LUKA KOPER
Port of Koper

ANNUAL REPORT 2009
The Luka Koper Group and Luka Koper, d.d.

WELCOME!
WE ARE READY!

SCL
MAERSK

ANNUAL REPORT 2009
The Luka Koper Group and Luka Koper, d.d.

WELCOME! WE ARE READY!

In 2009, our container terminal became larger, more advanced, and more active.

Large container ships regularly dock along extended pier. With four post-panamax cranes we can service even the largest container ships. Existing shipping lines are operating successfully, and we are currently negotiating introduction of new ones. Throughput is increasing on a daily basis and in the first quarter of 2010 it rose by 30 percent over the last year's results in the comparable period.

However, we can achieve even more. Our well-trained teams of experts are ready to respond with high quality services.

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

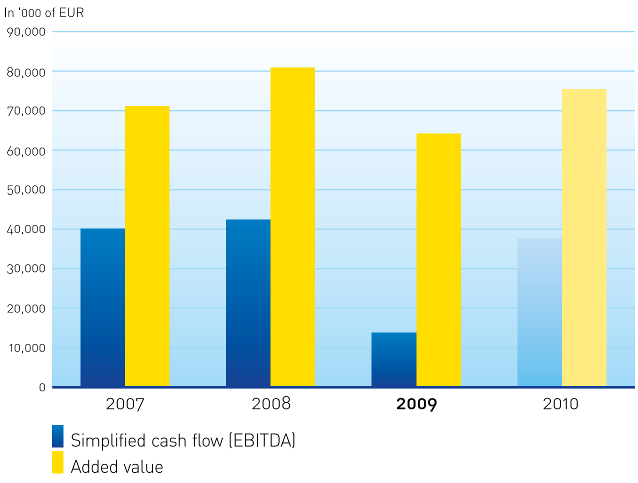
OPERATING HIGHLIGHTS OF THE LUKA KOPER GROUP

FINANCIAL INDICATORS

(in EUR)	2007	2008	2009
Income statement			
Operating revenues	122,221,811	137,228,249	116,124,640
Earnings before interest and taxes (EBIT)	23,394,770	23,604,051	-8,178,700
Earnings before interest, taxes, depreciation and amortisation (EBITDA)	40,029,333	42,676,582	13,919,625
Total profit/loss	33,676,248	16,381,748	-72,172,215
Net profit/loss	30,865,130	17,240,065	-66,602,514
Balance sheet (as at 31 December)			
Balance sheet total	461,159,397	556,610,484	531,672,019
Long-term assets	421,422,072	509,161,404	505,003,934
Short-term assets	39,737,325	47,449,079	26,668,086
Equity	340,663,798	311,059,034	247,410,497
Long term sources*	29,645,458	116,475,883	166,936,750*
Short term sources	90,850,140	129,075,567	117,324,774
Financial liabilities	58,637,419	201,358,206	234,538,592
Cash flow statement			
Investments	93,329,594	146,972,022	112,589,526
Return on sales (ROS)	19.14%	17.20%	-7.04%
Return on equity (ROE)	9.7%	5.3%	-23.9%
Return on assets (ROA)	7.5%	3.4%	-12.2%
EBITDA margin	33%	31%	12%
Financial liabilities/equity	17%	65%	95%
Liabilities/equity	32%	75%	109%

* In the long-term loan contracts, the parent company has, as is the usual banking practice, agreed certain loan covenants, which, primarily due to investment impairment, the Company could not comply with in 2009. The amount of financial liabilities from these contracts totals EUR 105 million and in accordance with the provisions of IAS 1.65, the total amount was transferred from long-term to short-term financial liabilities. As a result of specific events that affected Luka Koper, d.d. in 2009 and due to regular repayment of all its financial liabilities, we do not expect banks to exercise their contractual right and demand repayment of long-term loans. The original maturity structure of financial liabilities is presented below despite the fact that this is recognised and described also in the financial statements and notes included in the financial report.

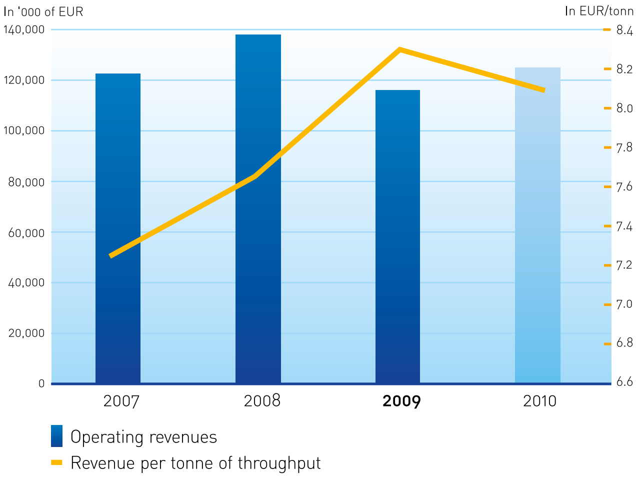
EBITDA and added value



The economic categories that reflect the performance of our core category show a slight reduction in 2009, primarily as a result of a decline in maritime throughput. EBITDA (simplified cash flow from operating activities) was reduced in 2009 to EUR 14 million, a drop of 67 percent compared with the previous year. Our response to the changed conditions in the global and local economy was effective utilisation of internal reserves, which helped to maintain added value at 79 percent of the level achieved in 2008. In 2010 we expect at least 20 percent increase in both categories.

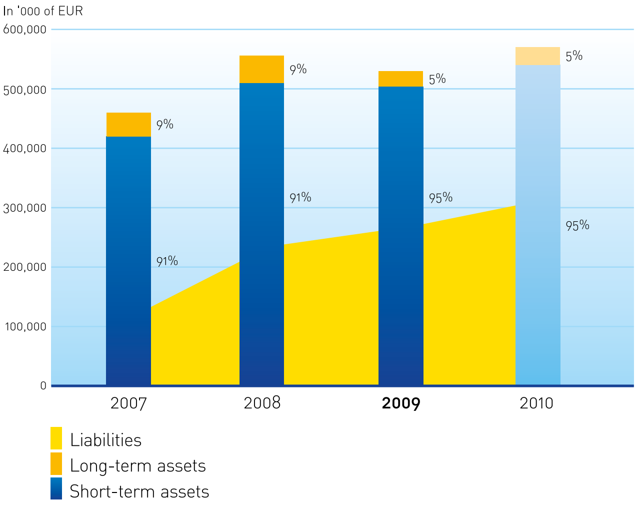
The financial year 2009 was marked by a lower throughput volume, vast derecognition of fixed assets and impairment of investments as a result of some less profitable investments made in the past.

Movement in operating revenue and revenue per tonne of throughput



A decline in demand for throughput services was felt as early as in the last quarter of 2008. Although towards the end of 2009 strong negative trends in leading economies eased up, forecasts for the year 2010 are rather careful and restraint. Global economic revival is expected to be slow and gradual.

Capital and share of capital in total assets

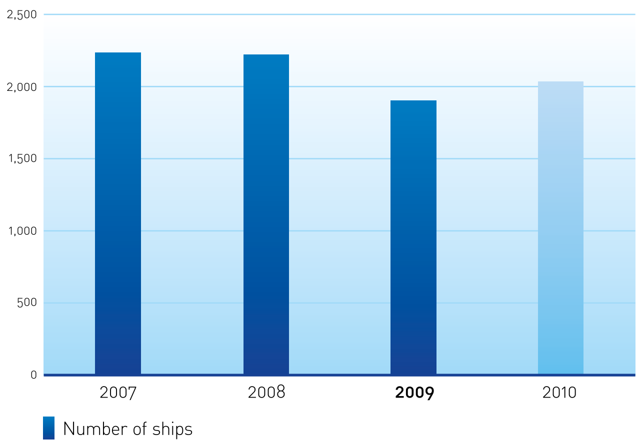


Due to extensive investment cycle in the previous years, over the period from 2007 to 2009, the amount of liabilities (both long-term and short-term) to foreign sources of funds has increased from EUR 108 to 270 million. As at 31 December 2009, 47 percent of total Group assets are covered by its own capital.

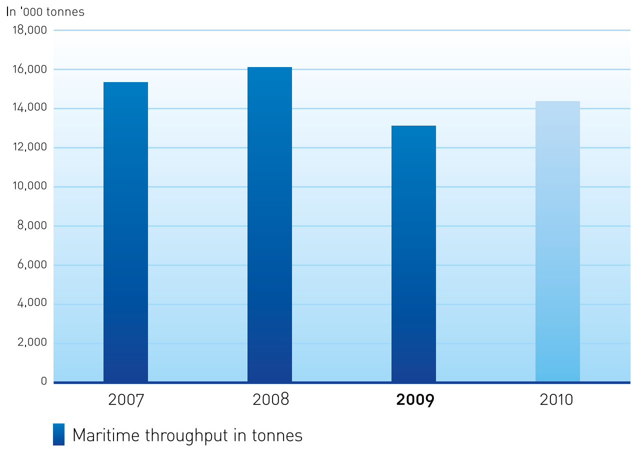
Ongoing investments will be continued and completed despite the fact that the consequences of financial crisis impacted also conditions on Slovene financial market. New investments that are necessary for our future development and stronger competitive position will be prioritised under consideration of conditions prevailing on the financial markets. It is on these conditions that we will base our decisions concerning potential disposal of investments and assets that do not contribute to the long-term development of the Company or the Luka Koper Group.

MARITIME THROUGHPUT AND MARKETS

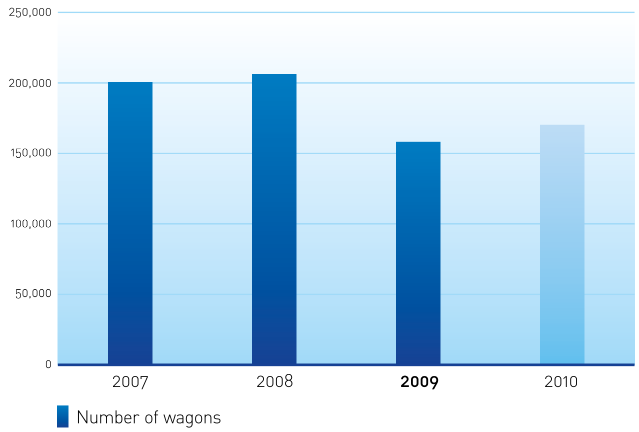
Number of ships



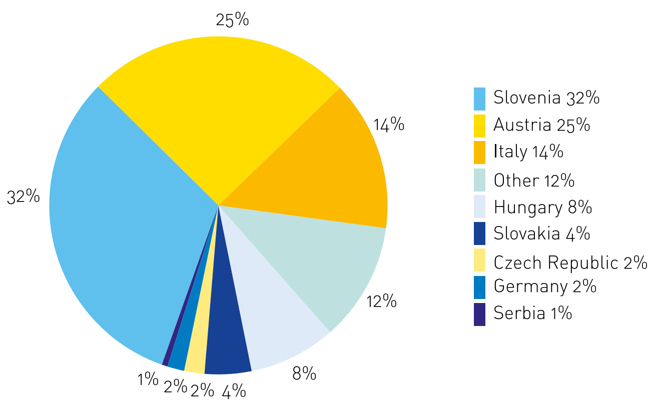
Maritime throughput in tonnes



Number of wagons



Structure of maritime theroughput by market in 2009



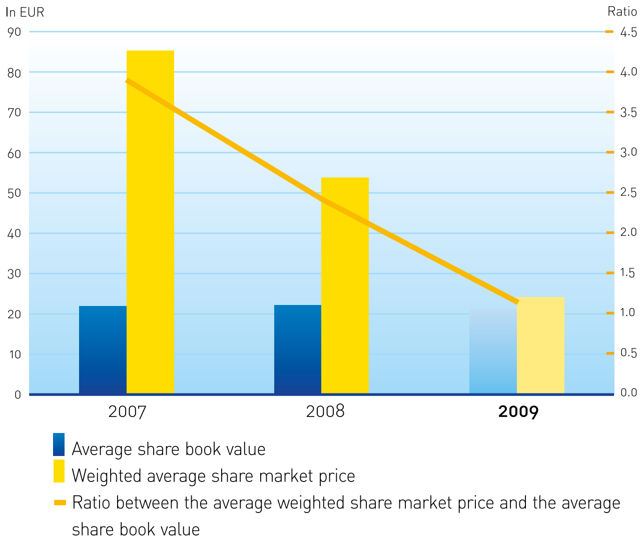
The slow-down of economic activity and reduced consumer spending on our most important hinterland markets were mostly felt in the first six months of the year. It was primarily reflected in lower throughput of raw materials, semi-finished products and energy sources for industrial production especially in steel and automotive industries, and reduced throughput of cars.

In view of the scope of business forecast for the year 2010, our business partners and ourselves are faced with a great deal of uncertainty. Slow-down in the contraction of manufacturing and trade activities will be reflected in a more stable throughput and increased number of transported containers. Reorganisations of production lines in a large number of manufacturing plants will impact the forecasts of a slight growth in the throughput of cars. A gradual increase is also expected in product groups used for basic supply of industry and population.

Organisational, marketing and other activities will be directed towards more efficient management of anticipated market conditions.

