

Annual Report 2000

New horizons

The pier marks the beginning and the end of a ship's voyage. It is a solid and safe structure reaching into the domain of water, a passage for goods, information and people. The essence of the pier is thus its edge, this clear line where the idea of the pier itself is materialised. It is only in this interspace that the ship and the firm land, the native and the foreigner meet.

The journey back and forth from the firm land to the sea is a sequence of images, a fragmented story narrated in the interspace between ship and firm land. Photographic sequences sometimes evoke abstract images of seemingly unimportant objects, while they sometimes bring us back to the bare reality of the boundary between sea and firm land.

Matej Mljač, photographer

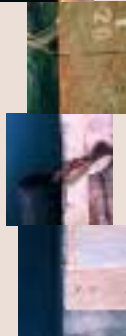
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Chairman's Address





Chairman's Address

Dear shareholders,

in many aspects the past year was very successful, if not exceptional for the public limited company Luka Koper, d.d. For the first time in our history we exceeded the mark of 9 million tons of handled cargo and created a total profit of above SIT 3 billion. In comparison with our neighbouring ports (without taking into account the handling of raw oil) these results can undoubtedly be considered exceptional and are looked up to even by our competitors. But there are other things we can be proud of in our company. The most significant is, of course, the fact that after difficult and tough negotiations we succeeded in obtaining a 30-year concession for the operating of the largest and most important terminal in the Port of Trieste, namely the container terminal situated on the Pier VII. The fact that the Port Administration in Trieste as well as the local political agents in the region voted in favour of the granting of the concession for the Pier VII to Luka Koper, d.d. marks a political milestone and is at the same time an important acknowledgement for our company. All this proves that we are internationally acclaimed as capable and professional operators of terminal services.

To manage two container terminals in two different ports from one location is certainly an advantage and at the same time an opportunity to strengthen our position in the container traffic between Central and Eastern Europe and the overseas countries in competition with the Northeuropean ports. This is also the beginning of a real co-operation among the operators of the North Adriatic ports and the creation of a uniform port system which will become indispensable after the accession of Slovenia into the EU.

Quality has long been one of the most important priorities in the business operations of Luka Koper, d.d. In 2000 we obtained two further official certifications stating the systematic development of all elements pertaining to total quality management. While the ISO 9001 certificate confirms the upgrading of our system with development elements, the ISO 14001 certificate obtained in 2000 for a responsible attitude towards the environment in performing all company's activities is an even more important achievement. The development and the upgrading of the quality elements are oriented towards creating the culture of business excellence. We confirmed our commitment to quality by taking part in the competition for the Slovene Business Excellence Prize.

Our systematic concern for the development of our human resources and the building of excellent relationships with our customers has once again been

reflected in the good operating results achieved. We exceeded the planned volume of business operations in the port by 9 percent or, in other words, there is a 12 percent increase over the 1999 figure. To our great satisfaction we succeeded in increasing the number of containers handled by 11 percent and in expanding our activities to new markets, such as Italy, Germany and overseas countries.

In spite of the unexpectedly high price growth rate, especially in motor fuels prices, by introducing measures of business processes optimisation the company was able to improve its operating efficiency. The profit from operating activities exceeded the 1999 figure by 15.5 percent. Despite a higher effective corporate income tax rate, the net profit still lies 8 percent over last year's mark. We realised SIT 13.7 million added value per employee, which is 9 percent more than in 1999 and thus placed ourselves among the top Slovene enterprises.

The results achieved provide a good starting point for successful operations in the current year and in the future. Besides increasing the cargo volume, we plan to invest intensely in the development of our human resources and in the opening-up of new markets, as well as to proceed with the internationalisation of our operations. Slovenia's approaching the EU will have a decisive impact on our operations and our further development. We must therefore prepare for these changes in time and establish the corresponding business and capital links for our terminals in our domestic market and abroad, and thus consolidate the power of the Luka Koper, d.d. Group.

Bruno Korelič
Chairman of the Management Board

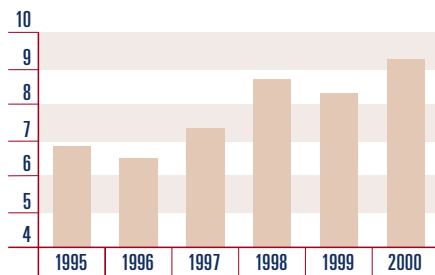


The Company's Growth and Power

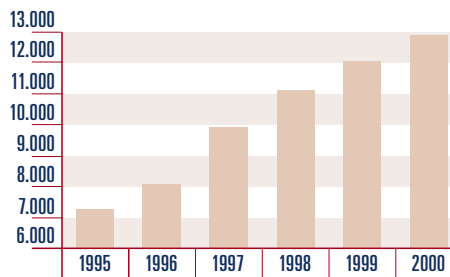
Our core activity is the handling and warehousing of merchandise and the sales of these services account for almost 90 percent of our total operating revenues.

As terminal operators we upgrade our core activity by providing logistic, financial and other necessary services.

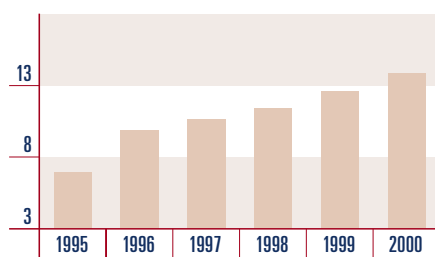
Volume of cargo handled (in millions of tons)



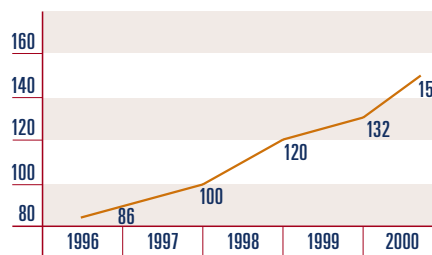
Operating revenues (in millions of SIT)



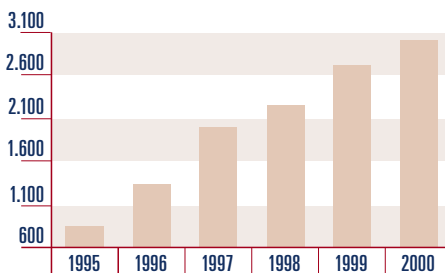
Value added per employee (in millions of SIT)



Dividends paid for ordinary shares (in SIT)



Net profit (in millions of SIT)



The data regarding the amount of dividend payout for ordinary shares reflect the long-term stability of the dividend policy as well as the dividend's real growth. For 2000 the Management Board will suggest the shareholders the distribution of a gross dividend amounting to SIT 150. Based on this amount of allocated profit the dividend for a preferential share will amount to SIT 46.16.

Significant events in 2000

- a 13.3 percent growth rate in the world trade
- increase in oil and oil derivatives prices and a 8.9 percent inflation rate in Slovenia
- construction of a direct railway link with Hungary
- signing of a contract between the Luka Koper, d.d. and the Republic of Slovenia regarding the lease of quays and of state-owned land
- acquisition of a 30-year concession for the management of the container terminal on the Pier VII of the Port of Trieste
- rounding-up of the group by increasing ownership shares in the companies Atnet, d.o.o. and Adria -Tow, d.o.o.

Plans for 2001

In 2001 the volume of operations will remain on approximately the same level. Two main aims will be the further strengthening of the attained market positions and the improvement of the cargo structure as to its income-generating potential. We are planning to generate an operating revenue amounting to SIT 13.9 billion.

As regards individual markets, the domestic and the transit markets, i.e. Austria, Hungary, Italy, the Czech Republic, Slovakia and Germany, will remain in the focus of our activities. In 2001 we expect better results than those attained in the past years, especially in the Austrian, Hungarian and Slovak markets. As the political situation is stabilising, the area of the Federal Republic of Yugoslavia and the neighbouring areas in the Balkans are gaining importance. Owing to fierce competition, intense marketing activities will also be required in all our existing and potential markets.

In accordance with the marketing guidelines and activities, our investments will be directed into the modernisation, automation and computerisation of the technological procedures. SIT 3.5 billion are earmarked for investments into facilities, equipment and other assets for the performing of port activities in 2001. We will start with intense regulations of mooring and warehousing surfaces on the Pier II. Additional SIT 2 billion will be destined to this project.

Our main aim is to effectively manage the costs of our business operations. In this aspect, we plan to increase the operating margin of profit to 22 percent (21.6 percent in 2000) and the added value per employee to SIT 14.5 million.

We will thus achieve a 6.8 percent return on capital.

Management Board

Chairman: **Bruno Korelič**
General Manager

Members: **Pavle Krumenaker**
Development and Technical Director

Vitomir Mavrič
Marketing and Operations Director

Mirko Pavšič
Strategic Controlling Director

Lojze Peric
Workers' Director

Supervisory Board

In 2000 the shareholders' assembly appointed the new members of the 9-member supervisory board for the next term of office of four years.

