
Total	18,237,487	15,750,357	15,427,220	52,894,013	52,722,683	155,031,760

*The item includes also borrowings from associates

4. Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars (USD). The average monthly balance of outstanding trade receivables amounted to USD 217 thousand at the end of 2015. As at 31 December 2015, outstanding receivables denominated in US dollars amounted to 0.75 percent (2014: 1.31 percent) of total outstanding trade receivables. According to the Group's estimates, the share of receivables denominated in US dollars is insignificant and for this reason, it was decided not to hedge this risk item.

5. Management of credit risk

Management of the risk of default on the side of the counterparty or the credit risk has gained in importance in recent years. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduces the assessed probability of timely inflows and increases additional costs of financing the operation. Accordingly, the Group accelerated collection-related activities in the past five years and more consistently monitored trade receivables past due. In case of customers, where the Group detects late payments and inconsistency in observing adopted business agreements, an advance payment system is set up for all ordered services with the aim to avoid late-payment culture. The latter area is positively impacted by the specific structure of Group's customers, which are predominantly major companies, freight forwarders and forwarding agents that have been Group's business partners for a number of years.

Certain receivables have been secured with collaterals, which are returned to the customers once all obligations have been settled. Investments include loans, which are secured with blank bills of exchange and other movable and immovable property.

Assets exposed to credit risk:

(in EUR)	Note	31 Dec 2015	31 Dec 2014
Deposits and loans given	16	400,419	598,314
Non-current operating receivables	17	37,931	5,681
Current deposits	21	296,582	4,172,780
Current loans	21	15,305	2,302
Trade receivables	22	28,316,487	21,552,554
Other receivables	22	1,891,839	2,634,667
Cash and cash equivalents	23	12,610,049	5,940,791
Guarantees and collaterals granted	33	9,008,554	9,621,613
Total		52,577,166	44,528,702

6. Risk management relating to adequate capital structure

Equity is the most expensive source of financing, hence it is vital for the Group to successfully identify the optimal capital structure as equity is in its form the most expensive source of financing. As in 2014, the Group also in 2015 succeeded in reducing its overall debt as its financial liabilities declined by nearly 12% to EUR 111.866.534 if compared to the previous year. Such movement has had a positive impact on the risk of adequate capital structure.

(in EUR)	31 Dec 2015	31 Dec 2014
Total liabilities	160,700,976	166,261,981
Cash and cash equivalents and current deposits	-12,906,631	-10,113,571
Net debt	147,794,345	156,148,410
Equity	306,120,083	286,160,074
Net debt/equity	0.48	0.55

Group's long-term strategic goal for the 2010–2015 period is to maintain the debtor's share within the liabilities side below 40%. At the end of 2015, the respective debtor's share was 34.4% and declined over 2014 by 2.3 p.p.

Note 36 Transactions with the audit firm

The contractual value of audit services render for the Group by the company KPMG Slovenija, d.o.o. for the fiscal year 2015 is recorded at EUR 41,200 (exclusive of VAT). The contractual value of providing assurance on financial statements for the commercial public service for the financial year 2015, which was for the Group carried out by KPMG Slovenija, d.o.o. amounted to EUR 2,000 (exclusive of VAT). The company KPMG poslovno svetovanje, d.o.o. was engaged to independently assess the quality of internal audit's working and the relevant fee amounted to EUR 5,700 (exclusive of VAT).

11 EVENTS AFTER THE BALANCE SHEET DATE

After the completion of the financial year the Group did not recorded significant events that could have effect on the Group's financial statements.

12 STATEMENT OF MANAGEMENT'S RESPONSIBILITY

The Management Board of Luka Koper, d.d., is responsible for the preparation of the Annual Report of the Company and the Group, including the financial statements and notes thereto, that give a true and fair view of the financial position of the Luka Koper Group and Luka Koper, d.d., as of 31 December 2015 and of their financial performance for the year then ended.

The Management Board confirms that accounting policies were consistently applied and that the accounting judgments were made under the principle of prudence and due diligence of a good manager.

The Management Board further confirms that the financial statements of the Group and the Company have been compiled under the assumption of a going concern of the parent and its subsidiaries and in accordance with the applicable legislation and International Financial Reporting Standards as adopted by the EU.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which tax assessment was due, carry out the audit of the Company operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that may result in a significant tax liability.

The Management Board is also responsible for adopting measures to secure the assets of the Luka Koper Group and Luka Koper, d.d. and to prevent and detect fraud and other irregularities and/or illegal acts.

Members of the Management Board:



Dragomir Matic
President of the Management Board



Andraž Novak
Member of the Management Board



Irena Vincek
Member of the Management Board



Stojan Čepar
Member of the Management Board and Workers Director

Koper, 31 March 2016

13 INDEPENDENT AUDITOR'S REPORT



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Independent Auditor's Report

To the Shareholders of Luka Koper d.d., Koper

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of the company Luka Koper d.d., Koper and its subsidiaries (the Luka Koper Group), which comprise the consolidated statement of financial position as at 31 December 2015, the consolidated income statement, the consolidated statement of other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by EU, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 about 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.

KPMG Slovenija, podjetje za revidiranje, d.o.o., slovenska družba z omejeno odgovornostjo in članica KPMG mreže neodvisnih družb članic, ki so povezane s švicarskim združenjem KPMG International Cooperative ("KPMG International").

TRR: SI 54 2900 0000 1851 192
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ID za DDV: S20437145
matična št.: 5648556

**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 2015, its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by EU.

Report on Other Legal and Regulatory Requirements

As required by the Slovenian Companies Act we herewith confirm that the information in the management report is in conformity with the accompanying financial statements.

On behalf of the audit company

KPMG SLOVENIJA,
podjetje za revidiranje, d.o.o.

Tomaž Mahnič, FCCA
Certified Auditor

Boris Drobnič
Partner

Ljubljana, 31 March 2016

KPMG Slovenija, d.o.o.
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