THE SHARE

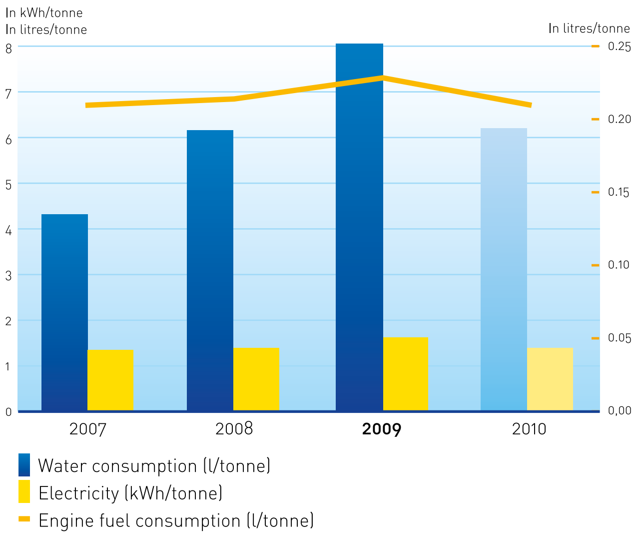
Share details



In spite of fluctuations in the share price, we are convinced that exceptional development opportunities of the Port of Koper guarantee the long-term and stable development of Luka Koper, d.d., and its share value.

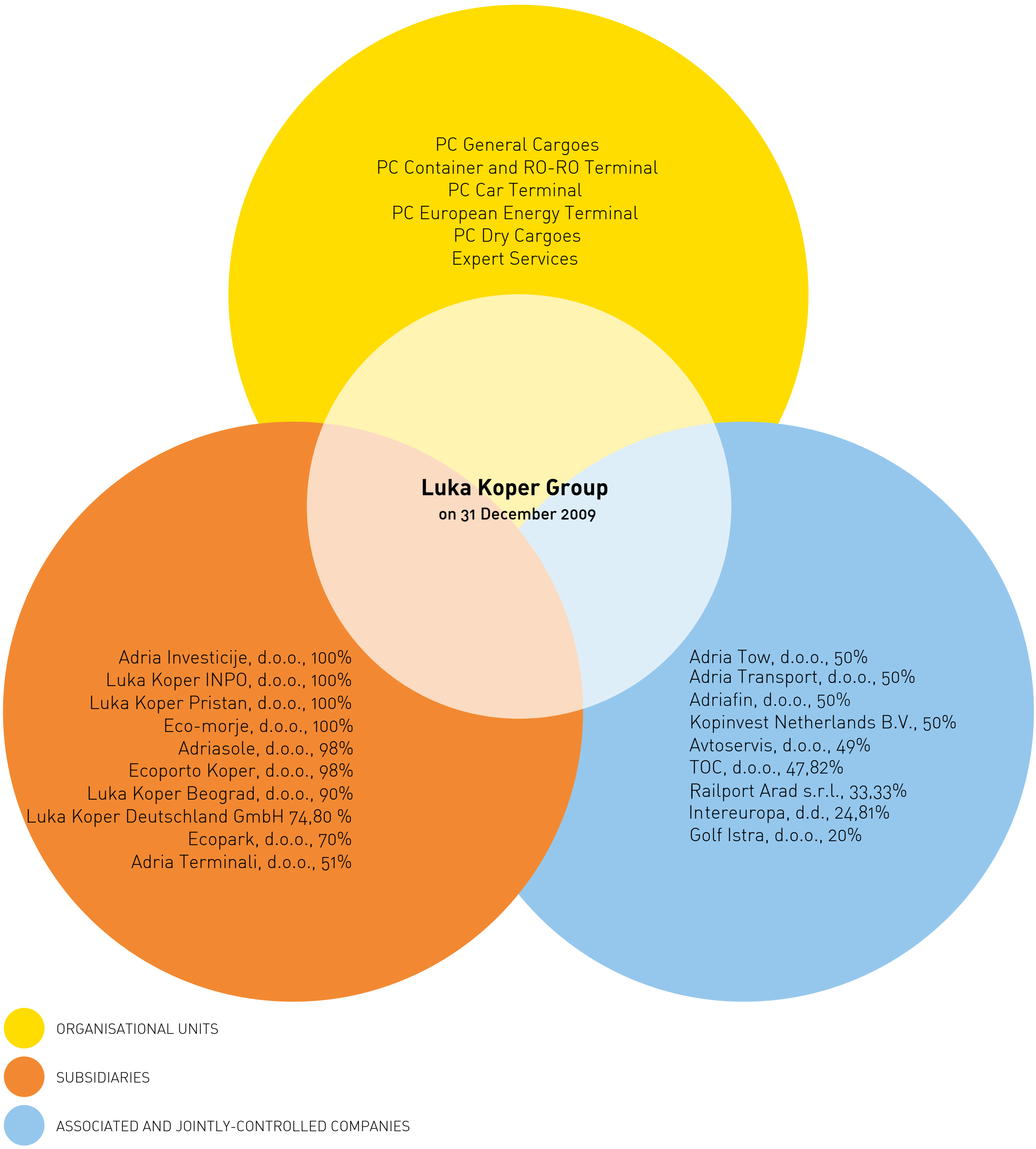
CARING FOR ENVIRONMENT

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



Although on the whole fuel consumption was reduced by 13 percent, as a result of a decline in the overall throughput, consumption per tonne throughput has increased. Due to decrepit infrastructure, there was a slight increase in the consumption of water. In our efforts to reduce energy consumption, we are introducing alternative energy sources such as solar energy and energy recovered from waste. In addition, we have intensified our use of electrically driven machines. In 2010 we will maintain the use of energy sources at the levels of previous years, whereas it is more difficult to adjust the water consumption to the reduced tonne volume due to the specific characteristics of water.
More details about the consumption of water and energy sources are included in the Sustainable Development Report (The Natural Environment).

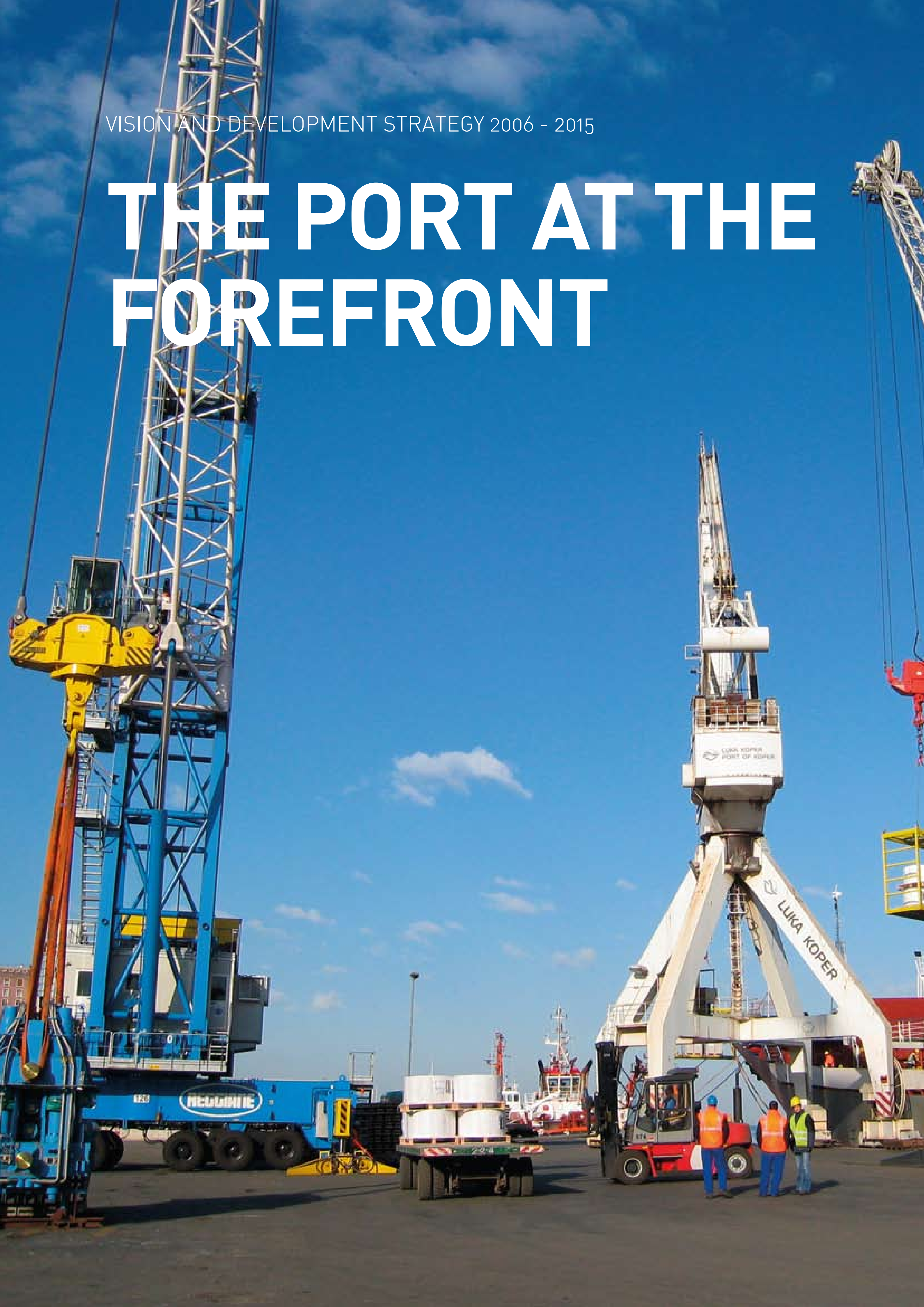
ORGANISATION OF THE LUKA KOPER GROUP



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

VISION AND DEVELOPMENT STRATEGY 2006 - 2015

THE PORT AT THE FOREFRONT



Changes in the global economy had a drastic impact on the port and logistics services and subsequently, the existing business and development strategy of the Luka Koper had to be revised and adjusted. Our efforts were focused on strengthening the port services to ensure fast and high return on our extensive investments in port infrastructure and equipment.

VISION, MISSION AND STRATEGIC ORIENTATIONS OF THE LUKA KOPER GROUP FOR THE PERIOD 2006-2015

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

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

STRATEGIC ORIENTATIONS

Recognised logistics services provider
We manage the links in the transport chain.

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

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

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

By means of fundamental **VALUES**: KNOWLEDGE, AMBITION, PARTNERSHIP, RESPECT AND RESPONSIBILITY we realise our goals on deliberate **STRATEGIES APPLIED TO KEY BUSINESS AREAS:**

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

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

NEW BUSINESS ENVIRONMENTS REQUIRED REVISION OF OUR STRATEGY

Due to the global nature of international trade in goods which is one of the features of port and logistics services, global economic environment and emergence of the global crisis, the effect of which began to be felt already at the end of 2008, made a significant mark on the year 2009. Revision of strategic orientations of Luka Koper, d.d., and the Luka Koper Group for the period 2006-2015 confirmed the following orientations:

- Return of the main focus of our development to the port, as the core activity of the Company,
- Provision of a comprehensive logistics support to the port users based on closer partnership ties with global logistics players and efficient participation in the distribution network,
- Promotion of creative and adaptable solutions for the needs of customers by searching for new opportunities in providing added value services.

»Due to changes in the global economy, strategic orientations of Luka Koper d.d., and the Luka Koper Group for the period 2006-2015 had to be revised.«

As strategic national facilities, ports are severely subjected to macroeconomic changes, including present economic recession. These are highly sensitive times when existing flow of goods may be reduced and concentrated in different areas which means that only the best service providers will succeed. In the present business environment Luka Koper, d.d. needs advanced developing concepts, first-class quality and reliable services in addition to the comprehensive support of the institutional environment in order to maintain and further consolidate its market position.

It should be pointed out that Luka Koper, d.d. has completed an intense investment cycle which will shortly have to justify its worth through business results. At this moment it is imperative to capture the whole of the market potential and utilise it for the advantage of the whole business system which must utilise existing and gain new competitive advantages, and find its rightful position in the market. Although the current business strategy of the Company until 2015 focuses (in addition to the port system) also on the logistics system (primarily in terms of developing new services) it is important to be aware that today, the core activity of Luka Koper, d.d. is the port system, which also holds the power of the trademark. Unfortunately, in recent years the importance of efficient coordination and development of this particular segment was not given sufficient attention.

PRIORITY TO THE DEVELOPMENT OF THE PORT SYSTEM

The management of Luka Koper, d.d. requires systematic and strategic approach with clear priorities given to:

- **Port system**, whose primary activities include transhipment and storage which needs to be allocated all the relevant competencies and role as the focal centre of power;
- **Logistics system**, whose main function in the initial phase is to relieve the port and set up a common synergy, followed by the setting up of other independent business entities for the purpose of diversification and introduction of new, additional products;
- **Business system**, which must be primarily sustainable, coordinated, highly professional and ensure efficient management of the port, to be able to participate in logistics networks of hinterland and maritime operators;
- **Institutional system**, which must justify its role as the only port in the country and take its relevant position in the European and wider international arena.

Therefore, we will substantively continue two-phase development strategy of the Company, namely the **port system**, with its leading role and the **logistics system** in its supportive role (for the port system in Koper). As a means of supporting our development we intend to strengthen internal organisation of the business system and set up proactive institutional relations. We shall strive to promote team work which should contribute to more efficient resolution of multidisciplinary issues.

»We will substantively continue two-phase development strategy of the Company, namely the port system, with its leading role and the logistics system in its supportive role.«

We shall promote creative and professional atmosphere to identify and develop new challenges. We shall pursue values such as fairness, trust and reliability. We shall ensure good communication and information and strengthen affiliation to the Company as we believe it contributes greatly to creating successful and common future.