President: **Miha Kozinc**

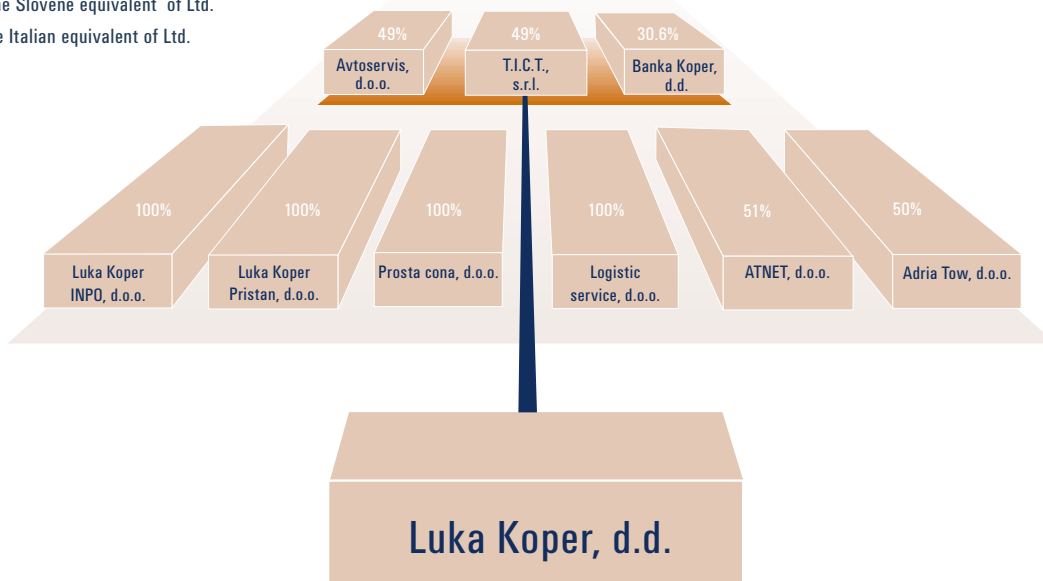
Members: **Aldo Babič**
Robert Časar
Karmen Dietner
Tatjana Jazbec
Robert Jerman
Alverino Pavletič
Dino Pucer
Edvard Roškar

Capital links of Luka Koper, d.d.

The d.d. entity is the Slovene equivalent of Plc.

The d.o.o. entity is the Slovene equivalent of Ltd.

The S.r.l. entity is the Italian equivalent of Ltd.

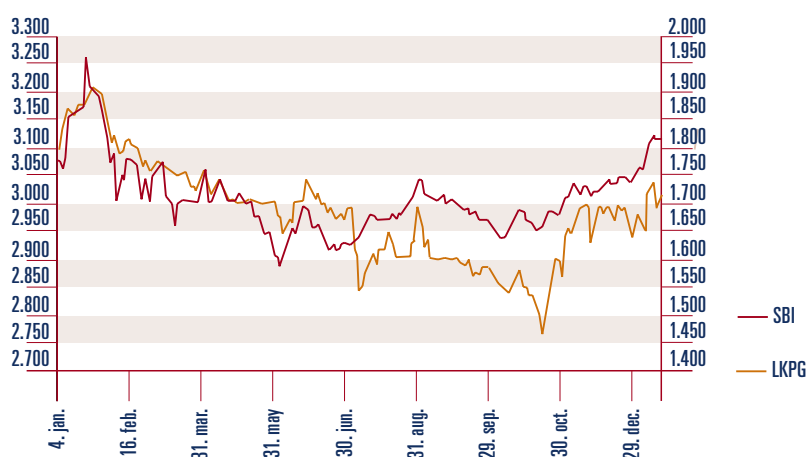




Shares and Share Ownership Structure

Shares

Movements in stock market price of Luka Koper, d.d. (LKPG) in 2000 in comparison with the Slovene Stock Exchange Index (SBI)



3,168 transactions with shares of Luka Koper, d.d. were performed in 2000, whereby 963,297 shares changed their owners, which accounts for 13.49 percent of all ordinary Luka Koper, d.d. stocks, which are traded in the organised market. The total volume of the transactions with this share, including lots of shares, amounted to SIT 2,869 million.

The highest price at which transactions were concluded was SIT 3,270, the lowest being SIT 2,750. The market price of the Luka Koper, d.d. share followed the movements in the capital market, which were marked by a decreasing trend in the stock prices. The rise of the Slovene Stock Exchange Index registered in the last two months of 2000 was followed by the shares of Luka Koper, d.d..

	1999	2000	00/99 index
Earnings per share (EPS)	191,6	207,2	108
Price/earnings per share ratio (P/E)	16,8	14,4	86
Price/book value per share ratio	1,18	0,96	81
Average weighted market price of the Luka Koper, d.d. share	3,223	2,979	92
Average book value of the Luka Koper, d.d. share	2,728	3,088	113
Total sales volume with Luka Koper, d.d. shares (in thousands of SIT)	5.350.054	2.869.612	54
Total share number (ordinary and preferential)	14.000.000	14.000.000	100

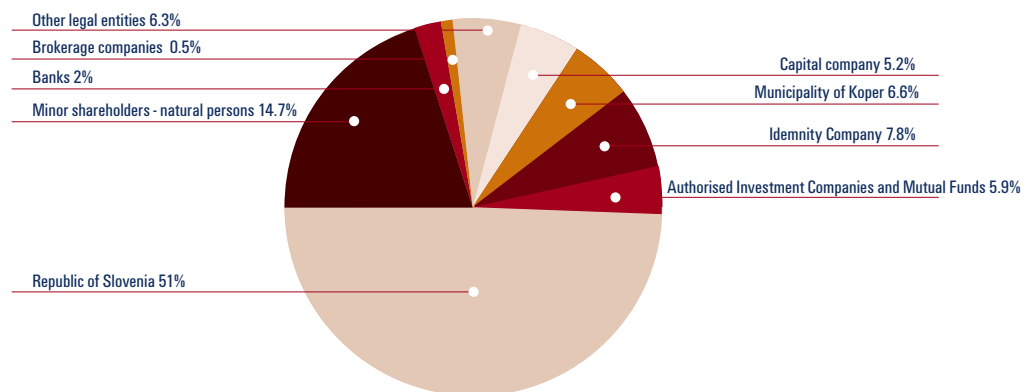
The Articles of Association of Luka Koper, d.d. determine the criteria for the allocation of profit to ordinary and preferential shares. Preferential shares have a lower yield, which means that the ratio referring to earnings per ordinary share quoted at the Ljubljana Stock Exchange is higher than the disclosed value.

When calculating the ratio between price and earnings per share and between price and book value per share the average weighted price of the Luka Koper, d.d. share in 2000 and the average book value per share, calculated on the basis of monthly balances, have been applied.

Ownership concentration

The process of gradual concentration of ownership continued throughout the year 2000. At the end of the past year Luka Koper, d.d. had 7,623 shareholders, whereas in the previous year this figure amounted to 8,215. The most substantial decrease of ownership share was registered with the Authorised Investment Companies and the Mutual Funds, i.e. from 6.9 to 5.9 percent, as well as with natural persons, whose share dropped from 16.1 to 14.7 percent of the total stock. In the past year the Capital Company increased its share from 4.7 to 5.2 percent, whereas the share of other legal entities, especially commercial companies, increased from 5.1 to 6.3 percent.

Ownership structure as at December 31, 2000

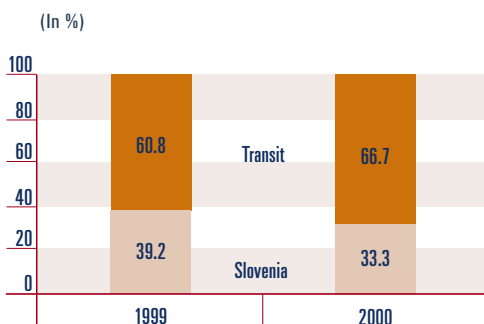


Market Upsurge

Record cargo volume

As regards sales and cargo volume, record results were achieved in 2000. An intense marketing activity together with our orientation towards hinterland and overseas countries contributed to the attainment of the cargo volume of 9.3 million tons and the surpassing of the planned quantities by 9 %. The turnover mark achieved in 1999 was exceeded by 12 percent.

Of the total 9.3 million tons of cargo handled, 66.7 percent consisted of transit goods and 33.3 percent of Slovene merchandise. As regards the markets involved in the transit traffic, the most significant was the Austrian market accounting for 37 percent of the whole market. In comparison with 1999, the traffic of goods with the ex-Yugoslav countries increased. Due to a shortfall of grain cargoes, there was a significant decrease of traffic from the Czech and Hungarian markets. Poor weather conditions, floods and a drought, which affected Hungary and the Czech Republic, considerably reduced the exports from these countries and, consequently, the cargo volumes handled in our port.



Within the system of total quality management and business excellence our business partners have been assessing our services for the third consecutive year. Accordingly, for the third consecutive year we carried out a research aimed at assessing the satisfaction of our business partners. The results of this research were encouraging, as besides better evaluations regarding the efficiency of our operations, the business partners emphasised above all the high quality level of our services. The quality of services was the decisive element which made them chose Luka Koper, d.d. as their partners from all the competing ports.

Sales volume according to groups of goods

In the structure of the cargo handled in 2000 the greatest increase was registered in dry bulk cargo. There was a growing trend also in other groups of goods, with the exception of cars and grains. The main reason for this development is a significant drop in the number of Daewoo cars, and in the administrative impediments introduced with respect to the handling of VW cars destined to the Greek market. The handling via Slovenia interrupts the direct transport within the EU, therefore the Greek partners are liable to a 10 percent customs duty on these cars.

Good market results were also achieved in the handling of container units. The container traffic is increasing from year to year, with a 11 percent rise in 2000. The most substantial increase was registered in the transit traffic (from 59 to 62 percent), while the Slovene share was slightly reduced. Of all the countries which increased their traffic, Hungary, Austria and the ex-Yugoslav countries were the most prominent.