All the above further confirms the Company's vision: **Luka Koper, d.d. – The leading port and logistics system servicing Central and Eastern Europe.**

NEW STRATEGIC FOCUS

With the intention of realising the revised strategic orientations, the new management has laid down some concrete measures and began with their immediate implementation:

1. Focusing all internal efforts on the port services.
2. Clearly define the logistics centre's role in providing support to the strategic development of Luka Koper, d.d.
3. Consider financial limitations including the need to question and justify investments and ensure liquidity.
4. Promote marketing services and development of new competitive products towards multimodal and comprehensive services, which will through systematic market management ensure the Company wins new contracts and thus increases sales.
5. Selective (in terms of expected returns and current operational needs) approach to new investments in the port for the needs of intense performance of the core activity.
6. Disinvestment in areas not linked to the core activity of the Company to ensure efficient management of the Luka Koper Group.
7. Continue with sustainable development, providing support to the local community and strengthening external partnerships with institutions in order to gain the relevant position in international arena, particularly in the European Union.
8. Regularise internal business system focusing on transparent and rational organisation and transparency of processes.
9. Implement new organisational culture based on professional competence, fairness, trust and knowledge, which will ensure first-class and motivated staff.
10. Regain the Company's high standing and strong trademark with tradition.

BUSINESS PLAN OF LUKA KOPER, D.D., FOR 2010

The Business Plan for 2010 defines the following guidelines and goals:

- The planned ship throughput is projected at 14.4 million tonnes of goods. With exception of terminals used for timber, bauxite and liquid cargoes, which are expected to maintain the level of turnover generated in 2009, an increase in throughput is expected on all other terminals.

- The operating revenue of Luka Koper, d.d., are projected to reach EUR 116.5 million.

- In terms of cost structure, depreciation and amortisation costs are expected to increase due to greater investments in port infrastructure made in the previous years.

- In order to increase operating profitability in spite of moderate level of growth in revenue, we shall have to ensure efficient cost management. We plan to generate EUR 34.4 million of simplified cash flows (EBITDA).

- Considering the financial activity and corporate income tax, the net profit for 2010 is projected to reach EUR 9.1 million.

- The planned investment volume is set at EUR 35,8 million, which will be used to complete investments launched in 2009, and also to launch new investments.
  - Completion of the construction of a terminal for alcohols,
  - Filling of lagoons at the back of pier I,
  - Construction of a road connection to the new entrance,
  - Renovation of the conditioned warehouse for perishable goods,
  - Construction of a truck park area near the entrance and exit to the port,
  - Continued upgrading of equipment and devices, taking into account new technology solutions for improved efficiency, energy saving and to reduce environmental burden.

- Investments will be funded by our free cash flow, borrowings and by gradual disposal of investments.

In the financial year 2010 the government will adopt a national spatial plan for the development of the port. Through a variety of activities we will strive to explain to the general public the need for the port's expansion and further development.

Projected financial results of Luka Koper, d.d. for 2010

	2009	2010
Operating revenue	108,462,449	116,477,000
Operating costs to operating revenues ratio	108%	93%
Simple cash flow (EBITDA)	12,540,568	34,416,000
EBITDA margin	12%	30%
Return on sales (ROS)	-7.9%	7.4%
Capital to total assets ratio	46%	48%
Net profit	-59,191,003	9,115,000
Value added per employee	72,952	86,565

STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

NEW DECADE, NEW BEGINNINGS

The year 2009 was a turning point in many aspects. Not only because of the global economic crisis which affected also the Port of Koper, but even more so because of the turbulences within the Luka Koper Group, which have shaken the stability of its operations and spread anxiety among the employees. They were the ones who first pointed out the fact that something was very wrong, and tried to present through various channels to the public the unusual decisions of the former Management, excessive borrowings of the Company and other issues. The rumor was so striking that at the General Meeting last March, the owners demanded a special audit of operations of Luka Koper, d.d. for a period of five years. At the same time, the clash between the Management and the Supervisory Board of that time was increasing, which brought a decision for a fault-based dismissal of two members of the Management Board – the Chairman and Deputy chairman. And so began the search for a new Chairman of the Management Board, which led also to me. I accepted the position primarily because of the feeling of responsibility towards the Company, which was left without leadership in the most sensitive of times.
In the second half of the year we succeeded in doing a number of things despite spending most of the time and energy on establish the actual state, and to "look for skeletons in the closets". First, we moved the special audit from a deadlock. We arranged relationships within the Company, reorganized the personnel, abandoned unnecessary intermediary levels, and consequently made considerable savings. We started cutting down on costs systematically, especially those related to the operational activity. We introduced internal audit function, and started a constructive dialogue with the Workers'

Council and the representatives of both Trade Unions in the company. We strengthened the market activities and therefore also the sales. We cleared up balance sheets and put the plans for the future on sound, firm foundations.

I must emphasize that we could not have done all of this in such a short time had Luka Koper not have sound core of employees who are professional, experienced, and most of all loyal. This is undoubtedly the Company's most important capital, and at the same time guarantee for a brighter future. Irrespective of the financial results of the year 2009, which are chiefly a consequence of impairments and revaluations, the Luka Koper Group is a stable and perspective investment with large developmental possibilities. Yes, the parent company is slightly worn out after an intensive investment cycle. Today, we see that some investments were essential, such as the extension of pier I, as it is on the container terminal where we have recorded the highest increase in the throughput. Some other investments, however, remain tiny misteries, and it is our task to try to get the most return from them. Today, it is already clear that some investments were either overpaid or wrong, which is also what the special auditor's report has confirmed. In the cases where we are sure that we can prove damage caused to the Company we will initiate corresponding court proceedings. Until then, we will focus on searching for new cargoes, new clients, and also potential partners to provide us with goods, knowledge and fresh money. Apart from the strategic position of the Port of Koper, and the efficiency of its manager, the spatial plans for the Port's expansion are of the key importance. Without them we would lose the competition with other ports in the region, which predict extensive investments in the port infrastructure. This is why we urgently need a national spatial plan, which is the best possible compromise between the economic logic of port's management, requirements of the environmental legislation, and aspirations of the local population. The plan was prepared by experts in various fields, which is why I have no doubts in its sustainability. The Port of Koper is also one of the greenest, best regulated, and friendly ports far and wide, and most of all it is the driving wheel of the economic growth of the entire Slovenia. At Luka Koper we are thus convinced that such a port can be a part of our lives and that we can market our green vision as a recognizable brand.

Gregor Veselko, DSc.
Chairman of the Management Board of Luka Koper, d.d.

REPORT OF THE SUPERVISORY BOARD FOR 2009

REVIEW OF THE ANNUAL REPORT FOR THE YEAR 2009

In accordance with the provisions of the Companies Act, the Supervisory Board of Luka Koper, d.d. reviewed the Annual Report of Luka Koper, d. d. and the Luka Koper Group for the year 2009 (Annual Report), which was submitted by the Management Board of Luka Koper, d.d.. The Annual Report was reviewed by the Audit Committee of the Supervisory Board, which had no comments on it. Based on the determination that the Annual Report is a true and authentic presentation of the parent company's and the Group's operating results in 2009, the Supervisory Board approved it at its meeting on April 30, 2010. In the presence of representatives of the appointed auditing firm Ernst & Young, the Supervisory Board also became familiar with the auditors' report and agreed with it.
On the basis of the Audit Committee's findings and the approval of the Annual Report, the Supervisory Board prepared the Report of the Supervisory Board on the verification of the Annual Report of Luka Koper, d.d. and the Luka Koper Group for the year 2009. The Supervisory Board in the composition which has been active since 14 July 2009, reviewed and approved the Annual Report. Reporting on the operations of the Supervisory Board prior to this date is based only on the minutes of the Supervisory Board's meetings.

THE BASES FOR THE SUPERVISORY BOARD'S OPERATIONS

In its operations, the Supervisory Board of Luka Koper, d.d. complies with the provisions of the Companies Act and the Articles odf Association of the Company. It also complies with the Corporate Governance Code.

Composition of the Supervisory Board

At its 16th meeting on 13 July 2009, the General Meeting of shareholders elected five new representatives of shareholders whose term of office started on 14 July: Janez Požar, DSc., Tomaž Može, Bojan Brank, Marko Simoneti, DSc., and Jordan Kocjančič. Since the date mentioned above, the composition of the Supervisory Board has been as follows:

- **Janez Požar DSc.**, Chairman of the Supervisory Board
- **Tomaž Može,**, Deputy Chairman of the Supervisory Board
- **Bojan Brank**, Member
- **Marko Simoneti DSc.**, Member
- **Boris Popovič**, Member
- **Jordan Kocjančič**, Member
- **Mladen Jovičič**, Member
- **Stojan Čepar**, Member
- **Nebojša Topič**, **MSc**, Member

On 7 July 2009, the term of office of Marko Valentinčič, Metod Mezek and Bojan Zadel, all representatives of shareholders, expired, and Olga Franca's term of office expired on 13 July 2009. The Workers' Council of Luka Koper, d.d. elected Mladen Jovičič and Stojan Čepar employee representatives with the beginning of the term of office on 8 April 2009. Orjano Ban and Boris Bradač, employee representatives, resigned on 30 March 2009.

Operations of the Supervisory Board

In the past year, the Supervisory Board met at fourteen meetings, at five of which the Supervisors met in the new composition since 14 July 2009.
In supervising business management of the Company, the Supervisory Board in the new composition carried out the following more important activities:

- Discussed the preliminary Special audit report and the draft of the Special audit report, and requested its completion,
- Instructed the Management Board to obtain consent of the Supervisory Board for transactions worth over EUR 2.9 million,
- Engaged the Management Board to prepare the strategy of hinterland terminals, became familiar with the closing document and the value forecasts of drafted scenarios,
- Gave its consent to fill up the lagoon in berth 7 hinterland,
- Discussed quarterly business reports,
- Discussed the Business Plan for the year 2009, and supported the measures for its fulfilment,
- Discussed the presentation by the Chairman of the Management Board on the operations and development of the Company in the future, and agreed with it,
- Through the Management Board's reporting, it was constantly kept up-to-date with the company's financial position, measures and business results,
- Took note of the proposal by the Committee for appointments about appointment of two members of the Management Board of Luka Koper, d.d., and approved it,
- Agreed with the envisaged gain of new sources of financing totalling EUR 44.8 million s with a suitable combination of borrowings and disinvestments of investments,
- Adopted new and supplemented Rules of Procedure of the Supervisory Board,
- Agreed with the withdrawal from the ownership of the company Trade Trans terminal S.r.l. and acquisition of a 100 percent share in the company Adria terminali, d.o.o.,
- Engaged the Management Board to prepare a Business plan for the year 2010, and approved it upon the preparation.

From the beginning of 2009 until the end of the term of office, the Supervisory Board in the transitional composition agreed among other things also with the 2009 business plan, investments in the extension of the first pier and hinterland areas scheme, construction of phase 1.B of the parking garage, and in the construction of a terminal for alcohols. It took note of other planned investments and requested the Management Board for further explanations regarding some. Furthermore, it became familiar with the decision by the General Meeting of shareholders to carry out a special audit, and with the annual and quarter-yearly business results. It monitored regular operations of the company, appointed the Management Board to regularly inform the Supervisory Board with the amount and structure of the borrowings of Luka Koper, d.d., and it consented with the decision of the Government of the RS about the payment of attendance fees by the Supervisory Board, and receipts of the Management Board, and proposed adjustments, and monitored the realisation of adopted decisions.

In accordance with the competences regarding the appointment of the Management Board, the Supervisory Board of Luka Koper, d.d.:

- Removed Robert Časar from the position of the Chairman of the Management Board, and Aldo Babič, MSc., from the position of the Deputy chairman of the Management Board on 15 June 2009,
- Appointed Gregor Veselko, DSc., the Chairman of the Management Board on 16 June 2009 for a 5-year term of office,
- Based on the resignation statement, it dismissed Marjan Babič, MSc., a member of the Management Board, and Boris Marzi, MSc., a member of the Management Board – workers' director on 11 September 2009,
- Adopted a proposal by the Management Board on granting procuration, and appointed Mirko Pavšič and Tomaž Martin Jamnik to the position of procurators as of 11 September 2010,
- Dismissed Tomaž Martin Jamnik, procurator, on 16 October 2009, and, upon the proposal of the Human Resource Committe of the Supervisory Board, appointed him on the same date a member of the Management Board – the Deputy chairman of the Management Board for a 5-year term of office,
- Upon proposal of the Human Resource Committe of the Supervisory Board, it appointed Marko Rems on 6 November 2009 a member of the Management Board for a 5-year term of office (his function started on March 1, 2010).

At its 30th meeting held on 30 January 2009, the Supervisory Board elected Olga Franca as the Deputy chairman of the Supervisory Board. At the 33rd meeting held on 24 June 2009, following termination of office of Boris Popovič the then Chairman, Olga Franca was appointed the Chairperson of the Supervisory Board, and Nebojša Topič, Msc., the Deputy chairman. At the constitutive meeting held on 14 July 2009, the Supervisory Board appointed from among its members Janez Požar, DSc., the Chairman of the Supervisory Board, and Tomaž Može the Deputy chairman.

The Annual Report of Luka Koper, d.d. and the Luka Koper Group for the year 2008, which was drawn up by the Management of the Company and published on the electronic medium SEOnet on 29 April 2009, was adopted in the unchanged substance by the Shareholders' General Meeting at its 16th meeting held on 13 July 2009 in compliance with the competences laid down in the Companies' Act and the Articles of Association of the Company.