Significant events with a positive impact on the container traffic growth

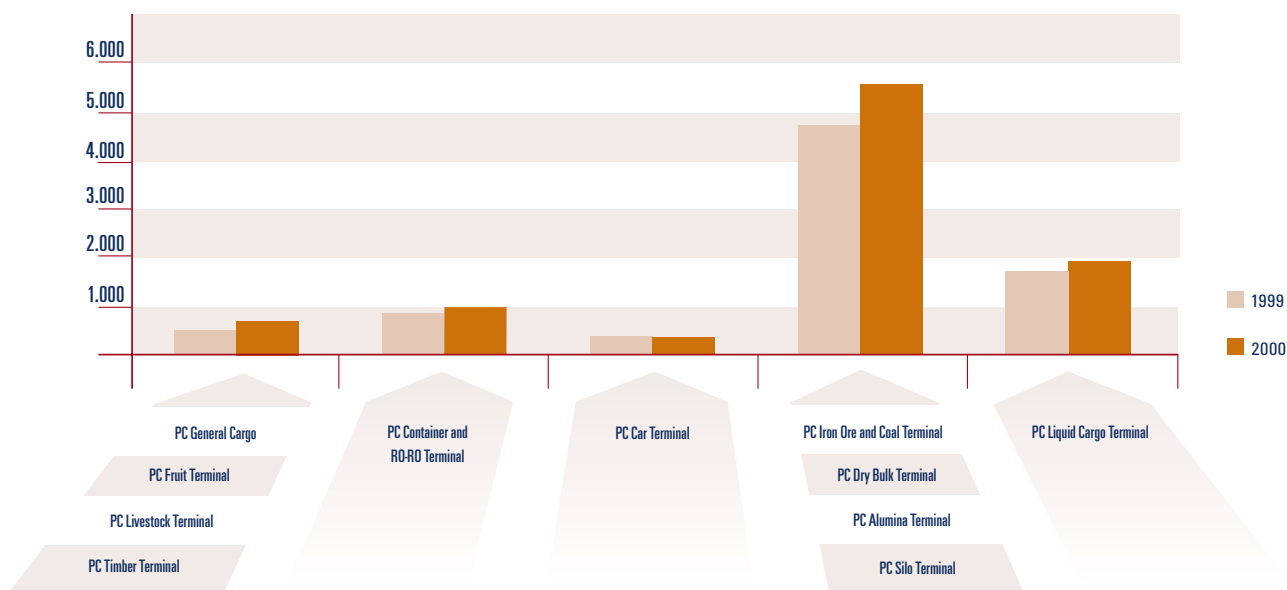
- The leasing company offering lease of all kinds of transport containers Florens Container Services from Hong Kong began to operate in Koper. The company owns over 500.000 TEU in all significant world ports.
- The Israeli shipowner ZIM from Haifa which maintains a direct weekly container service from Koper is improving and expanding its services by introducing transshipment in Piraeus for the markets of Russia, Kazakhstan, Uzbekistan and Kyrgyzstan, and in Colombo for the ports in the Arabian-Persian Gulf.
- The shipowner UFS Limassol expanded and improved its service in the Adriatic Sea by introducing a new feeder line between Koper and Malta.
- The Chinese shipowner CSCL offers a new weekly feeder-service from Koper to Malta and therefrom to the ports of the Far East.
- The Mediterranean branch of the Singapore based company Sea Consortium expanded its feeder services in the Adriatic Sea. They believe that this is an important step towards further strengthening of the intermodal railway traffic to Central Europe via Koper.



At the fruit terminal we again started handling major quantities of bananas for the hinterland markets of Slovenia, Croatia, Bosnia, Austria, Hungary, Slovakia and the Czech republic. As regards cargoes from Israel the handling of citruses is increasing especially to Switzerland, Germany and Poland.

The good results achieved in the handling of bulk cargo were also marked by the arrival of the giant, over 300 m long ship, which brought to our port the biggest volume of iron ore from South Africa ever, i.e. 184,860 tons.

Volume of cargo handled per merchandise groups (in thousands of tons)





The Course to Follow Is Clear

The central port for the countries of Central Europe

The development of our company is fully in line with our mission: our position on the shortest way leading to the centre of Europe enables exporters and importers from Slovenia and other Central European countries to establish overseas trade flows more easily. Our business partners are provided with the most updated solutions regarding transport, warehousing, traceability of the goods and other logistic services.

Our main business activities consist of basic port services of cargo handling and warehousing, various supplementary services involving goods, as well as providing commercial, financial and logistic support to our customers, and combined transport services aimed at reducing negative impacts of the land transport on the environment.

Our development goals are attained by enhancing and supporting the realisation of our employees' personal objectives. We endeavour to ensure a creative, stimulating and stable working environment to our employees, to reward outstanding results and provide equal opportunities for personal development. Moreover, we build our relations based on mutual respect and trust.

Our development is focused on meeting the needs of the users of our services. Thus, we have to provide our customers with top quality services, a rapid response to demand and effective IT and other types of support. It is our goal to establish long-term business relations based on partnerships, especially with our key customers.

We are responsible for guaranteeing safe and profitable investments to our shareholders. We have so far maintained a long-term stable growth of the financial result and return on capital ratios which are comparable with similar activities worldwide. Furthermore, we are increasing our market shares in the markets of Central and Eastern Europe.

In our endeavours to increase our market shares, our suppliers have assumed the role of partners. We develop long-term business co-operations with finan-

cially stable and capable suppliers, who maintain a constant quality level of their products and services.

We strive to maintain our role of an open and socially beneficial economic subject who lives with its local and wider community, ensures stable employment opportunities and takes part in the realisation of activities of general interest with its employees.

A berth in the Port of Trieste

In November 2000 the Port Authority in Trieste unanimously adopted the decision to grant the concession for a 30-year lease of the container terminal on the Pier VII to Luka Koper, d.d. and its partners. With the Italian partners we founded the joint-venture TICT, Trieste International Container Terminal, S.r.l. in which we hold the majority stake. This state-of-the-art facility with a surface of 400,000 sq. meters and an annual capacity of 400,000 TEU is the most advanced container terminal in the Adriatic Sea.

Following international trends Luka Koper, d.d. in its Development Strategy up to the Year 2010 foresaw an increase of the container traffic within the total cargo structure. Instead of the present 300,000 units more than 500,000 TEU are to be handled through the Koper and Trieste container terminal in the next 5 years. The capacities of the Trieste terminal are three times those of the Koper terminal, it employs twice as many personnel and disposes of twice as many cranes. Not only is the pier equipped with modern technical facilities and built to offer berth to increasingly larger ships - it also offers all kinds of other advantages. With the status of European port it can take over different types of cargo coming from the EU countries. Moreover, it has well developed road and railway connections and an important portion of the powerful national economy and the highly-developed markets of Central Europe are situated in its hinterland.

International trade by sea is increasing, especially the container traffic, where the annual growth rate is of approx. 10 percent. With the introduction of the so-called feeder shipping lines the regional ports are becoming a kind of specialised intermediate stations between larger hub ports. By means of well co-ordinated and effective sales of its capacities and by promoting both container terminals, Luka Koper, d.d. will be able to achieve and even surpass the foreseen growth rates in container traffic.

Developing transport routes

In Luka Koper, d.d. we support every activity contributing to the affirmation of our transport route. A co-operation agreement was signed between Luka Koper, d.d. and the fluvial port of Nürnberg in May 2000. The goods will travel from Southeastern Europe via our port to the Mediterranean, the Black Sea and the Near and Far East. The priority task will be to ensure adequate infrastructure, i.e. a direct railway and an IT link between Nürnberg and Koper.

We are actively participating in enhancing the long-standing successful co-operation between Bavaria and Slovenia by establishing mixed work groups within the framework of the Slovene-Bavarian commission, the purpose of which will be the exchange of information regarding merchandise flows, the exchange of know-how and expertise in the field of port services, the research of possibilities for joint investments in the infrastructure and information technology and the forming of comprehensive logistic quotations.

Determined on our way towards information society

The IT support pursues the vision and the business orientation in society and the worldwide trends in the field of technology development. In 2000, all activities in the IT sphere were oriented towards further rationalisation and homogenisation of the IT solutions. Thus, we support logistic and globalisation processes, whereby we ensure high-quality IT solutions, adapted to world standards. For a number of years we have stimulated the development of computerised data exchange with other participants in the logistic chain. In developing our IT support we take into account the different needs of the participants in the logistic chains, we provide effective data exchange and ensure the integration of different systems in international links.

In order to improve IT links with our surroundings, with other partners we established the company Atnet - napredne tehnologije, d.o.o. (Advanced technologies) as early as 1996. In line with the forecasts on the expected development of computerised data

exchange in Slovenia and international links at the end of 1999 Luka Koper, d.d. acquired a 51 percent stake in this company.

We believe that guaranteeing satisfaction to the internal users of the IT system is just as important as establishing links with other participants in the transport chain. Providing IT support thus means supplying timely and reliable information to support the total management system, providing support to the information and communication processes, as well as guaranteeing safety of information according to international standards.

SIT 385 million were destined to investments into the development and modernisation of the information technology in 2000. The main activities performed in the past year comprised the IT support renovation project for marketing and operative spheres, the up-dating and maintenance of the computer system SAP R/3, the development of a business documentation management system, the introduction of an electronic payment system and the redesigning of our web pages.

An emerging market

In the beginning of 2001 a joint-venture bearing the name Luka Koper - Beograd, d.o.o., in which Luka Koper, d.d. holds a 90 percent stake, was established in Belgrade. We are thus strengthening our marketing activities in the Yugoslav market, where we marked a strong presence in the past. It is realistic to expect that we will be able to achieve the volume of 400 thousand tons of cargo from the area of the Federal Republic of Yugoslavia in the following years.

Total Quality Management

For a number of years now we have been involved in international economic flows and have been equal partners to European and other global companies through our operations and business moves. In the conditions of global competition, the introduction of the model of business excellence and of European standards into our operations has been of vital importance for the future of Luka Koper, d.d. and of the group, as well as for the Slovene economy as a whole.

In these sometimes predictable, but often unstable business circumstances we have to find an opportunity for our improvement and for the attainment of our goals. Therefore, exemplary leadership, effective planning and

a confident management of all business processes are mandatory for our existence.

By means of the applied total quality management system, which integrates the requirements of the ISO 9001, ISO 14001 and BS 8800 standards with the EFQM business excellence model, we strive for the most effective and competitive operating mode. The whole procedure for attaining the certificates, all development processes, the assessment and the awarding of the certificate itself reflect the company's real identity. They communicate to our partners and the competition the quality level of the company's performance and its reputation.

The total quality management implies a constant concern for the development of human resources, which involves teaching the employees to utilise resources responsibly, focus on the customer, be result-oriented and, least but not last, behave responsibly towards the company and the environment.

We have manifested our constant commitment to the quality of our performance for the first time by participating in the competition for the Business Excellence Award of the Republic of Slovenia. Luka Koper, d.d. is also one of the founders of the National Foundation for Business Excellence.



Innovations introduced by employees

We have been systematically developing the innovation activity for 15 years. In 2000 our employees registered 187 innovation proposals, of which 75 were technical innovations. The majority of the proposals applied to the field of environmental protection, followed by those applying to safety at work, to the IT sphere and by those aimed at increasing business efficiency. This year we applied for the granting of patent protection on the invention of one of our innovators for the first time.

By stimulating innovation and constantly seeking improvements and changes in work processes aimed at enhancing quality, the company can save considerable funds, increase safety at work and improve the efficiency in current business. More important still, in this way we motivate our employees to seek quality-improving changes in work processes, and thus strengthen their commitment, their performance and their concern for attaining excellence in business.



Human Resources

The company's strategic potential

In order to accomplish the aspired strategic goals of the company an agreed perception of the company's fundamental orientation, its visions, its business policy, values and the corporate culture have to be instilled into all employees. These elements form the basic operational and behavioural patterns in our company, and only their mutual harmonisation can ensure a dynamic and healthy company organism.

A project system of personnel development enables us to shape an adequate personnel structure for the optimum performance of our business activities. In the past year we invested much energy into acquiring young professionals and into measures for improving the employees' satisfaction.

The concern for managing the employee's capabilities enables us all to adapt more effectively to changes in the company and the wider environment, which also provides us with greater possibilities for personal and professional growth. The human resource development system has several levers of control, such as evaluating the managerial staff, annual discussions of the managers with the employees, permanent assessment of the employees' satisfaction, organising workshops on different problems, etc.

In the past year we upgraded the promotion system for our employees. To make the promotion proposals as objective as possible, we established the appropriate criteria and the necessary functional skills and knowledge for promotion.

An essential part of this scheme is also the policy of rewarding the employees. Granting public rewards and acknowledgements to the most successful manager of the year, to exemplary workers, to the innovator of the year and to the best quality team has become a company's tradition.

Over 150 training courses

In 2000 we carried out our training scheme as planned, spending SIT 44 million for this purpose. 532 employees, which corresponds to 84% of all employees, were involved in 150 different training courses, covering management, finance, accounting, human resource development, marketing, legislation, quality, language and computer skills, as well as IT and other technical fields. On average 39 hours per employee were dedicated to training, which was 44 percent more than in the previous year.

The labour turnover rate in the past year was 5.28 percent, which is 1.61 percent less than in the previous period.

The training activities in 2001 are still oriented towards realising the company's development goals and providing the employees with a balanced personal development. SIT 70 million will be dedicated to training needs. We will endeavour to increase employees' satisfaction by 5 percent in the sphere of leadership, organisation and internal communication.

A higher level of social security

Three port trade unions and a workers' council are operating within Luka Koper, d.d. The workers' council works on the basis of an agreement on the co-operation of the workers in running the company, which was made with the company's management.

The management system based on partnership ensures to the workers social security and other rights which surpass the level provided for by law.

Employees' educational level

As at	VIII	VII	VI	V	IV	III	II	I	total
31. 12. 1999	1	65	54	195	136	49	100	31	631
31. 12. 2000	1	83	48	203	135	46	87	29	632
Difference	0	+18	-6	+8	-1	-3	-13	-2	+1



Exemplary Environmental Protection

The ISO 14001 certificate

Over the past few years we have been pursuing the worldwide trends in the field of environmental protection. The environmental management is an integral part of our business system, supported and implemented by every employee. In 2000 we were awarded the ISO 14001 certificate for our environment-friendly policy. We are among the first companies in Slovenia who managed to fulfil all demanding standards for the attainment of the certificate. Our environment protection system can be considered exemplary, especially as no other European port holds an environmental certificate of this kind.

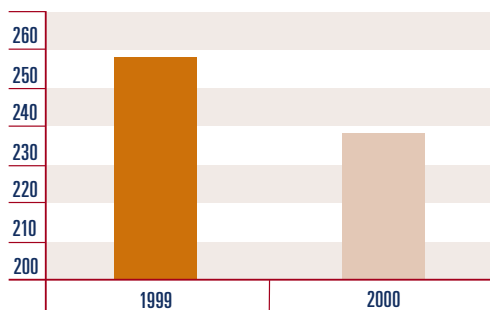
Environmental protection and safety at work

The environmental certificate has been granted for all the activities of the company, i.e. including port services, handling and warehousing of the goods.

Even if it may seem that a responsible attitude towards the environment is inversely proportional to the improvement of the business efficiency, this is not so. Only an integrated system renders significant savings in current operations possible, such as reducing water and energy consumption, as well as preventing pollution and ensuring safety at work to the employees. The protection of the environment in our case does not only mean preventing pollution and protecting natural resources, soil, animals and plants, but also introducing and mastering modern and safe technologies, ensuring a constant improvement in the local and wider sphere of the company's influence.



Energy efficiency ratio, electric power consumption per unit of added value (in kWh per SIT 100,000)



The consumption of natural resources and the production of waste, dust and noise are examples of the port's impact on the environment. The competent institutions authorised by the Ministry of the Environment and Physical Planning monitor the parameters of air, water pollution and noise level on a regular basis. In the past year, nine different measurements of storm sewage, gases and noise level were carried out, while waste water (sewage) analyses are made before every discharge. Analyses have shown that there are no harmful impacts on the environment, as the average annual results of the measurements have never even reached a half of the allowed annual limits. The noise level was reduced by 37 percent (the planned objective was 5 percent) and the set goal of energy efficiency of 250 kWh per SIT 100,000 of value added was attained.

14.4 million kWh of electric energy, i.e. 11 percent more than in 1999 were consumed last year. Besides an increase of the volume of work performed, the increased consumption was mostly brought about by the gradual transition from Diesel to environmental-friendlier electrically driven handling machinery. The consumption of motor fuel was reduced by 15 percent, while the consumption of

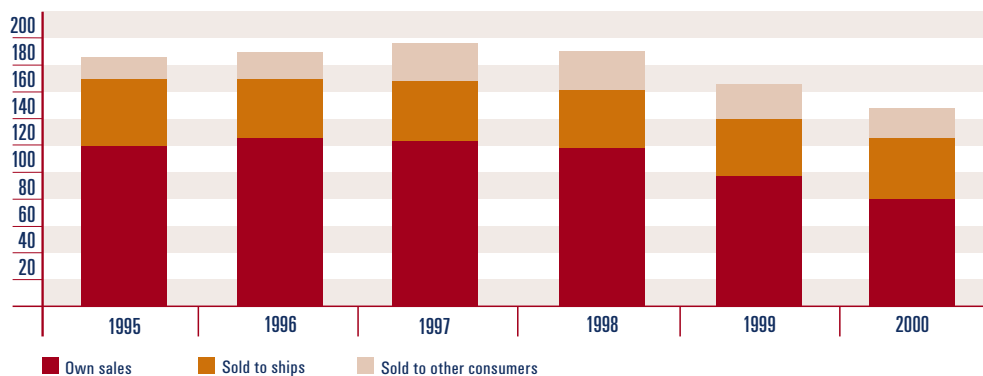
heating fuel decreased by 9 percent in comparison with the previous year.

The volume of non-utilisable waste has been reduced by 28.6 percent, while all remaining waste is collected separately or used in the compost plant. We strive to efficiently solve the problem of non-utilisable waste at the location, where it is produced, and at the same time put at good use its potential energy. In this respect, we have ordered a project for the construction of a small modern plant for the heat treatment of waste.

We also obtained visible results in the field of reducing water consumption.

In the last three years SIT 1.36 billion were ear-marked for the protection of the environment, of which SIT 500 million only in the last year. These amounts do not represent costs, but an investment which will enable further saving and at the

Water consumption per years (in thousands of cubic meters)



A heart for our community

same time the adoption of new, cleaner and safer technologies by systematically pursuing the new environmental trends.

In 2001 we have set ourselves the following aims:

- to increase the energy efficiency ratio from 250 to 248 kWh per SIT 100,000 of valued added
- to prevent sea pollution - by realising a project of building underwater air enclosures for the protection of the sea
- to improve control over drain water discharge into the sea - by connecting the sewage system network in the area of the timber terminal to the drain water collector.

Research projects and surveys

In our company we carry out different research projects and take an active part in national and international projects for the protection of the environment. We co-operate on a regular basis with the Intercommunal Institute for the Protection of the Cultural and Natural Heritage in safeguarding the Škocjan bay. For some years now we have been preparing a project for moving the part of the port located at the periphery of the town to the third pier.

We have carried out a survey among the inhabitants of the Municipality of Koper regarding the attitude of Luka Koper, d.d. towards the environment. The results have shown that our fellow-citizens have noticed and appreciated our endeavours to protect the environment.

Luka Koper, d.d. does not only provide a great number of jobs within its activities and other related businesses, but also enables the development of cultural, educational, scientific, humanitarian and sports organisations in the role of sponsor and donator.

In Luka Koper, d.d. SIT 24 million were allocated for donations in 2000. We destined our aid to different fields, to which we systematically dedicate more attention. We thus provided the Gračišče Elementary School with a van, sponsored the successful Koper brass orchestra, supported the realisation of the programme of the community Encounter for the addiction treatment, helped the Voluntary Fire Brigade Sečovlje, the Local Community Log pod Mangrtom and others.

SIT 30 million were allocated for the sponsorships of the Slovene Olympic Committee, the Slovene Ski Association, the Volleyball Club Koper and others.

In 2001 we will continue with our systematic support to different activities aimed at improving the quality of life in our local as well as in the wider community.