At its 1st meeting held on 28 August 2009, the Supervisory Board appointed the Audit Committee and the Human Resource Committee as well as the Committee of the Supervisory Board for Infrastructure. It appointed the Audit Committee consisting of Janez Požar, DSc., (Chairman), Mladen Jovičič and Blanka Vezjak (members), as well as the Human Resource Commitee consisting of Bojan Brank (Chairman), Marko Simoneti, DSc., and Nebojša Topič, Msc., (members), and Marko Blažič, the Head of Legal Department of Luka Koper, d.d., as its Secretary. This Commitee prepared the invitation for applications and made the selection of two members of the Management Board.

At the same meeting, Marko Simoneti, DSc., (Chairman), Bojan Brank, Tomaž Može and Nebojša Topič, Msc., (members) as well as Sabina Mozetič as the representative of the Municipality of Koper were appointed in the Commitee for Infrastructure. The appointment of Roberto Levanič, the Head of the Department for investments, technology and procurement, for the secretary of the Committee, and Neda Ritoša, the Head of the Accounting Department, for the secretary of the Audit Committee was made at a later date. At this meeting, the Supervisory Board annulled all decisions made by the Supervisory Board until that time about appointment or establishment of committees (Audit Committee, Environmental Committee, Spatial Planning Committee, Committee for Proposals, Appeals and Appointments, and Committee for monitoring special audit implementation).

Proposal for Using Net Profit for the Year 2009

At its meeting held on 30 April 2010, the Supervisory Board discussed and accepted the proposal of the Management Board regarding the use of the net profit and, due to critical situation in the global economy, finalisation of ongoing investments and the incurred loss in the year 2009, no dividends will be paid.
The Supervisory Board was informed about and supports the proposal of the Management Board regarding the formation of the net profit/loss for the year 2009 in such a way that the disclosed loss for the year 2009 amounting to EUR 59,191,002.63 is settled with other revenue reserves at the time of drawing up the Annual Report for the year 2009.

Assessment of the Supervisory Board about the Operation of Luka Koper, d.d.

Last year was a very difficult year for Luka Koper, d.d. as the parent company of the Luka Koper Group. In addition to the effects of economic crisis, which reflected in the 18% lower total throughpout, there were suspicions of business irregularities as well as the changes in the Management Board and the Supervisory Board. In the second half of the year the situation in the company stabilised again.

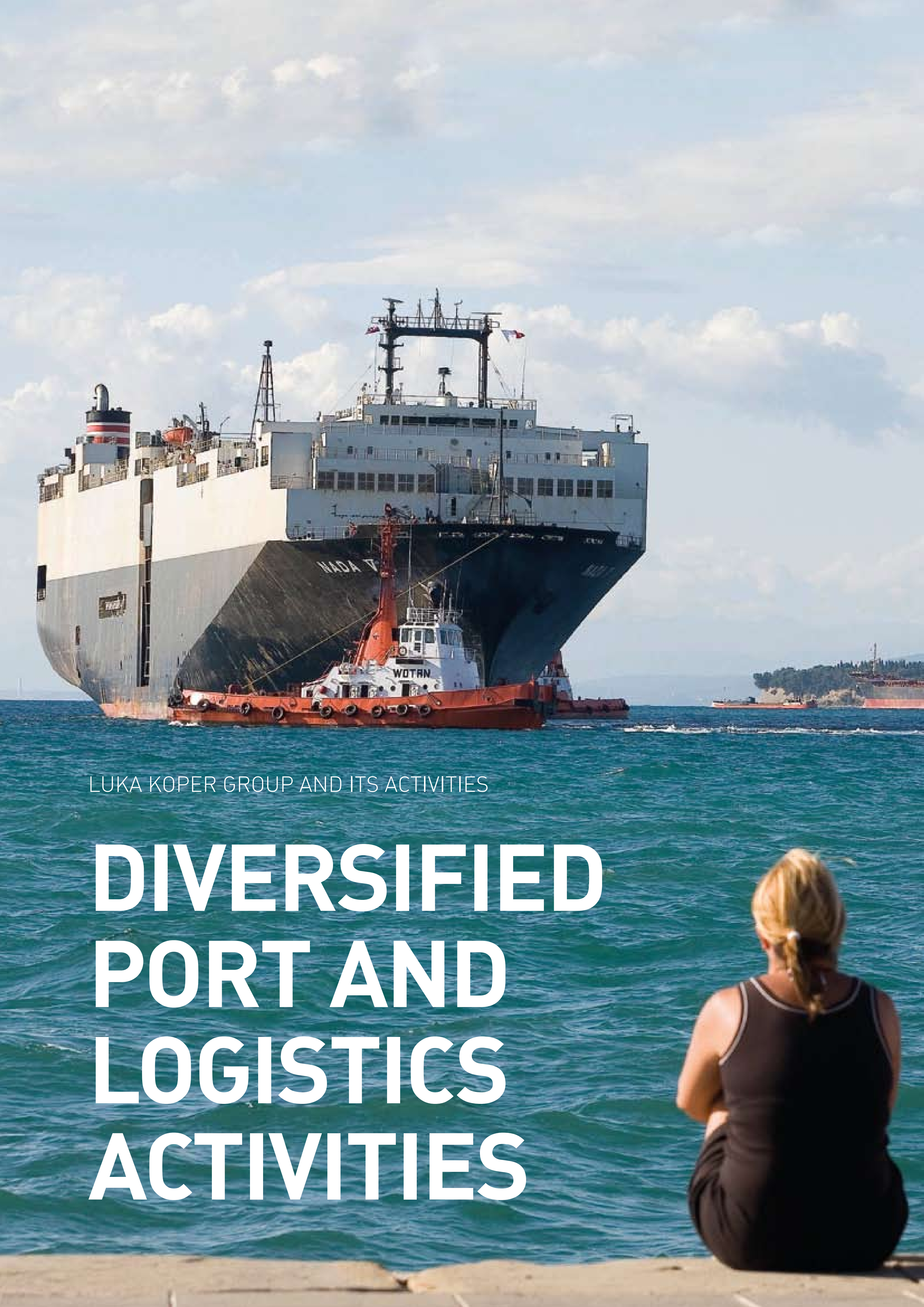
With creative cooperation of the Management Board, the Supervisors in the present composition, on behalf of which we are reporting, have performed the supervision of the Company management consistently and transparently. The Management Board has reported on its planned business activities and their implementation on a regular basis. It started to adapt the long-term strategy of the Company and the Group to current development baselines. The Supervisory Board supported the Management Board in establishing its business on new, sound grounds, and decided for impairment of some investments which, however, also contributed to a net loss of the Luka Koper Group in the amount of EUR 66.6 million and of Luka Koper, d.d. in the amount of EUR 59.2 million. Despite the achieved results, the Supervisory Board estimates that the adopted strategic orientations and measures for improvement of the operation enable realisation of the Company's short-term and long-term plans.
On that basis the Supervisory Board's proposes to the Shareholders' General Meeting that based on the Annual Report of Luka Koper, d.d. and the Luka Koper Group, the Auditor's report, and the report of the Supervisory Board, in compliance with paragraph 1 of Article 294 of the Companies Act – 1, it decides about the discharge of each individual member of the management body separately and about the discharge of the supervisory body as a whole in the following way:

- The General Meeting **does not grant** the discharge **for the year 2009** to:
  - Robert Časar who performed the function of the Chairman of the Company's Management Board until 15 June 2009
  - Aldo Babič, Msc., who performed the function of the Deputy chairman of the Company's Management Board until 15 June 2009
  - Marjan Babič, Msc., who performed the function of the member of the Management Board until 11 September 2009
  - Boris Marzi, Msc., who performed the function of the member of the Management Board – the workers' director until 11 September 2009, and
  - The Supervisory Board which performed its function until 13 July, 2009.

- The General Meeting **grants** the discharge **for the year 2009** to:
  - Gregor Veselko, Dsc., the Chairman of the Management Board, who has been performing his function since 16 June, 2009,
  - Tomaž Martin Jamnik, the Deputy chairman of the Management Board, who has been performing his function since 16 October 2009, and
  - The Supervisory Board which has been performing its function since 14 July 2009.

The Supervisory Board expresses thanks to the Management Board and to all employees for their contribution and efforts made in such difficult circumstances. In the future, too, we are going to face a number of big challenges. With joint endeavour, motivation and commitment of all of us we can successfully face these challenges and meet the targets.

Chairman of the Supervisory Board
Janez Požar, DSc.



LUKA KOPER GROUP AND ITS ACTIVITIES

DIVERSIFIED PORT AND LOGISTICS ACTIVITIES

Through integration of port and logistics activities within the Luka Koper Group, we can ensure effective support to clients in the overall logistics chain.

BASIC PORT ACTIVITIES AND LOGISTICS SERVICES

Our key business activities include:

- Basic port activities of throughput and warehousing on 11 specialised port terminals,
- Additional services involving a wide assortment of goods (sorting, palletising, sampling, protection, labelling, weighing, cleaning and other services),
- Services provided by the collection and distribution centre for a variety of goods such as fruit and vegetables, cars and containers,
- Provision of support services to marketing, trade, investments and financial activities in the economic zone administered by the Luka Koper and which encompasses the whole area of the port of Koper,
- Integrated logistics solutions.

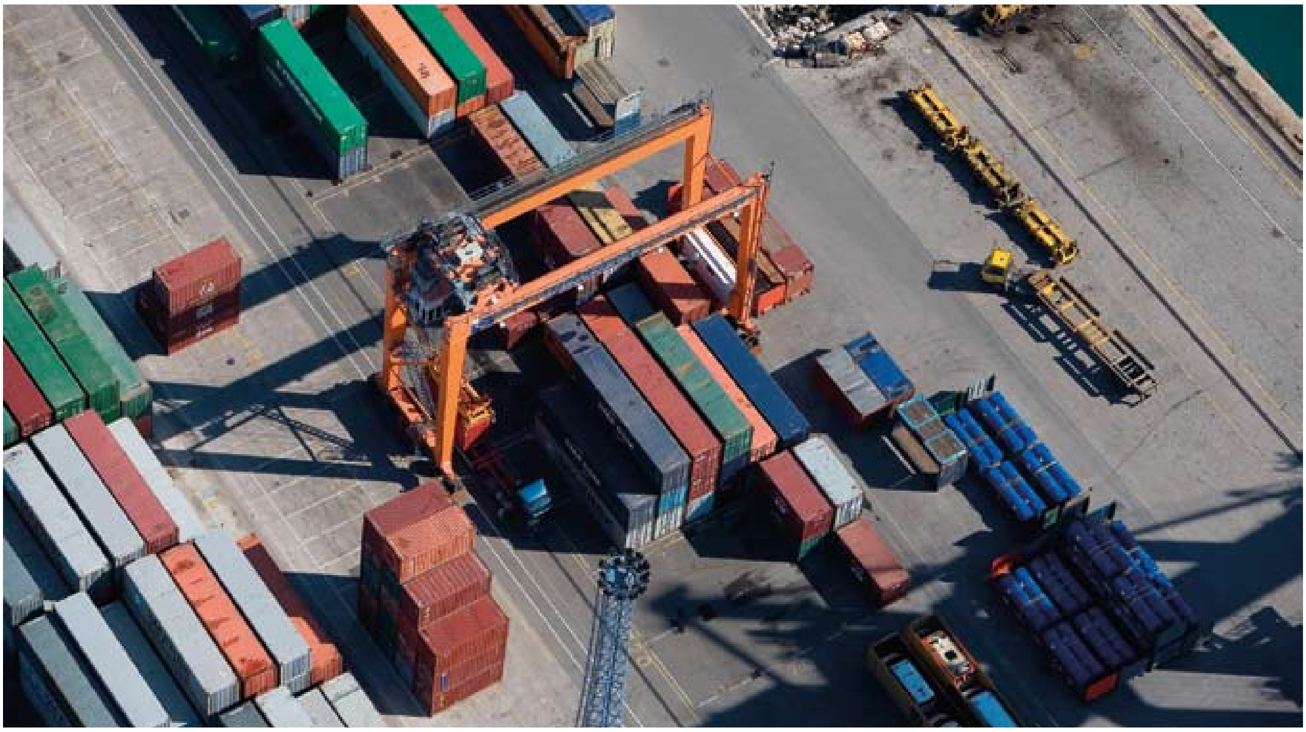
In accordance with the Concession Agreement concluded with the government of the Republic of Slovenia, we manage and maintain port infrastructure and ensure its development. Within the area of the port, we have at our disposal:

- 271 hectares of land with 48.4 hectares of covered storage and 108.5 hectares of open storage space, and
- 26 moorings located on 3,150 metres of shore along 179 hectares of sea.

Our activities within the port are supplemented by the rail transport services along the logistic route between the port and its hinterland, which are provided by our associate Adria Transport, d.o.o., the first private rail operator within the Slovene public rail infrastructure. Vessel tow services are provided by Adria-Tow, d.o.o. with four tugs; the company also provides ship supply services as well as sea rescue and assistance to vessels in the Port of Koper and the Izola Shipyard.

HINTERLAND TERMINALS

To ensure optimal utilisation of port capacities, we have implemented efficient transport and logistics connections with strategic markets. These include logistics and distribution centres in hinterland, through which we can strengthen our presence on the markets of Central and Eastern Europe. As a priority, we are developing a logistics terminal in Sežana (European distribution centre), which we manage through Adria Terminali, d.o.o., and container terminal Railport Arad in Curtici in Romania. The latter began operating in 2009, while in September, Adria Transport, d.o.o. set up the first direct full train loads connection between this terminal and Koper.



OTHER ACTIVITIES

The operations of the parent company Luka Koper, d.d., are supplemented with a variety of supporting activities including:

- Hotel and other accommodation services and high-class restaurant services, which are provided by Luka Koper Pristan, d.o.o.,
- The operations of Luka Koper INPO, d.o.o., include diversified and complex support services including maintenance, maritime services, utility activities as well as other support services through which the company provides efficient training and employment for disabled persons,
- Participation in the operations of the Koper passenger terminal, with an objective of developing the leading home passenger port for Central European countries in the next decade.

ECOLOGICAL ACTIVITIES

As responsibility for the environment and wider social responsibility are integral parts of our strategic policies, our activities include implementation of modern, clean and safe environmental technologies. For this reason in 2007 we established TOC, d.o.o., a company engaged in technological research in the sphere of engineering and technology, focusing primarily on renewable energy sources, waste recovery, technology for obtaining natural medical substances, and sea and inland area ecology. The company is pursuing new developments and actively participating in European projects. We are aware of the many and important opportunities offered by the renewable energy sources and have begun thorough examination of how best to initiate such projects.

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

Company name	**Luka Koper, port and logistics system, public limited company**
Abbreviated company name	**Luka Koper, d.d.**
Registered office	**Vojkovo nabrežje 38, Koper**
	Telephone: 05 66 56 100
	Fax: 05 63 95 020
	E-mail: portkoper@luka-kp.si
	Website: www.luka-kp.si
Entered in the register of	**District Court of Koper, entry number 066/10032200**
Company registration number	**5144353**
VAT ID no.	**SI 89190033**
Share capital	**EUR 58,420,964.78**
Number of shares	**14,000,000 ordinary no-par value shares**
Quotation of shares	**Ljubljana Stock Exchange, first quotation**
Share symbol	**LKPG**
President of the Management Board	**Gregor Veselko, DSc.**
Chairman of the Supervisory board	**Janez Požar, DSc.**
number of companies included in consolidation	**7**
Principal activity of Luka Koper, d.d.	**Service company, port and logistics system**
Activities performed in the Luka Koper Group	**Various service activities**

REPORT ON CORPORATE GOVERNANCE

FOR TRANSPARENT MANAGEMENT SYSTEM

Luka Koper, d.d. and the Luka Koper Group management aspire to design the management system which ensures transparent corporate governance of all our companies for our shareholders, employees and the general public. With this in mind, the Supervisory Board adopted supplements to the Rules of Procedure of the Supervisory Board, consistently followed procedures for conveying the General Meeting, and provided timely information to shareholders and the general public. All changes in the composition of the management bodies in 2009 were openly communicated.

TWO-TIER MANAGEMENT SYSTEM

Luka Koper, d.d., operates under a two-ties management system, which involves three corporate governance bodies: the General Meeting of Shareholders as the ultimate body of the Company, the Supervisory Board and the Management Board. The competencies of individual bodies are defined in the Companies Act and stipulated in more detail in the Company's Articles of Association and the Rules of Procedure of the Supervisory Board and the Management Board. The Articles of Association of the Company are available at www.luka-kp.si (About the Company).

SHAREHOLDERS EXERCISED THEIR MANAGEMENT RIGHTS AT TWO GENERAL MEETINGS

Shareholders exercise their right to adopt decisions on a number of issues defined in the Articles of Association of the Company. Among other issues, shareholders make decisions with regards to status changes of the Company, appointment and discharge of the Supervisory Board members, granting of discharge to members of the Supervisory Board and the Management Board, development plan of the companies and appropriation of profits. Shareholders may also adopt the annual report if for certain reasons the Supervisory Board does not consider the annual report.

Convening of the general meeting of shareholders

The Management Board usually convenes the General Meeting of Shareholders once a year and if necessary, an extraordinary General Meeting of Shareholders may be convened. The convening of the General Meeting of Shareholders is published at least a month in advance in the official Gazette of the Republic of Slovenia, in the daily newspapers Delo and Dnevnik, in the electronic information system of the Ljubljana Stock Exchange »SEOnet« and on the website of the Company. Information of the General Meeting of Shareholders is also provided in writing to all the shareholders.

The Company's website www.luka-koper.si includes material with draft resolutions, which is also available to shareholders at the registered office of the Company. In compliance with the rules of the Ljubljana Stock Exchange, all resolutions adopted at the General Meeting of Shareholders are regularly published.

Participation and voting right

All shareholders who are as at the day of the convening of the General Meeting of Shareholders entered in the Share register kept by the Central Securities Clearing Corporation may take part in the General Meeting and exercise their voting rights provided they register with the Management Board of the Company at least three days before the date set for the General Meeting.

Resolutions of the general meetings of shareholders

In 2009, the General Meeting was conveyed twice. At the 15th regular meeting of shareholders, convened on 20 March, the shareholders were deciding the following issues:

- They were informed of the resignation of Marjan Bezjak, the Supervisory Board member, whose mandate expired on 24 December 2008, and
- They adopted resolution on appointment of a special auditor for the audit of the Company's operations over the last five-year period, placing special emphasis on transactions listed in the resolution and in the manner as proposed by Kapitalska družba, d.d., and Slovenska odškodninska družba, d.d.. The auditing firm Pricewaterhouse Coopers d.o.o. was appointed the special auditor.

At the 16th regular meeting of shareholders, convened on 13 July, the shareholders adopted the following resolutions:

- They discussed and adopted the 2008 Annual Report ,
- They approved the allocation of distributable profit and allocated a portion of the profit, comprising the net profit for the year 2008, to other reserves for further investment in port infrastructure,
- No discharge was granted to the Management Board and the Supervisory Board for the year 2008,
- They acknowledged election of two representatives of workers in the Supervisory Board,
- They set gross amounts of attendance fees and reimbursements of costs to members of the Supervisory Board and its various committees,
- They acknowledged that the mandate of the two members of the Supervisory Board had expired and they granted a discharge to one member of the Supervisory Board,
- At the proposal of Slovenska odškodninska družba d.d., Kapitalska družba d.d., and Banka Koper, they appointed two new members of the Supervisory Board, and at the proposal of the Republic of Slovenia, also three new members of the Supervisory Board.
- Ernst & Young, d.o.o. was appointed auditor for the financial year 2009.

RENEWED COMPOSITION OF THE SUPERVISORY BOARD

Composition of the supervisory board

Due to the fact that mandate expired to three members of the Supervisory Board, one resignation and one discharge of a member, on the proposal of shareholders, the General Meeting of Shareholders at its session on 13 July 2009 appointed five new Supervisory Board members. As a result of a resignation, the General Meeting also acknowledged appointment of two new representatives of workers in the Supervisory Board. The composition of the Supervisory Board as at 31 December 2009 was as follows:

Representatives of capital:
Janez Požar, DSc., Chairman
Representative of capital: The Republic of Slovenia
Position: Ministry of Transport, CEO of Maritime Directorate
Four-year mandate commencing on 14 July 2009

Bojan Brank, Member
Representative of capital: The Republic of Slovenia
Position: ABENA, d.o.o.
Membership in other supervisory bodies: Slovenske železnice, d.o.o.- member of the Supervisory Board, Klub managerjev Ljubljana – member of the Management Board, Lions Klub Ljubljana – Illyria - Chairman
Four-year mandate commencing on 14 July 2009

Marko Simoneti, DSc., Member
Representative of capital: The Republic of Slovenia
Position: University of Ljubljana, Faculty of Law
Membership in other supervisory bodies: NLB, d.d. – Chairman of the Supervisory Board
Four-year mandate commencing on 14 July 2009

Boris Popovič, Member
Representative of capital: the Municipality of Koper
Position: Mayor of the Municipality of Koper
Four-year mandate commencing on 2 September 2009

Jordan Kocjančič, Member
Representative of capital: The Republic of Slovenia Funds
Position: CEO Avtotehna, d.d.
Membership in other supervisory bodies: Swaty, d.d. – Chairman of the Supervisory Board, Chamber of Commerce - Chairman of the Supervisory Board
Four-year mandate commencing on 14 July 2009

Tomaž Može, Deputy Chairman
Representative of capital: other shareholders
Position: Primorska Chamber of Commerce, Director
Membership in other supervisory bodies: Marmor Sežana, d.d. - Chairman of the Supervisory Board, IMP Koper, d.d., Chairman of the Supervisory Board, Splošna bolnišnica Izola – Member of the Council of the Institute, Znanstveno raziskovalno središče Koper – Chairman of the Management Board
Four-year mandate commencing on 14 July 2009

Representative of workers:
Mladen Jovičič, Member
Position: PC Sipki tovori, Lift operator
Four-year mandate commencing on 8 April 2009

Stojan Čepar, Member
Position: PC Sipki tovori, Lift operator
Four-year mandate commencing on 8 April 2009

Nebojša Topič, MSc., Member
Position: Investments, technology and procurement, Head of projects
Four-year mandate commencing on 27 July 2008

In the past year individual members of the Supervisory Board participated in a number of training courses and seminars organised for supervisors and have learnt about the work of the audit committee and interpretation of financial statements. In addition, they participated in other training sessions organised by the Association of Supervisory Board Members of Slovenia. Janez Požar, DSc., Bojan Brank, Tomaž Može, Stojan Čepar and Nebojša Topič, MSc., have gained certificates proving their competence as members of supervisory boards or other management bodies of companies, which were proposed or are proposed for appointment in such bodies by the Government of the Republic of Slovenia as the representative of the owner, the Republic of Slovenia. Some representative of workers also attended seminars organised by the Association of Workers Councils.
Until 13 July 2009, members of the Supervisory Board, representatives of capital included also Marko Valentinčič, Metod Mezek and Olga Franca, while Bojan Zadel's term of office expired on 7 July 2009. Orjano Ban and Boris Bradač, representatives of workers, resigned on 30 March 2009.

Marko Rems, Member of the Management Board; Gregor Veselko, Dsc., Chairman of the Management Board; Tomaž Martin Jamnik, Deputy Chairman of the Management Board

OPERATION OF THE SUPERVISORY BOARD

The Articles of Association and the Rules on Procedure of the Supervisory Board, Corporate Governance Code and the recommendations of the Association of Supervisory Board Members provide the basis for the operation of the Supervisory Board of Luka Koper d.d.. The new Supervisory Board adopted some supplements to the Rules on Procedures of the Supervisory Board with regards to exercising their supervisory function.
Members of the previous Supervisory Board held five regular sessions, one extraordinary session, one correspondence session, while two sessions were held at the proposal of some of their members. Much attention was devoted to the investment schedule and their financial aspect. On 15 July 2009, due to unsatisfactory business conduct, the Supervisory Board discharged Robert Časar from the position as the Chairman of the Management Board of Luka Koper, d.d. and Aldo Babič, Msc., from the position as the Deputy Chairman, and appointed Gregor Veselko, DSc., as the Chairman of the Management Board for a term of five years commencing on 16 June 2009. At their session on 24 June, members of the Supervisory Board granted discharge to Boris Popovič, Chairman, and elected Olgo Franca as the new Chairperson.
Members of the new Supervisory Board met at their first regular session on 28 August and held another five regular sessions until the end of the year. At the sessions the members were informed of the current operations of the parent company and companies in the Luka Koper Group, discussed the Management Board's plans for future operations and instructed the Management Board to draft plans for future operations of the Company in the changed economic conditions. They agreed with the Management Board's measures for the future operation of Luka Koper, d.d., and the whole of the Group based on new, solid foundations. Effective as of 11 September, the Supervisory Board granted discharge to members Marjan Babič, Msc., and Boris Marzi, MSc., and appointed Mirko Pavšič and Tomaž Martin Jamnik as the procurators. After a public invitation to applications for the position, the latter was appointed member of the Management Board effective from 16 October. On 6 November, Marko Rems was appointed as the third member of the Management Board who assumed his new role as the head of finance, accounting and controlling on 1 March 2010.
More details about the operation, resolutions and views of the Supervisory Board are included in the Report by the Supervisory Board.

Supervisory Board Committees

At the end of 2009, the following three committees were operating in the framework of the Supervisory Board, which were appointed at the Supervisory Board's first session:

- **The Human Resource Committee** comprised of Bojan Brank (Chairman), Marko Simoneti, DSc. and Nebojša Topič, Msc., (Members) and Marko Blažič, Secretary of the

Committee (head of Legal Services of Luka Koper d.d.),
- **The Audit Committee** comprised of Janez Požar, DSc., (Chairman), Mladen Jovičič and Blanka Vezjak (members) and Neda Ritoša, Secretary of the Committee (head of Accounting Services of Luka Koper d.d.),
- **The Supervisory Board's Committee for Infrastructure** comprised of Marko Simoneti, DSc., (Chairman), Bojan Brank, Tomaž Može, Nebojša Topič, Msc., and Sabina Mozetič (Municipality of Koper) as Members, and Roberto Levanič, Secretary of the Committee (head of Investment, technology and procurement of Luka Koper, d.d.).

The Human Resource Committee drafted and carried out public invitation to apply for election of two Members of the Management Board.
In the first six months of the year the previous Supervisory Board in addition to the existing Audit Committee, the Environmental Committee and the Spatial Arrangement Committee, set up also the Supervisory Board's Committee for proposals, grievances and appointments, and a special Committee for monitoring the performance of the special audit. At its first session, the new Supervisory Board set aside all the decisions of the previous Supervisory Board with regards to appointment or establishment of new committees.

Remuneration of the Supervisory Board members

At its session in July, the General Meeting of Shareholders set gross amounts of attendance fees for members of the Supervisory Board and its Committees. For participating in a regular meeting, the Chairman and members of the Supervisory Board receive attendance fee of EUR 429 gross and EUR 330 gross, respectively. For participating in correspondence sessions, they are entitled to 80 percent of the above amounts. The person substituting the Chairman is entitled to a session set for the Chairman.
For participating in a committee session, the chairman and members are entitled to attendance fees of EUR 286 gross and EUR 220 gross, respectively. Travel expenses and daily allowances are paid to the Supervisory Board in accordance with the regulations of Luka Koper, d.d.