Financial Results of the Year 2000

Profit and Loss Statement

(in thousands of SIT)

	1999	2000	00/99 index
Revenues from sales of services on domestic market	2.052.960	1.875.199	91
Revenues from sales of services on foreign markets	9.610.626	10.482.745	109
Revenues from consumption of own products and services	1.724	0	0
Other operating revenues	365.421	372.557	102
Revenues from sales of goods and materials	12.392	9.457	76
GROSS OPERATING YIELD	12.043.123	12.739.958	106
OPERATING EXPENSES	9.637.283	9.961.172	103
Purchase value of goods and materials sold	24.635	16.242	66
Costs of material	601.300	639.653	106
Costs of services	3.256.807	3.219.178	99
Value adjustments of current assets	104.838	62.454	60
Depreciation	2.217.997	2.503.589	113
Provisions	100.000	0	0
Cost of labour	3.054.816	3.300.392	108
Other costs	276.890	219.663	79
PROFIT FROM OPERATING ACTIVITIES	2.405.840	2.778.786	116
FINANCIAL REVENUES	1.420.981	1.867.732	131
Revenues from other participations in profit	310.050	409.508	132
Interest revenues	196.185	131.099	67
Revenues from exchange rate gains	558.113	589.832	106
Other financial revenues	356.633	636.411	178
Revaluation surplus	0	100.882	
FINANCIAL EXPENSES	1.213.760	1.718.547	142
Interest expenses	82.321	145.391	177
Exchange rate losses	198.312	369.491	186
Other financial expenses	925.291	1.203.665	130
Revaluation deficit	7.836	0	0
PROFIT FROM ORDINARY ACTIVITIES	2.613.061	2.927.971	112
Extraordinary revenues	384.778	524.217	136
Extraordinary expenses	219.432	217.702	99
TOTAL PROFIT BEFORE TAXATION	2.778.407	3.234.486	116
Corporate income tax	96.299	334.119	347
NET PROFIT FOR THE FINANCIAL YEAR	2.682.108	2.900.367	108

Balance Sheet

(in thousands of SIT)

	31. 12. 1999	31. 12. 2000
ASSETS	45.688.308	51.746.058
A) FIXED ASSETS	38.279.021	43.641.245
I. Intangible fixed assets	993.777	585.017
II. Tangible fixed assets	34.481.056	37.707.895
- land and buildings	29.613.613	32.701.698
- equipment	4.867.443	5.006.197
III. Long-term investments	2.804.188	5.348.333
IV. Equity adjustments	0	0
B) CURRENT ASSETS	7.409.287	8.104.813
I. Inventories	82.638	81.607
II. Long-term operating receivables	5.562	1.341
III. Short-term operating receivables	2.798.585	3.654.554
IV. Short-term investments	4.428.711	3.937.876
V. Cash	85.726	413.227
VI. Deferred costs (expenses) and accrued revenues	8.064	16.208
C) OFF-THE BALANCE SHEET ASSETS	11.360.519	13.889.043
LIABILITIES AND CAPITAL	45.688.308	51.746.058
A) CAPITAL	41.783.655	47.151.363
I. Basic capital	14.000.000	14.000.000
II. Capital surplus	0	0
III. Reserves	2.200.837	2.200.837
IV. Treasury stock	821.528	821.528
V. Development fund	1.158.033	2.641.755
VI. Retained net profit from previous years	1.677.556	1.677.556
VII. Capital revaluation adjustment	19.243.593	22.909.320
VIII. Undistributed current net profit	2.682.108	2.900.367
B) LONG-TERM PROVISIONS	492.698	298.757
C) LONG-TERM FINANCIAL LIABILITIES	556	640.529
D) LONG-TERM OPERATING LIABILITIES	23.745	25.110
E) SHORT-TERM OPERATING LIABILITIES	1.318.793	1.887.071
F) SHORT-TERM FINANCIAL LIABILITIES	1.991.843	1.704.672
G) ACCRUED COSTS (EXPENSES) AND DEFERRED REVENUES	77.018	38.556
H) OFF-BALANCE-SHEET LIABILITIES	11.360.519	13.889.043

Funds Flow Statement

(in thousands of SIT)

	1999	2000
INFLOWS		
I. OPENING BALANCE OF CASH	51.818	93.356
II. 1. INFLOWS FROM OPERATING ACTIVITY	13.338.765	14.522.303
a) Revenue	13.848.882	15.131.907
b) Opening minus closing operating receivables, deferred costs (expenses) and accrued revenues	-510.117	-609.604
2. INFLOWS FROM INVESTMENT ACTIVITY	847.402	997.433
a) Offset decrease in intangible fixed assets		112.443
b) Offset decrease in tangible fixed assets		
c) Offset decrease in long-term investments	352.830	
d) Offset decrease in short-term investments	494.572	884.990
3. INFLOWS FROM FINANCING ACTIVITY	949.033	639.924
a) Capital increase		
b) Offset increase in provisions for liabilities and charges		
c) Offset increase in long-term financial liabilities		639.924
d) Offset increase in short-term financial liabilities	949.033	
e) Offset increase in dividends payable		
TOTAL CASH INFLOW	15.187.018	16.253.016
OUTFLOWS		
III. 1. OUTFLOWS FROM OPERATING ACTIVITY	8.781.094	9.314.725
a) Expenses exclusive of depreciation and provisions for liabilities and charges	8.752.478	9.393.832
b) Taxes on profit and participations in net profit	96.298	334.119
c) Opening minus closing inventories	21.487	-8.386
d) Opening minus closing operating liabilities, accrued costs and deferred revenues	-89.169	-404.840
2. OUTFLOWS FROM INVESTMENT ACTIVITY	5.028.206	4.571.423
a) Offset increase in intangible fixed assets	620.813	
b) Offset increase in tangible fixed assets	4.407.393	2.276.851
c) Offset increase in long-term investments		2.294.572
d) Offset increase in short-term investments		
3. OUTFLOWS FROM FINANCING ACTIVITY	1.291.992	1.953.641
a) Capital decrease	1.152.785	1.251.405
b) Offset decrease in provisions for liabilities and charges	139.163	237.791
c) Offset decrease in long-term financial liabilities	44	
d) Offset decrease in short-term financial liabilities		464.445
e) Offset decrease in dividends payable		
IV. CLOSING BALANCE OF CASH	85.726	413.227
TOTAL OUTFLOWS	15.187.018	16.253.016

Accounting Guidelines

The financial statements of Luka Koper, d.d. and the consolidated financial statements of the Luka Koper Group have been drawn up in accordance with the Slovene Accounting Standards, which are based on the International Accounting Standards (IAS).

Intangible fixed assets

Intangible fixed assets are disclosed at their net carrying amount, which is the difference between their revalued costs of purchase and the revalued accumulated amortisation. The costs of purchase and the adjustment for amortisation are revalued on the basis of the cost-of-living index.

Tangible fixed assets

Tangible fixed assets comprise land, buildings and equipment. In the books of account for tangible fixed assets their costs of purchase and their value adjustments are shown separately as a cumulative write-off, this being the consequence of depreciation. In the balance sheet the assets are disclosed at their net carrying amount. The depreciation amounts for tangible fixed assets are stated for each item individually, except in the case of land, which does not qualify for depreciation, and small tools for which the depreciation amounts are consolidated (group depreciation).

In the financial year 2000 the depreciation rates did not change. The following depreciation rates were applied:

■ Buildings	From 1.5 to 10 %
■ Handling equipment	From 14.3 to 25%
■ Computer hardware	25 %
■ Small tools	33 %
■ Furniture	12.5 %
■ Other equipment	12.5 %

For land and fixed assets in the process of acquisition no depreciation amounts are stated. The cost-of-living price index has been applied to revalue all tangible fixed assets items.

Long-term investments

Long-term investments into associated companies in the group, for which consolidated financial statements are drawn up, are recorded separately from investments in other associates and other companies. Long-term loans, long-term deposits and warranties, as well as other long-term investments are recorded separately, too. Long-term investments at home are recorded separately from those made in other countries.

Initially long-term investments are carried at the purchase cost of invested assets. Long-term investment in the capital of subsidiaries are annually appreciated by the portion of the subsidiaries' net profit to which the parent is entitled. Long-term investments are revalued on the basis of cost-of-living index.

Given long-term loans may be appreciated by accrued interest if so provided by the contract, and depreciated by repaid amounts. When there is a decline in the value of a long-term investment, the carrying amount is reduced to recognise the decline by charging the financial expenses account.

Short-term investments

Short-term loans and investments into securities, as well as other short-term investments are recorded separately. Initially, short-term investments are carried at the purchase cost. They are revalued on the basis of the cost-of-living index and compared to the market value.

In case of short-term investments with a market value lower than their revalued value, the carrying amount is adjusted to the market value. The value adjustment of short-term investments is made by charging the financial expenses account.

In most cases the interests accrued are settled on a monthly basis pursuant to contracts and do not increase the given loan.



Operating receivables

Initially, operating receivables are reported at amounts recorded in the relevant documents. Receivables due from customers at home or abroad, receivables associated with given advances, receivables ensuing from operating for account of a third party, receivables from financing activities and other short-term receivables are disclosed separately.

Receivables for which there is doubt as to the possibility for their collection are subject to value adjustment.

Receivables expressed in a foreign currency are translated into the local currency at the exchange rate of the Bank of Slovenia effective on the balance sheet date. The exchange rate deficit or surplus arising from translating the receivable as of the date of its origin to the balance sheet date or to settlement date increases or reduces the receivables and is treated either as an item of financial revenue or an item of financial expense.

Capital

The total company's capital comprises share capital, reserves, retained net profit from past years, capital revaluation adjustments and undistributed profit of the current period.

Reserves have been formed in the amount prescribed by law already at the time of the company's transformation into a public limited company as statutory reserves and those which increase on an annual basis as the net profit is allocated, i.e. free reserves.

The capital revaluation adjustments shed more light on the presentation of share capital, of the reserves and the retained profit from previous years. The capital revaluation adjustments maintain the real value of individual elements of total capital. The value of every individual element of total capital is increased on the basis of the cost-of-living index.

The retained net profit from previous years is represented by the undistributed net profit from the financial year 1997.

The undistributed net current profit is represented by the difference between the revenues and expenses, reduced by the corporate income tax for the year 2000.

Short-term and long-term liabilities

Short-term and long-term liabilities are reported at amounts recorded in the relevant documents. The liabilities are reduced by the amounts paid and increased by the revaluation and the contractual interests.

Liabilities towards foreign legal and natural persons are translated into expressions of the local currency at the exchange rate effective on their date of origin. The exchange rate gain or loss generated by their settlement date or balance sheet date is treated either as an item of financial revenue or an item of financial expenses.

Accrued and deferred items

Among accrued revenues and deferred costs expenses which are not yet charged off as expenses for the financial year 2000 are recorded (e.g. paid insurance premiums for the following period). Items referring to expenses calculated in advance, such as e.g. commercial discounts, are recorded as accrued expenses and deferred revenues.

Revaluation result

The revaluation result is represented by the difference between the revaluation of the assets and of the liabilities and capital. The assets and the liabilities and capital have been revalued on the basis of the cost-of-living index. In 2000 a revaluation surplus was generated, which is recorded as an increase of the financial revenues.

Taxes

The corporate income tax has been computed pursuant to the Corporate Income Tax Act. The taxable basis for the assessment of the income tax is the gross profit, increased by the expenses not allowed for tax purposes and reduced by the tax relieves according to the Corporate Income Tax Act. The corporate income tax reduces the gross profit for the financial year.

Operating revenue profitability

With operating revenues amounting to SIT 12.7 billion we surpassed the value budgeted in the business plan by one percent and the revenues of the previous year by 6 percent. The revenues generated in foreign markets account for 83 percent of total operating revenues.

As over 80 percent of the operating revenues were invoiced in foreign currencies, the exchange rate fluctuations, especially the USD exchange rate, had a significant impact on the operating results. In the period from January to December 2000, the average exchange rate of the American dollar increased by 14.1 percent, i.e. from SIT 195.3 to SIT 222.7.

The net operating revenue profitability ratio shows a positive trend of growth and has a positive impact on the return on capital, as we generated a net profit of SIT 22.80 per SIT 100.00 revenues. The increased profitability has been achieved by expanding the volume of our operations and by an effective cost management, i.e. by reducing the relative portion of costs in the profit and loss account.

	1999	2000	00/99 index
Sales revenue net profitability (in %)	22,3	22,8	102
Total revenue net profitability (in%)	19,7	19,2	97

Operating effectiveness

In 2000 we improved the operating effectiveness and the overall effectiveness ratio as well as increased the added value per employee by 9 percent.

In comparison with the previous year, the operating costs rose by 3 percent, which was below the annual inflation rate (8.9 percent).

	1999	2000	00/99 index
Operating effectiveness	1,25	1,28	102
Overall effectiveness	1,25	1,27	102
Added value per employee (in thousands of SIT)	12.494	13.679	109

Costs of material

In 2000, the costs of materials exceeded the 1999 value by 6 percent. The most significant cost category were the energy costs, as they accounted for 67 percent of total costs of material. 20 percent of the costs of material is represented by costs of auxiliary material.

The costs of motor fuel increased by 11 percent with respect to 1999, as in 2000 the price of the motor fuel grew by 30 percent on average. We are entitled to a 50 percent refund of the excise duty on motor fuel for working machinery designed for work in construction and civil engineering as well as for railway towing vehicles. In 2000 monthly applications for the reimbursement of the excise duty for a total value of SIT 20.9 million were presented to the Customs Office. The excise duty reimbursed directly reduces the fuel costs for the period in which the fuel has been used.

Costs of services

The costs of services accounted for 32 percent of the operating costs. In 2000 the planned costs of services were exceeded by 10 percent, but they were 1 percent lower with respect to the

1999 value. The costs of physical transport services surpassed the budgeted value by 8 percent and remained on the 1999 level. The physical transport services comprised the work of so called subcontractors, i.e. of companies performing handling and warehousing services. In April 2000 the price of their labour changed: the price of unskilled labour increased by 9.9 percent, whereas the price of skilled labour rose by 24.7 percent.

40 percent of the costs of services was represented by costs of maintenance services. In comparison with 1999 the amount of these services dropped by 16 percent. In April 2000, the prices for maintenance operations provided by the major suppliers increased by 10 percent on average.

In 2000 we paid SIT 135 million rent for the quays and land owned by the Republic of Slovenia. SIT 166 million were spent on the maintenance of the quays. SIT 44 million were earmarked for training.

Among other costs of services we monitor the costs referring to waste treatment. In 2000 the costs referring to waste collection and disposal decreased by 24 percent over last year's values.

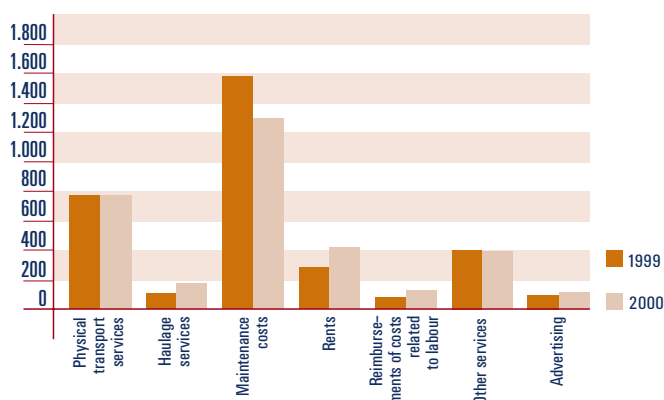
Labour costs

The total labour costs were lower than the planned figures. In 2000, the point value applying to the first salary class increased twice, for a total of 12.08 percent. This was the main reason for an 8-percent increase of the labour costs over the 1999 value. The number of employees increased from 631 to 632, while the educational structure changed considerably in favour of employees with university qualifications.

The average gross salary in 2000 amounted to SIT 283,352, which is 10.2 percent more than in the previous year. A comparison with the available data on the average salary in the Republic of Slovenia has shown that from January to November 2000 our employees received salaries which exceeded the average gross salary in Slovenia in the corresponding period by 34 percent on average.

The degree of labour time utilisation also depends on absences from work due to illness and injuries. The number of accidents at work decreased by 11 percent in 2000, while the number of days lost per one injury increased from 24 to 26 days.

(in millions of SIT)





Financing activities and extraordinary items

The fundamental aims of the finance policy in 2000 were oriented towards ensuring a rational utilisation of the company's financial assets, an optimum long-term liquidity, as well as profitability and safety of the investments. The income from financing activities raised the profit, even if the increase was lower than in 1999.

Dividends of the Banka Koper for 1999 accounted for 80 percent of the revenues from participations in profit, the rest was represented by dividends received from Banka Celje, Lek and Intereuropa. Interest revenues consisted mostly of interests on granted short-term loans for current assets and accounts overdue. Among other revenues from financing, the revenues from trade in securities and from participations in subsidiaries prevailed. The financial expenses exceeded the 1999 value by 42 percent. The largest portion was represented by other financial expenses, among which expenses arisen as a consequence of the trade in securities were the most substantial.

Extraordinary revenues amounted to SIT 524 million in 2000 and consisted of: revenues from previous years, revenues from free-of-charge acquisitions of fixed assets, revenues from sales of fixed assets, from the collection of receivables written-off and other extraordinary revenues. In 2000, we sold the premises of the dispensary, one apartment and some other fixed assets. The total

sales value of the sold assets exceeded the corresponding net carrying amount of these assets by SIT 10 million. A gain amounting to SIT 27 million was realised through the exchange of the general cargo warehouses, i.e. SIT 85 million of other extraordinary revenues corresponding to the net carrying value of the acquired warehouse and SIT 58 million on account of the net carrying value of the eliminated warehouse.

The extraordinary expenses stood one percent below the 1999 value. A 40-percent allowance on account of an investment into fixed assets reduced our taxable basis for the income tax in 1999. As the profits for 1999 were distributed before expiry of the 5-year period following the enforcement of the relief, this allowance increased our taxable basis in 2000. For this reason the income tax imposed was considerably higher than in the previous year.

Assets turnover and financial structure

Assets

In the structure of assets, fixed assets still prevailed, even if their portion decreased by 2.6 percent in comparison with the corresponding portion on

	1999	2000	00/99 index
EXTRAORDINARY REVENUES	384.778	524.218	136
Revenues from past years	8.046	73.078	908
Revenues from sales of fixed assets	74.789	76.759	103
Other extraordinary revenues	301.943	374.381	124
EXTRAORDINARY EXPENSES	219.432	217.702	99
Expenses from past periods	14.692	26.101	178
Net book value of fixed assets sold	17.636	137.243	778
Indemnities	182.491	54.354	30
Other extraordinary expenses	4.613	4	0

December 31, 1999. The average asset turnover was thus approx. 3 years. SIT 2,269 million were ear-marked for investments into buildings and equipment in 2000. The major investments comprised:

- purchasing the equipment for the handling of soda and reconstruction of the crane-cage for reducing dust-formation,
- setting-up a shelter for perlite,
- expanding the reservoir capacities for liquid cargoes,
- expanding the reserve dump and reconstructing the rotary bulk cargo conveyor,
- purchasing the land near the Barka building,
- building railway tracks for the handling of cars,
- substituting lighting fittings with energy saving equipment and purchasing a reach-stacker for containers.

The company's long-term financial investments increased by 90 percent. The major part of this increase, i.e. SIT 1,160 million ensued from purchases of the

Banka Koper shares at the beginning of 2000 and from the increased investments into debt securities in the amount of SIT 926 million. Moreover, we realised a capital increase in the amount of SIT 11.5 million in the company Adria - Tow, d.o.o., increased our stake in the company INPO, d.o.o. by SIT 76,2 million through profit-allocation and invested SIT 16.8 million in the company TICT Trieste.