MANAGEMENT BOARD OF THE COMPANY

The Management Board of Luka Koper, d.d., directs the Company's operations and represents the Company in accordance with the competences laid down in the Articles of Association and the Rules of Procedure of the Management Board. The Management Board brings responsibility and corporate transparency to the forefront, in accordance with the Corporate Governance Code for Public Limited Companies.

The Management Board of Luka Koper, d.d., consists of:

- **Gregor Veselko, DSc.,** Chairman of the Management Board
  - Born in 1974, he graduated at the University of Ljubljana, Faculty of Economics. After completing Masters studies in management and maritime transport, he gained his PhD in transport logistics and strategic management of supply chains at the Faculty of Maritime Studies and Transport . .
  - Since 1999, he has been employed at Intereuropa, d.d., in the department of maritime transport, and also as a regional manager of Luka Rijeka and CEO.
  - As the Chairman of the Management Board he is in charge of relations with key stakeholders and publics, strategic development, investments, purchasing and technical issues, organisational issues and human resources, security and legal matters.
  - His five-year term of offices commenced in 16 June 2009.

- **Capt. Tomaž Martin Jamnik**, Deputy Chairman of the Management Board
  - Born in 1956, he graduated at the maritime college and later obtained university degree at the Faculty of Maritime Studies and Transport in Portorož.
  - He sailed on cargo ships also as captain. In 1995 he took up position at the Ministry of Transport as State Undersecretary for maritime issues, and participated in drafting the Maritime Code. In 1997 he assumed the directorship of Adria-Tow, d.o.o., and was four years later employed by Luka Koper first as head of marketing projects, then becoming the head of Hungarian market and later the head of Regional representative office of Luka Koper in the Far East.
  - As a Deputy chairman he is in charge of marketing, sales, representative offices and market and operational coordination between profit centres, throughput and logistics.
  - His five-year term of offices commenced on 16 June 2009.

- **Marko Rems**, Member of the Management Board
  - Born in 1967, he graduated from the Faculty of Economics in Ljubljana.
  - He has held a number of leading positions mainly covering finance and informatics. In 1992 he gained

a position at the Agency of the Republic of Slovenia for Restructuring and Privatisation, first as head of projects and then as the head of Information Technology Services. He followed his career on a number of leading positions, among others he was a procurator and member of the management board of Žito, d.d. Since the beginning of 2008 has been a member of the management board of Adriatic Slovenica, d.d..

- He is in charge of finance, accounting, controlling, IT and quality.
- His five-year term of offices commenced on 1 March 2010.

In 2009, members of the Management Board held the following positions in the corporate governance bodies of non-related companies:

- Gregor Veselko, Dsc., Chairman of the Management Board also held the following positions: Chairman of the Supervisory Board of Vinakoper, d.d.; Chairman of the Supervisory Board of Intereuropa Sajam, d.o.o., Zagreb and Deputy Chairman of the Supervisory Board of Intereuropa Skopje, d.o.o.;
- Tomaž Martin Jamnik, Deputy Chairman of the Management Board of Luka Koper, d.d. also held the position of member of the Management Board of Trade Trans Invest a.s.;
- Until February 2010, Marko Rems, member of the Management Board of Luka Koper, d.d., also held the position of member of the Management Board of Adriatic Slovenica, d.d., Koper and Chairman of the Supervisory Board of Gea College.

The members of the Management Board are presented also on our web-site www.luka-kp.si

The Management Board composed of Robert Časar, Chairman, Aldo Babič, Msc., Deputy Chairman, Marjan Babič, MSc., and Boris Marzi, MSc., both members of the Management Board managed the Company's activities until June 15, when the term of office of Robert Časar and Aldo Babič, MSc., expired. From 16 June, the Management Board consisted of Gregor Veselko, DSc., Chairman, Marjan Babič, MSc., and Boris Marzi, MSc., until 11 September, when the Supervisory Board granted discharge to Marjan Babič, MSc., and Boris Marzi, MSc. As from 12 September, the role of the procurator was assumed by Tomaž Martin Jamnik (until 16 October 2009) and Mirko Pavšič (until 1 March 2010) when their responsibilities were taken over by the members of the Supervisory Board.

Operation of the Management Board

Immediately after the commencement of its term of office, the Management Board of Luka Koper, d.d., began with implementation of tasks and measures necessary for the improvement of the Company's operations and the whole of the Group. It reviewed the Company's operations and set up foundations for further development. Major emphasis was placed on establishing ties with neighbouring ports and promoting North Adriatic transport corridor particularly on Asian markets.
Operations of the Management Board and completed and planned strategic development phases of the Luka Koper Group are described in the letter of the Chairman of the Management Board.

Remuneration of the Management Board

The receipts of the Management Board are comprised of the fixed and variable component. They are stipulated in the Service Contracts concluded between individual members of the Management Board and the Supervisory Board, stipulating also reimbursements and benefits. Luka Koper, d.d. has not introduced a system of grating options for remunerating the Management Board members.

Subsidiaries comprising the Luka Koper Group

Company	Director	Equity stake of the parent company
Adria Investicije, d.o.o.	Marjan Babič,Msc.*	100.00%
Adria Terminali, d.o.o.	Milan Pučko**	100.00%
Adriasole, d.o.o.	Marjan Strnad	98.00%
Ecoporto, d.o.o.	Peter Bolčič	98.00%
Luka Koper INPO, d.o.o.	Mirko Pavšič	100.00%
Luka Koper Pristan, d.o.o.	Darko Grgič	100.00%

* Mojca Černe Pucer was appointed Director of Adria Investicije, d.o.o. as from 22 March 2010.
** Dimitrij Pucer was appointed Director of Adria Terminali, d.o.o. as from 23 March 2010.

Luka Koper Beograd, d.o.o. and Luka Koper Deutschland GmbH, are currently undergoing liquidation procedures, while Eco-morje, d.o.o. and Ecopark, d.o.o. are undergoing summary winding-up procedures. Therefore, these companies were not consolidated. These companies were not operational in 2009.

The amounts of payments, reimbursements and benefits of the Management Board members are reported in Note 4 of the Financial Report of Luka Koper, d.d., while information of the number of shares owned by the Management Board members is included in the chapter The Share.

STATEMENT OF NO CONFLICT OF INTEREST

Pursuant to Appendix C3 to the Code of Governance of Public Limited Companies, on 1 April 2010, Members of the Management Board of Luka Koper, d.d., individually signed the Statement of no conflict of interest, which would otherwise be demonstrated by individual member of the Management Board:

- Having currently or in the past three years significant business relations with either Luka Koper, d.d., or its related company,
- Being a major shareholder of Luka Koper, d.d.,
- Having as an individual either economic, personal or any other close ties with the major shareholder or its Management Board,
- Being a significant supplier of goods or services (inclusive of consulting or auditing services),
- Having received in the past three year major additional receipts from Luka Koper, d.d., or its related company, other than payments received as member of management bodies of any of these companies,
- Being in the past three years either a partner or employee of the current or past external auditor of Luka Koper, d.d. or its related company,
- Being a close relative of another member of the Supervisory Board or the Management Board of Luka Koper, d.d.

MANAGEMENT AND GOVERNANCE OF SUBSIDARY COMPANIES

Following a decision of the Supervisory Board and the Management Board of dissolution of some subsidiaries which were either dormant or not operational and by placing individual companies in mixed ownership among associated companies, the number of subsidiaries has decreased compared with the previous year. With their variety of activities, provided in accordance with strategic goals, subsidiaries complement the parent company's operations. For more efficient implementation of the management and governance standards applicable to Luka Koper, d.d., and appropriate supervision, members of the parent company's Management Board are also members of the subsidiaries' General Meetings.
There are strong ties between the parent company and its subsidiary also at the level of business functions, particularly in development and marketing, accounting, financing, legal consulting, environmental protection, IT support and human resource management.
The activities of individual subsidiaries are described in the chapter Activities of the Luka Koper Group, whereas more details about the changes in subsidiaries, associates and jointly controlled companies are provided in the Consolidated Financial Report.

INTERNAL AUDIT AND THE SYSTEM OF INTERNAL CONTROLS

The Luka Koper Group has set up its own internal audit function which operates in the framework of the controlling company Luka Koper, d.d. The service was established to provide independent supervision over the legality, accuracy and regularity of the Group's operations.
In terms of the reporting structure, internal audit function is directly responsible to the Chairman of the Management Board of Luka Koper, d.d. Its fundamental task being sustained development and review of the internal control efficiency in terms of managing all types of operational risks as well as other risks which the Luka Koper Group is exposed to. Internal audit performs audits of fundamental business functions of all business sand organisational units of Luka Koper, d.d., as well as in other organisations where the Company holds a significant interest. The internal audit's objective is to provide efficient and cost effective operations in line with the strategy and business policies of Luka Koper, d.d., defined business processes, legislation and regulation and with a view of mitigating all types of risks.

INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

By implementing adopted policies and procedures applicable to the internal control system in the field of accounting, our objective is to ensure efficient and successful operations of the Luka Koper Group, as well as accurate, reliable and complete accounting records, preparation of accurate and true financial statements and effective management of risks related to financial reporting.
Accounting internal controls are implemented in order to ensure reliable accounting information by preventing and eliminating errors that may occur in accounting procedures, and to comply with current legislation, standards, regulations, guidelines and adopted policies as laid-down in the Company's internal rules.
Fundamental internal accounting controls directly impact the accuracy, reliability and completeness of accounting records and financial statements compiled on their basis:

- Data accuracy controls (ensuring that business events are recorded in the accurate amount and in the correct period, preventing unauthorised data changes, and similar)
- Data processing completeness controls (all business events must be recorded in the accounting records and in financial statements, which is ensured by numbering accounting documents ...)

Supervisory or management internal accounting controls:

- Segregation of duties: well-defined rights and responsibilities are of key importance to ensure that transactions are carried out in accordance with the set business policy, guarantee successful performance of the company and that all business activities and events are recorded accurately and in a timely manner.

CORPORATE GOVERNANCE STATEMENT

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

The mandatory contents of the Corporate Governance Statement stipulated in Article 70 of the Companies Act and other information about managing the Company are included in this statement and in the Report on Corporate Governance, which is an integral part of the 2009 Annual report and which is available at the web-site www.luka-kp.si

1. **THE COMPANY COMPLIES WITH THE PROVISIONS OF THE CORPORATE CODE FOR PUBLIC LIMITED COMPANIES.**
   The management of the parent company Luka Koper, d.d., complies with the Articles of Association of the public limited company, the Companies Act, and the Corporate Governance Code for Public Limited Companies.

   WE COMPLY WITH THE RECOMMENDATION OF THE CORPORATE CODE FOR PUBLIC LIMITED COMPANIES
   The Corporate Governance Code for Public Limited Companies was drafted and adopted by the Ljubljana Stock Exchange, the Association of Supervisory Board members of Slovenia and the Association of Managers on 18 March 2004, and supplemented and amended on 14 December 2005 and 5 February 2007. The Corporate Governance Code for Public Limited Companies is available on the Ljubljana Stock Exchange web-site (www.ljse.si).

   The Management Board and the Supervisory Board declare that in the year 2009 they have complied with the provisions of the Corporate Governance Code for Public Limited Companies, except for some deviations relating to the following items:
   Item 1.1.: In revising its Articles of Association, the Company will define the maximisation of the Company's value as its primary objective, alongside other objectives pursued by the Company in the performance of its activities.
   Item 3.4.6 The members of the Supervisory Board are not insured against liability. In future the Company will make efforts to implement suitable measures.
   Item 3.6.4.: The Chairman of the Committee should not simultaneously hold function of the Supervisory Board's chairman. The Committee should regularly report on its operations to the Supervisory Board.
   Explanation: At the end of 2009, Janez Požar, DSc., was chairman of the Audit Committee and chairman of the Company's Supervisory Board.
   Item 3.9.1.: It is recommended that Supervisory Board establishes a Remuneration Committee.
   Explanation: In 2009, Remuneration Committee was not established.

   Signatories of the statement of compliance with the Corporate Governance Code for Public Limited Companies:
   The Management Board and the Supervisory Board

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

3. **With regards to data relating to companies obligated to apply the Takeover Act,** we state that the Company was not subject to the relevant provisions of the Takeover Act as the circumstances requiring the application of these provisions did not exist.

4. **The operations of the General Meeting, its key competencies and description of shareholders' rights and the method of exercising these rights** are legally defined and stipulated in more detail in the Company's Articles of Association, which are accessible to the public on the website www.luka-kp.si. The operations of the General Meeting in 2009, key competencies and shareholders' rights and the method of exercising these rights are described in the Report on Corporate Governance, subchapter Two-Tier Management System and General Meeting of Shareholders.

5. **Information about the composition and operation of the management and supervisory bodies and their committees** is described in the Report on Corporate Governance, subchapters Supervisory Board and Management Board.

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

- Supervision over the accuracy and precision of the work performed by employees (reconciliation between analytical records and the general ledger, cross-checks, control over transactions between subsidiaries, and similar.)

Implementation of internal accounting control procedures ensures that information used in decision-making process for internal and external users is reliable, accurate, timely and cost-efficient. Accounting internal controls are closely tied to and dependent on IT controls which limit access to and secure data as well as the accuracy of data capturing and processing.