Within our short-term investments, the deposits and cash at bank increased by 18.9 percent. The prevailing part of the cash value registered at December 31, 2000 was kept on foreign-exchange accounts, mostly on the USD account, this being a consequence of the unfavourable exchange-rate of the US currency in the last days of 2000. The portion pertaining to securities decreased in 2000 and amounted to SIT 2,560 million or 57.8 percent of total short-term investments at December 31, 2000, while in the past year this share amounted to 66.6 percent.

Table - Tangible fixed assets (in thousands of SIT)

COSTS OF PURCHASE AND RESP. APPRECIATED VALUE	Land	Buildings	Other equipment	Investments in progress
Balance as at 1. 1. 2000	67.903	43.563.840	25.108.386	713.408
Additions		1.753.137	876.000	1.593.704
Disposals		-130.658	-392.434	-1.740.627
Revaluation	6.403	3.930.562	2.227.482	59.459
Balance as at 31. 12. 2000	73.946	49.116.881	27.819.434	625.944
VALUE ADJUSTMENT				
Balance as at 1. 1. 2000		14.684.982	20.296.021	
Depreciation		962.581	1.057.772	
Increases				
Decreases		-28.328	-299.330	
Revaluation		1.389.794	1.864.818	
Balance as at 31. 12. 2000		17.009.029	22.919.281	
NET BOOK VALUE				
Balance as at 1. 1. 2000	67.903	28.878.858	4.812.365	713.408
Balance as at 31. 12. 2000	73.946	32.107.852	4.900.153	625.944

Considering that most of our services are exempt from the valued added tax, our payables to the state were lower than the receivables from the state ensuing from the value added tax. On account of the value added tax monthly receivables for a total amount of SIT 849.5 million were recorded in 2000.

Financial structure

	1999	2000	00/99 index
Assets/capital	109,4	109,7	100
Participation rate of capital	91,5	91,9	100

The share capital of Luka Koper, d.d. consists of 14,000,000 shares, of which 6,860,000 or 49 percent are participation preferred stocks owned by the Republic of Slovenia. The nominal value of the share is SIT 1,000 . In the organised market of the Ljubljana Stock Exchange, 7,140,000 ordinary shares are traded.

The increase in long-term financial liabilities was due to the long-term loan granted by the Environmental Development Fund of the Republic of Slovenia in the amount of SIT 701 million at a favourable rate of interest.

The port of Koper is a net debtor, as the prevailing portion of the net receivables is represented by a net short-term claim.

	1999	2000	00/99 index
Assets turnover ratio	0,32	0,31	97
Accounts receivable turnover ratio	4,90	3,94	80
Average collection period	75	93	124
Return on capital	6,8	6,5	96



The contractual relationship with the Republic of Slovenia

Pursuant to the provisions of the lease contract for the quays and land owned by the Republic of Slovenia in the port of Koper, Luka Koper, d.d. may realise investments into the object of the lease. After the signing of the lease contract, the company did not realise any investments into the quays and land owned by the Republic of Slovenia in 2000.

Luka Koper, d.d. paid an annual rent amounting to SIT 20.00 per ton of cargo handled, exclusive of oil derivatives. From February to December 2000, the cargo volume, exclusive of oil derivatives, amounted to 6,762,488 tons and the corresponding rent was SIT 135,249,760 .

Auditors' Report

Luka Koper, d.d.

 **ERNST & YOUNG**

AUDITORS' REPORT

**To the Stockholders of
LUKA KOPER, d.d., Koper**

We have audited the balance sheet of LUKA KOPER, d.d., Koper, as of December 31, 2000 and the related statements of income and changes in financial position for the year then ended. We have also read the Annual Report as of December 31, 2000, prepared by the management. These financial statements are the responsibility of the Company's management. Our responsibility is to express our opinion on these financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining evidence supporting the amounts and disclosures in the financial statements. We also assessed the accounting standards used and significant methods of presentation of values in the financial statements made by the management, as well as evaluated disclosures made in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion financial statements referred to in the first paragraph above, in all aspects give a true and fair view of the financial position of LUKA KOPER, d.d., Koper, as of December 31, 2000 and of the results of its operations and its funds flow for the year then ended in accordance with Slovene Accounting Standards.

Ljubljana, April 11, 2001

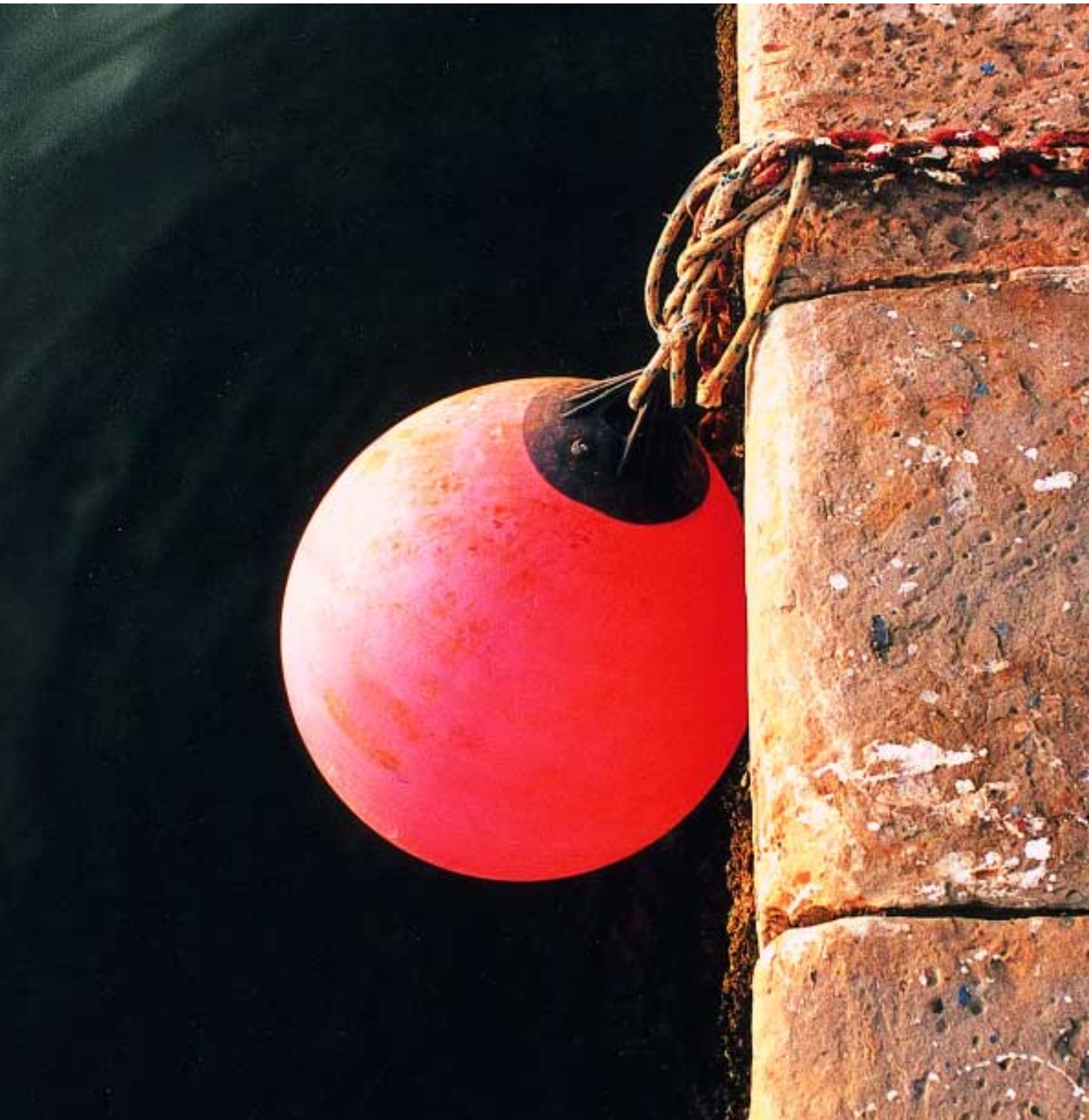
 **ERNST & YOUNG**
Revizija, davčno in poslovodno
svetovanje d.o.o. Ljubljana

Director
Franc Prodnik, BS Econ.
Certified Auditor



Aljo Kocjančič, BS Econ.
Certified Auditor





Consolidated Financial Statements

Consolidated Profit and Loss Statement

(in thousands of SIT)

	1999	2000	00/99 index
Revenues from sales of services on domestic market	2.287.862	2.239.899	98
Revenues from sales of services on foreign markets	10.152.404	11.363.600	112
Revenues from consumption of own products and services	4.167	3.022	73
Other operating revenues	354.242	363.890	103
Revenues from sales of goods and materials	25.738	9.720	38
GROSS OPERATING YIELD	12.824.413	13.980.131	109
OPERATING EXPENSES	10.532.095	11.175.627	106
Purchase value of goods and materials sold	49.172	34.980	71
Costs of material	804.113	839.391	104
Costs of services	3.276.124	3.321.049	101
Value adjustments of current assets	104.838	62.956	60
Depreciation	2.268.301	2.624.614	116
Provisions	100.000	0	0
Cost of labour	3.650.498	4.083.969	112
Other costs	279.049	208.668	75
PROFIT FROM OPERATING ACTIVITIES	2.292.318	2.804.504	122
FINANCIAL REVENUES	1.417.087	1.837.259	130
Revenues from other investments	309.990	409.508	132
Interest revenues	197.452	131.138	66
Revenues from exchange rate gains	596.150	642.805	108
Other financial revenues	313.495	554.947	177
Revaluation surplus	0	98.861	0
FINANCIAL EXPENSES	1.218.788	1.746.673	143
Interest expenses	66.066	122.654	186
Exchange rate losses	222.371	420.753	189
Other financial expenses	925.075	1.203.266	130
Revaluation deficit	5.276	0	0
PROFIT FROM ORDINARY ACTIVITIES	2.490.617	2.895.090	116
Extraordinary revenues	660.917	653.054	99
Extraordinary expenses	373.127	310.375	83
TOTAL PROFIT BEFORE TAXATION	2.778.407	3.237.769	117
Corporate income tax	96.299	334.557	347
NET PROFIT FOR THE FINANCIAL YEAR	2.682.108	2.903.212	108

Consolidated Balance Sheet

(in thousands of SIT)

	31. 12. 1999	31. 12. 2000
ASSETS	45.934.038	52.174.303
A) FIXED ASSETS	38.459.638	43.884.730
I. Intangible fixed assets	1.011.785	654.373
II. Tangible fixed assets	35.282.899	38.787.192
- land and buildings	30.131.145	33.281.569
- equipment	5.151.754	5.505.623
III. Long-term investments	2.164.954	4.443.165
IV. Equity adjustments	0	0
B) CURRENT ASSETS	7.474.400	8.289.573
I. Inventories	90.055	94.804
II. Long-term operating receivables	5.562	1.341
III. Short-term operating receivables	2.895.005	3.798.382
IV. Short-term investments	4.361.945	3.889.648
V. Cash	110.314	482.817
VI. Deferred costs (expenses) and accrued revenues	11.519	22.581
C) OFF-THE BALANCE-SHEET ASSETS	11.360.665	13.912.608
LIABILITIES AND CAPITAL	45.934.038	52.174.303
A) CAPITAL	41.783.655	47.232.914
I. Basic capital	14.000.000	14.061.933
II. Capital surplus	0	0
III. Reserves	2.200.836	2.200.837
IV. Treasury stock	821.528	821.528
V. Development fund	1.158.034	2.641.755
VI. Retained net profit from previous years	1.677.556	1.672.828
VII. Capital revaluation adjustment	19.243.593	22.930.821
VIII. Undistributed current net profit	2.682.108	2.903.212
B) LONG-TERM PROVISIONS	831.804	786.018
C) LONG-TERM FINANCIAL LIABILITIES	556	742.445
D) LONG-TERM OPERATING LIABILITIES	23.745	26.840
E) SHORT-TERM OPERATING LIABILITIES	1.376.420	2.010.235
F) SHORT-TERM FINANCIAL LIABILITIES	1.834.712	1.331.913
G) ACCRUED COSTS(EXPENSES) AND DEFERRED REVENUES	83.146	43.938
H) OFF-BALANCE-SHEET LIABILITIES	11.360.665	13.912.608

Consolidated Funds Flow Statement

(in thousands of SIT)

	1999	2000
INFLOWS		
I. OPENING BALANCE OF CASH	59.888	120.131
II. 1. INFLOWS FROM OPERATING ACTIVITY	14.369.215	15.819.401
a) Revenue	14.902.417	16.470.444
b) Opening minus closing operating receivables, deferred costs (expenses) and accrued revenues	-533.202	-651.043
2. INFLOWS FROM INVESTMENT ACTIVITY	905.015	911.704
a) Offset decrease in intangible fixed assets		51.194
b) Offset decrease in tangible fixed assets		
c) Offset decrease in long-term investments	338.748	
d) Offset decrease in short-term investments	566.267	860.510
3. INFLOWS FROM FINANCING ACTIVITY	1.162.032	741.840
a) Capital increase		
b) Offset increase in provisions for liabilities and charges		
c) Offset increase in long-term financial liabilities		741.840
d) Offset increase in short-term financial liabilities	1.162.032	
e) Offset increase in dividends payable		
TOTAL CASH INFLOW	16.496.150	17.593.076
OUTFLOWS		
III. 1. OUTFLOWS FROM OPERATING ACTIVITY	9.792.835	10.473.664
a) Expenses exclusive of depreciation and provisions for liabilities and charges	9.755.709	10.608.061
b) Taxes on profit and participations in net profit	96.298	334.557
c) Opening minus closing inventories	21.658	-3.266
d) Opening minus closing operating liabilities, accrued costs and deferred revenues	-80.830	-465.688
2. OUTFLOWS FROM INVESTMENT ACTIVITY	5.413.251	4.677.992
a) Offset increase in intangible fixed assets	638.820	
b) Offset increase in tangible fixed assets	4.774.431	2.592.462
c) Offset increase in long-term investments		2.085.530
d) Offset increase in short-term investments		
3. OUTFLOWS FROM FINANCING ACTIVITY	1.179.750	1.958.603
a) Capital decrease	1.152.786	1.172.698
b) Offset decrease in provisions for liabilities and charges	26.920	119.817
c) Offset decrease in long-term financial liabilities	44	
d) Offset decrease in short-term financial liabilities		666.088
e) Offset decrease in dividends payable		
IV. CLOSING BALANCE OF CASH	110.314	482.817
TOTAL OUTFLOWS	16.496.150	17.593.076

The consolidated financial statements have been drawn up for the parent company Luka Koper, d.d. and its subsidiaries: Luka Koper INPO, d.o.o., Luka Koper Pristan, d.o.o., Prosta cona (Free Trade Zone), d.o.o., Logistic Service, d.o.o., Atnet, d.o.o. and Adria-Tow, d.o.o. The results of the subsidiaries have been consolidated with the results of Luka Koper, d.d. by applying the equity method of valuation.

Luka Koper Pristan, d.o.o.

The company, which performs catering and hotel activities, is organised in 5 business units. The manager of each unit is responsible for the unit's operating results. The units perform their activities by mutually charging the services performed.

On December 31, 2000, the company employed 36 people. The share capital of the company amounts to SIT 454 million.

In 2000, the company did not attain the planned results, concluding its business operations with a minimum net profit of SIT 118,000. The review of the business operations per individual units has shown positive financial results in the majority of units, except for the Garni Hotel Pristan. In spite of the fact that the number of overnight stays doubled in comparison with 1999, the utilisation rate of the capacities still fluctuates. The hotel's capacity does not allow for marketing activities directed towards major groups, whereas the number of individual guests still cannot be regarded as satisfactory. The hotel offers no supplementary services, thus, taking into account the growing competition and the vicinity of the tourist resort Portorož, intense investments will be necessary in order to promote the hotel's image and enhance its market position.

Luka Koper INPO, d.o.o.

In 1996, the company Luka Koper INPO, d.o.o. acquired the status of a company for the disabled. The company performs six different kinds of activities: maintenance services, manufacturing and servicing activities in the workshop for the disabled, service activities for Luka Koper, d.d., maritime activities and deepening of the seabed, utility services, composting and truck terminal services.

The company's share capital amounts to SIT 57.7 million. At the end of 1999 there were 216 workers employed in the com-

pany, while on December 31, 2000, there were 231 employees, of whom 178 or 77 percent were disabled.

The company's business operations in 2000 were successful, the net profit from operating activities amounted to SIT 76 million, which was a 74 percent increase over the previous year.

Prosta cona, d.o.o. (Free Trade Zone)

This company, which performs economic, organisational and technological services, was founded in 1993. It has never directly performed its registered activity, as already at the time of its establishment the performing of this activity has been transferred to the parent company by means of a corresponding agreement.

For the above mentioned reasons the company registered no operating revenues, even though fixed costs for the keeping of the books of account and some other costs relating to legal procedures were incurred. Thus, the company concluded its business operations in 2000 with a loss in the amount of SIT 398,957.

Logistic Service, d.o.o.

The company Logistic Service, d.o.o. was established in 1996 having as its registered activities the transport of containers among Adriatic ports and the hub port in Malta.

From the very beginning the company experienced losses in its operations, while it enabled Luka Koper, d.d. to attain a greater volume of business, as the total volume of the container traffic would be considerably lower without this company. In the middle of 1999, Luka Koper, d.d. became the sole owner of the company. At its meetings held on September 27 and November 29, 1999, the Shareholders' Assembly adopted the decision on the liquidation of the company's activities. In 2000, the company did not perform the registered activity. All activities

Auditors' Report

were directed into clearing the company's ownership and legal status in order to prepare the idle standing company for restoration with a new activity.

ATNET, d.o.o.

The company ATNET - Napredne tehnologije, d.o.o. (Advanced technologies) was established in 1996. At the end of 1999, Luka Koper, d.d. purchased the shareholdings of several other owners and increased the company's capital. At present, the company's share capital amounts to SIT 102,040,000 and Luka Koper, d.d. holds a 51-percent share therein.

The company's business activities consist of the provision of services and computer software for a reliable, quick and safe exchange of information between the port and other partners.

In 2000, the company generated a profit amounting to SIT 1.7 million and is now entering a period of business maturity, which, combined with a developing and expanding market, will be reflected in its improved operating results in the following years.

Adria - Tow, d.o.o.

The company Adria - Tow, d.o.o., storitve vleke in asistiranja ladij in plovil (towing and assistance to ship and vessels), was established in 1992.

In the beginning of 2000, the two shareholders realised a capital increase, thus raising the share capital to SIT 23,866,000, while Luka Koper, d.d. increased its share from 49 to 50 percent.

The company's activities were performed by 13 regularly employed workers and two employees employed for a definite period of time.

The net profit for the financial year amounted to SIT 3.9 million.

LUKA KOPER Group

ERNST & YOUNG

AUDITORS' REPORT

To the Stockholders of
LUKA KOPER, d.d., Koper

We have audited consolidated balance sheet of LUKA KOPER Group, Koper, as of December 31, 2000 and the related statements of income and changes in financial position for the year then ended. We have also read the Annual Report as of December 31, 2000, prepared by the management. These financial statements are the responsibility of the Luka Koper d.d., Koper, management. Our responsibility is to express our opinion on these financial statements.

We conducted our audit in accordance with International Standards on Auditing. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining evidence supporting the amounts and disclosures in the financial statements. We also assessed the accounting standards used and significant methods of presentation of values in the financial statements made by the management, as well as evaluated disclosures made in the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion consolidated financial statements referred to in the first paragraph above, in all aspects give a true and fair view of the financial position of LUKA KOPER Group, Koper, as of December 31, 2000 and of the results of its operations and its funds flow for the year then ended in accordance with Slovene Accounting Standards.

Ljubljana, April 11, 2001

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