EXTERNAL AUDIT

In accordance with the recommendations stipulated in the Code of Governance of Public Limited Companies concerning change of auditors after a period of no more than 5 years, the General Meeting of Shareholders at its 16th regular session appointed auditing firm Ernst & Young, d.o.o., Dunajska 111, Ljubljana as the auditors of the financial statements of Luka Koper, d.d., and consolidated financial statements of the Luka Koper Group for the year 2009.

ANALYSIS OF OPERATIONS OF THE LUKA KOPER GROUP AND LUKA KOPER, D.D.

EVENTS AND ACHIEVEMENTS IN 2009

JANUARY
- By signing a cooperation agreement we confirmed our commitment to the future support of the University of Primorska.
- We participated at the specialist trade fair Fruitlogistica in Berlin.
- Supervisory Board of Luka Koper, d.d. adopted the Company's business plan for 2009.

FEBRUARY
- The Ministry of Environment and Spatial Planning issued a decision for operation of 96m of the newly constructed container shore.
- As part of the Marco Polo 2 programme, the European Commission adopted a decision to co-finance the project of establishing a shipping link between Koper and Barcelona (Kobalink).
- We signed letters of intent for cooperation with the following ports: Venice, Trieste and Ravenna, to improve marketing potential, quality and efficiency of the North Adriatic port system.
- The »Coral«, owned by the French shipping company CMA-CGM, which provides regular service between the Far East and the Adriatic, was the first ship to be moored along the new extension to pier I.
- We awarded certificates to the best suppliers of 2009.

MARCH
- We presented our activities at the General Meeting of the Association of Indonesian Forwarding Agents in Jakarta.
- We obtained operating certificate for access ramp to the car warehouse facility.
- In cooperation with the Municipality of Koper, Consortium For Development and Promotion of Cruises and Slovenian Tourist Board, we presented our activities at the largest global cruise fair Medcruise in Miami.
- The 15th general Meeting of Shareholders of Luka Koper, d.d. was held and which among others, adopted a resolution for the performance of an extraordinary audit.
- Orjano Ban and Boris Bradač, both representatives of workers, resigned as members of the Supervisory Board of Luka Koper, d.d..

APRIL
- International company Infinity Logistics and Transport, with its registered office in the port of Klang in Malaysia, become an agent for Luka Koper, d.d. on the far East markets.
- The Workers' Council elected Mladen Jovičič and Stojan Čepar as their representatives in the Supervisory Board of Luka Koper, d.d..
- We obtained operating permit for the disposal facility in front of pier II.
- With Japanese corporation Mitsubishi we signed a contract for a long-term lease of tankers for the throughput of alcohols.
- We signed a cooperation agreement and agreement for establishment of a multimodal promotional centre with the ports of Venice, Trieste and Ravenna.

MAY
- At the International Forum Fresh Produce Mediterranean, the Green Med Journal named Luka Koper, d.d., as the best services provider in the Mediterranean in 2008
- The Government of the Republic of Slovenia adopted Decree on The National Spatial Plan for the 1st phase of heavy goods vehicle terminal to be constructed in front of the new entrance to the port of Koper.
- At the most prestigious global logistics fair Transport and Logistics 2009 in Munich, we together with the ports of Trieste and Rijeka presented the North Adriatic shipping line.

JUNE
- The Bedi Group from New Delhi became a representative of Luka Koper, d.d. in India.
- Luka Koper INPO, d.o.o., established its first Workers' Council.
- Adria Terminali, d.o.o., gained a quality management system cer-

tificate according to ISO 9001:2008 international standard.
- The Supervisory Board granted discharge to Robert Časar, the then Chairman of the Management Board and to Aldo Babič, MSc., Deputy Chairman of the Management Board.
- The Supervisory Board appointed Gregor Veselko, DSc., new Chairman of the Management Board.
- The arrival of the large container ship Balzac marked the beginning of operation of the new regular container line to the Far East, provided by the shipping agents CMA CGM and Maersk Line.
- We obtained certificate of safety compliance of Luka Koper, d.d. with the provisions of the International Ship and Port Facility Security Code (ISPS Code).
- The Supervisory Board granted discharge to its Chairman Boris Popovič and appointed Olga Franca as its new Chairperson.

JULY
- The new web site www.zivetispristaniscem.si was set up, which offers a wider insight into the Company's sustainable policy with emphasis on environmental protection, social responsibility and the port's development.
- The 16th session of the General Meeting of Shareholders of Luka Koper d.d. was held.
- At its constituent session, the Supervisory Board appointed Janez Požar, DSc., as its Chairman and Tomaž Može as his Deputy.
- Maritime Security services acquired a new special boat »Galeb« with wings for skimming and cleaning the surface in the event of sea pollution.
- We received the first of four new container post panamax cranes.

AUGUST
- Resignation of Marjan Babič, Msc., and Boris Marzi, Msc., members of the Management Board.
- The Supervisory Board acknowledged the preliminary report on the extraordinary audit, issued by the auditing firm Pricewaterhouse Coopers.

SEPTEMBER
- We celebrated 30 years of operation of our container terminal.
- The Supervisory Board of Luka Koper, d.d. appointed Tomaž Martin Jamnik and Mirko Pavšič as the new procurators.
- We presented our activities at the Transport and Logistics fair in Brno, the Czech Republic.
- At the Open House Event a large number of visitors was able to have a close look at the port of Koper.
- Opening of the land container terminal in Curtici near Arad, Romania.

OCTOBER
- We gave warm welcome to delegation of the Egyptian Ministry of Transport, representatives of the port of Alexandria, representatives of shipping agents and agricultural associations and discussed establishment of sea motorways between European countries and the countries of the North Africa.
- Unveiling began of the draft proposal of the National Spatial Plan (NSP) for the complete spatial regulation of the port for international transport in Koper and environmental report for NSP, which was on show until 15 November.
- The Supervisory Board approved the appointment of Tomaž Martin Jamnik as member of the Management Board of Luka Koper, d.d., covering marketing and throughput and appointed him Deputy chairman of the Management Board.
- Public discussions were in progress with regards to the draft NSP proposal for the complete spatial regulation of the port for international transport in Koper.
- In Malaysia and Singapore we held a presentation of activities of Luka Koper, d.d. and Slovenia as the logistics platform for transport of products to the Central and South-Eastern Europe.

NOVEMBER
- We achieved record monthly throughput of containers with 34,963 Twenty-Foot Equivalent Units (TEU).
- For the first time we performed throughput of the major quantity of Twenty-Foot Equivalent Units (4,400 TEU) from a single ship, namely the CMA CGM Flaubert.
- The newspaper Finance awarded a special certificate to Luka Koper, d.d. for the best sustainable report 2008 on the Slovene territory.
- The North Adriatic ports of Koper, Trieste, Venice and Ravenna

established the North Adriatic Port Association (NAPA), whose first president with a six-month mandate was elected Gregor Veselko Dsc., Chairman of the Management Board of Luka Koper, d.d.
- At the traditional event »Luka Koper presentation", the Company presented its activities to the existing and potential business partners in Vienna, Bratislava and Budapest.
- The Supervisory Board appointed Marko Rems member of the Management Board covering finance, accounting and economy.
- A new regular container line Adriatic Levant Express, owned by Maersk line began operating; the line will connect the port of Koper with other Mediterranean ports.
- We picked olives from 190 olive trees and produced 102 litres of extra virgin oil from 486 kg of olives. The oil will be used for business gifts.

DECEMBER
- Adria Transport, d.o.o., the associate of Luka Koper, d.d., obtained a safety certificate for the performance of services of rail cargo on the territory of the Republic of Slovenia.
- Environmental Agency of the Republic of Slovenia gave its approval to the plan of acceptance of ship waste and cargo remnants.
- Luka Koper, d.d., obtained a safety certificate for the performance of marshalling on the rain infrastructure on the location of the railway station in Koper.
- The Vienna Stock Exchange included the Luka Koper share in its CEERIUS index, which comprises fifteen other companies quoted on the Central and Eastern European stock exchanges and are regarded the leading sustainable development companies.

IMPORTANT EVENTS SUBSEQUENT TO FINANCIAL YEAR END

JANUARY
- We recorded throughput of 1,506,878 tons of goods, the highest amount so far recorded in January.

MARCH
- Marko Rems took up his position as the third member of the Management Board, once his appointment was approved by the Supervisory Board on 6 November 2009.
- Following acquisition of a 49 percent interests from the Slovak company Spedition Trade Trans Holding a.s., Luka Koper, d.d., acquired a 100 percent interest in the company Adria Terminali, d.o.o., which administers the logistics centre in Sežana. At the same time Luka Koper, d.d., disposed off its 17 percent interest in Trade Trans Terminal s.r.l. , from Arad.
- At the 17th General Meeting the Shareholders adopted a resolution instructing the Management Board of Luka Koper, d.d., to within six months file compensation claims against the former management of the Company. In accordance with the counter proposal of KAD and SOD and which was approved also by the government as the majority owner, the auditing firm Pricewaterhouse Coopers, d.o.o., must supplement its extraordinary audit report with four missing issues.

APRIL
- Chairmen of the Management Boards of Luka Koper, d.d. and SID banka singed a contract for a long-term loan of EUR 30 million approved to Luka Koper by the SID banka for a period of 15 years, for the completion of the investment in expansion of the container terminal on pier I of the port of Koper.

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

CHARACTERISTICS OF THE ECONOMIC ENVIRONMENT

INCLUDED IN THE GLOBAL ECONOMIC DEVELOPMENTS

The year 2009 brought a major turnaround in the history of global trade and economy. Tighter credit conditions as a result of the global financial crisis and reduced demand for goods and maritime transport services lead to slowdown in international maritime trade and were also reflected in our operations.

LOWER TRADING LEADS TO REDUCED THROUGHPUT

Due to a decrease in global trade, international maritime transport suffered a considerable reduction in the scope of all most widely used cargo such as containers as well as dry and bulk cargoes. In global terms container throughput had been increasing in recent years at an annual rate of 15 percent. Current economic crisis put a stop to this growth and in 2009 all European ports recorded a considerably lower throughput of containers. On global level last year container throughput fell by as much as 10 percent. Forecasts* for 2010 envisage a minimum or no growth at all, and an increase in demand in the following year. Signs of recovery were reported in the second half of 2009 by the ports located in the far Asia which is also a sign of international trade recovery. The port of Koper is ready to meet the increased demands for container throughput expected to be realized during the economic revival and we have devoted much attention to this particular sector and have invested heavily in its development.

A DROP IN DEMAND FOR MARITIME TRANSPORT

In spite of the general reduction in economic activity, supply of new vessels continues to rise. At the beginning of 2009 the world's trade fleet increased by 6.7 percent in comparison with January 2008. This growth is the result of orders for new vessels placed prior to the financial crisis when global economy was

anticipating further high levels of growth in demand. Due to increased number of vessels, global economy is facing a surplus of supply over demand and consequently with reduction of ship fares. At the end of 2008, the Baltic Dry index which follows international prices of ship fares for a variety of dry cargoes dropped to 663 index points, its lowest level since 1986. By the end of 2009, fares had risen slightly to reach the level recorded in 2006.

POSITIVE IMPACT OF ALLOWANCES ON CAR SALES IN EUROPE

Crisis on automotive markets was not felt only by manufacturers and car dealers but also those who ensure that these cars are supplied to final customers. As a result of a prominent decrease in sales of cars, many countries took short-term measures that are designed to help the automotive sector. Several member states introduced tax allowances on purchases of environmentally friendly and efficient cars, or special subsidies on exchange of old cars for new, more ecologically viable. These measures had a positive short-term impact on the sale of cars and probably saved the automotive industry from an even deeper crisis.

COMPETITIVENESS AS THE DECISIVE FACTOR

Luka Koper, d.d., felt the impacts of economical slowdown and reduced public consumption on the most important hinterland markets in the first six months of the year. It was reflected primarily in reduced throughput of raw materials, semi-finished products and energy sources for industrial production, primarily in the steel and automotive industry, and also in a reduced throughput of cars.

In terms of forecasts for the financial year 2010, we are faced with major uncertainties. Slow-down in the contraction of manufacturing and trade activities will be reflected in a more stable volume of throughput and increased number of transported containers. Reorganisations of production lines in a large number of manufacturing plants will impact the forecast of a slight growth in throughput of cars. A gradual increase is also expected in product groups used for basic supply of industry and population.

Strengthened competitive advantages allow the port of Koper for a wide range of development opportunities in spite of uncertain forecasts with regards to the global economy. Our geographical position, particularly a shortcut between Central Europe and Far East, excellent services and solid investments provide a good basis for further development of the port and increase in throughput.

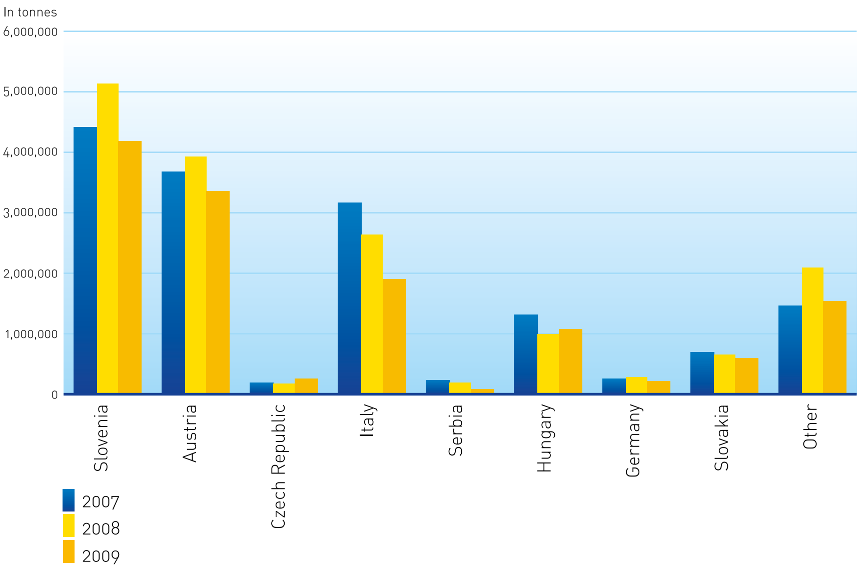
* Source: "Annual Review of Global Container Terminal Operators 2009.", Drewry Shipping Consultants.

MARKET POSITION

MAINTAINING OUR POSITION ON STRATEGIC MARKETS

In spite of recession we have largely maintained our position on more important hinterland markets and in some instances, we even strengthened our position. We considerably increased container throughput on Hungarian and the Czech markets and successfully directed through the port of Koper large amounts of fruit and vegetables from Israel. Demanding economic environment is an additional reason for more intensified increase in recognition of the Adriatic transport routes and promotion of the port of Koper as efficient port system and distribution centre.

Throughput by markets



SLOVENIA

Our largest market accounts for almost one third of total throughput and continues to maintain its relative share in 2009 despite a drop in throughput. The predominant flow of products are primarily energy resources such as coal and oil products. In 2009 there was a slight increase in the volume of liquid throughput and a slight fall in dry bulk cargoes, cars and the general throughput.

AUSTRIA

Austria is our largest market for transit goods and we have achieved exciting results in container throughput as in spite of unfavourable economic conditions we increased the Two-Feet Units (TEU) by a quarter compared to the year 2008. Government subsidies for car purchases had positive impact on sales which meant that the level of car throughput for Austrian market remained at the level recorded in the previous year. Economic crisis was the reason for a decrease in throughput of iron ore, alumina, chromium ore as well as other raw materials used in industrial production.

ITALY

Italy is one of our most important markets primarily due to large amounts of throughput of coal used by thermal power stations. There was a decrease in throughput of coal in 2009 as a result of a fall in industrial production and consequently also a decline in electrical power production compared to the previous years.

GERMANY

The impact of economic recession on reduced transport of cars by sea, which accounts for the major share of cargo transport for the German market, was decisive for a drop in throughput for the German market by one fifth. In 2009 our presence on the German market was demonstrated by throughput of cars and containers, while in future we shall continue our intense marketing activities for throughput of other cargos such as bulk, general and liquid cargoes.
The size and development of the German market as well as its advantages and less costly routes via

»The advantages of shorter and less costly routes via the port of Koper, primarily for cargo coming from and destined for countries in North Africa, Middle East and Far East, provide exceptional opportunities for redirecting the flow of cargo to our port.«

the port of Koper (primarily for cargo coming from and destined for countries in North Africa, Middle East and Far East) provide exceptional opportunities for redirecting the flow of cargo to our port.

HUNGARY

In Hungary, one of the countries most affected by the global financial and economic crisis, industrial and agricultural production fell by about a fifth. A considerable fall in production was noted primarily in automotive and electronic industries. The impact of economic crisis on Hungarian market was especially strong in throughput of new cars and which was made worse by a drop in sales of imported cars.

»Total throughput for the Hungarian market was larger than in 2008 and we noted record results in throughput of containers.«

In spite of it all, total throughput for the Hungarian market was larger than in 2008 and we noted record results in throughput of containers. Excellent rail connections with the Hungarian market, improved container terminal capacities and increased recognition of the port of Koper by the Hungarian clients are the reason why the flow of goods was redirected from the North European ports to the South European route, leading through the port of Koper.

SLOVAKIA

The share of throughput for the Slovak market in 2009 was moving at the level of 4 percent although the quantities of throughput were slightly lower. The major share of throughput quantities represented steel products and cars.
In addition to their geographical position, the Slovak and Czech markets share a number of characteristics such as are automotive and steel industries. To further increase our presence on both these markets and to direct larger quantities of throughput to the port of Koper, we established a representative office in Bratislava, which will cover both these markets.

CZECH REPUBLIC

In 2009, the Czech Republic was our fastest growing hinterland market. Although with a quarter million of throughput tons it is considered one of our smaller markets, it offers major opportunities for increase. Throughput of containers was more than doubled last year, while throughput of steel products was almost trebled which can be in part contributed to the start-up of production in the new Hyundai plant in Nošovice.

»The Czech Republic was our fastest growing hinterland market.«

ROMANIA AND BULGARIA

Both these markets hold strategic importance for the port of Koper due to their countries' strategic locations with Pan-European Transport Corridors. Together with our business partners we opened a container terminal in 2009 in Romania for promoting and directing larger quantities of throughput from this particular part of the Balkans. Furthermore we established a direct and regular rail connection between the port of Koper and the terminal in Curtici.

MIDDLE EAST AND FAR EAST

The throughput of goods on route Israel – Koper has increased considerably thanks to improved shipping services from Israel. Additional quantities of fruit and vegetables which were until recently dispatched on European markets through other logistics routes, were in 2009 handled by the port of Koper.
Our activities on the Asian markets were intensified by two new representative offices which were open in India and the Far East.

ANALYSIS OF OPERATIONS OF THE LUKA KOPER GROUP AND LUKA KOPER, D.D.

BUILDING ON SOLID FOUNDATIONS

As a result of recession that marked the 2009 financial year, we recorded a 15 percent reduction in operating revenue and an 18 percent fall in throughput compared with the previous year. Thanks to increased growth in port services with added value, we successfully increased income per tonne of throughput by 3 percent. In order to provide solid foundations for our future development and work, the Management Board and the Supervisory Board of Luka Koper, d.d., adopted a decision to recognise an impairment of investments that do not ensure expected returns. Consequently, the Company recorded a loss.

PERFORMANCE OF THE LUKA KOPER GROUP

To combat the impact of global economic recession, in 2009 we devoted our efforts to maintaining the largest share of throughput which we recorded in 2008. The Luka Koper Group reported a 15 percent reduction in operating revenue and an 18 percent decline in the quantities of goods throughput.

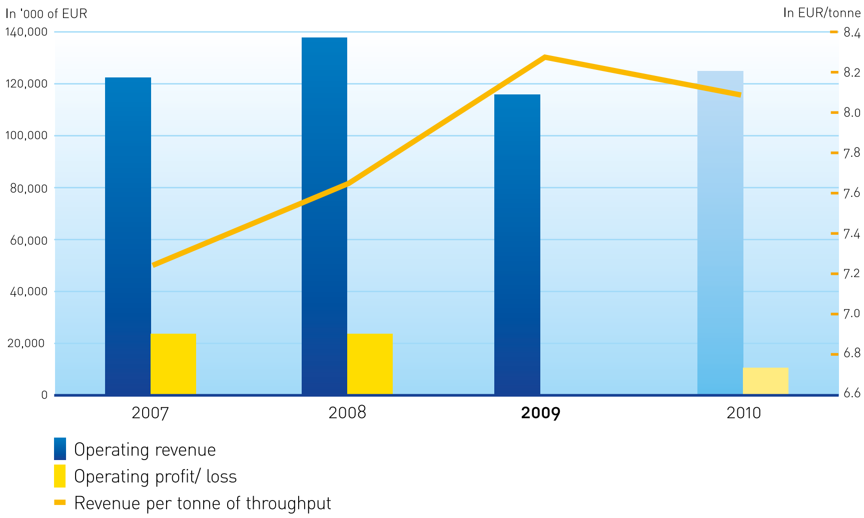
Decreased demand for port and logistics services further contributed to a decrease in the number of employees. In spite of this, added value per employee was maintained at the level of 85 percent achieved per employee in 2008, primarily as a result of the provision of port services with increased margin, which was further reflected in a 3 percent increase in revenue per tonne of goods throughput.

Plans for year 2010

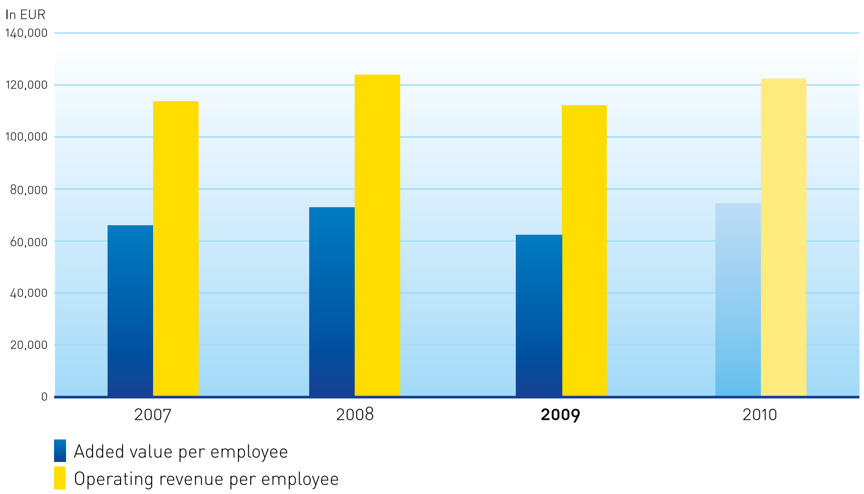
Decisions which were adopted in the past year for strategic development in terms of expanding capacities in the port and terminals on separate locations, did not bring expected results. We responded to this by derecognition of certain fixed assets and by impairment of certain investments.

In 2010 we intend to again record growth and achieve results which we achieved in the past. 7 percent

Increase in revenues per tonne of goods throughput



Added value per employee and return of sales



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

Major categories	2007	2008	2009	Plan 2010
Operating revenues	122,221,810	137,228,249	116,124,640	124,592,000
Operating costs	98,827,040	113,624,198	124,303,240	114,234,000
EBITDA	40,029,333	42,676,582	13,919,625	37,427,000
Operating profit/loss (EBIT)	23,394,770	23,604,051	-8,178,700	10,358,000
Value added per employee	66,370	73,291	62,338	74,247

growth in revenue and operating profit of EUR 10.4 million can be achieved, particularly as at the end of the year there were signs that global economic crisis reached its peak and there were first signs of revival as distinctly negative movements in leading countries abated. Another promise of improved conditions was also record throughput reported in January 2010.

Operating revenue of the parent company accounts for 93 percent of total operating revenue of the Luka Koper Group, hence the impact of the parent company's performance on the Group is rather distinctive. Our performance analysis of the Luka Koper Group also represents the performance of the parent company.

OPERATING REVENUES

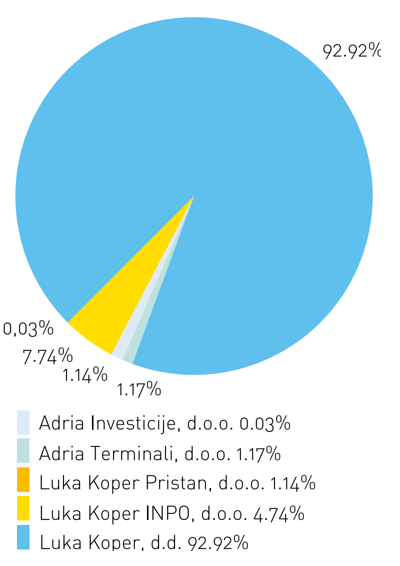
Two-digit growth in operating revenue recorded in the past decade, was in 20009 followed by a negative growth. In 2009, operating revenue accounted for 85 percent of revenue recorded in 2008. This is due to the reduction in the goods throughput (not taking into account results of Adria-Tow, d.o.o.) and further EUR 4 million reduction of operating revenue arising from the process of consolidation.
Of total EUR 116 million of operating revenue, 65 percent was generated on foreign markets. Major share of revenue (97 percent) was denominated in euro, and the remaining 3 percent in US dollars; this is favourable also in terms of foreign currency risk. Details of exposure to risks and risk management are described in Note 31 of the Consolidated Financial Report.
Reduced revenue is primarily result of reduction on revenue from the core activity of the parent company.

Although we successfully increased throughput of timber, fruit and liquid cargoes, (in spite of global economic crisis), in terms of throughput of dry bulk cargoes and cars, we recorded the worst results in recent years. The throughput of more than 343,000 of containers accounts for 97 percent of throughput recorded in the previous year, while record quantities of fruit and vegetables, timber and liquid cargoes were achieved by investments in new capacities and technology.

REVENUES FOR ACTIVITIES

Vessel towing activities, which in the past accounted for 4 percent of the Luka Koper Group revenue, were in 2009 eliminated from the Luka Koper Group's activities. Compared to the previous year, in 2009, the number of ships coming into the port fell by 15 percent to 1,895 vessels. On average we carried out more than two tows for each of these ships. Revenue generated by the logistics services provided by the hinterland terminal and hotel services accounted for 2.3 percent of total revenue of the Luka Koper Group. Both, the parent company and the terminal in Sežana recorded 17 percent reduction in operating revenue. The terminal is facing higher operating costs due to its distance from the port and this is reflected in the market prices. In spite of intense market conditions, the demand and business potential are high however, at present the existing technology and storage capacities prevent us from responding to all demands. In hotel services, which include restaurant services and accommodation in a 4 star hotel, we recorded a 2 percent increase in revenue. By providing auxiliary service of marketing conference room, provision of local information and catering facilities, we made our visitors' stay more pleasant and comfortable.
Activities of maintenance, production and maritime utility services account for 5 percent of all operating revenue of the Luka Koper Group. These activities are closely tied to the performance of the parent company, hence we recorded a 13 percent fall in the revenue. We strengthened our activities relating to sea protection and added a new vessel to our fleet of ecological vessels. Now we are able to take measu-

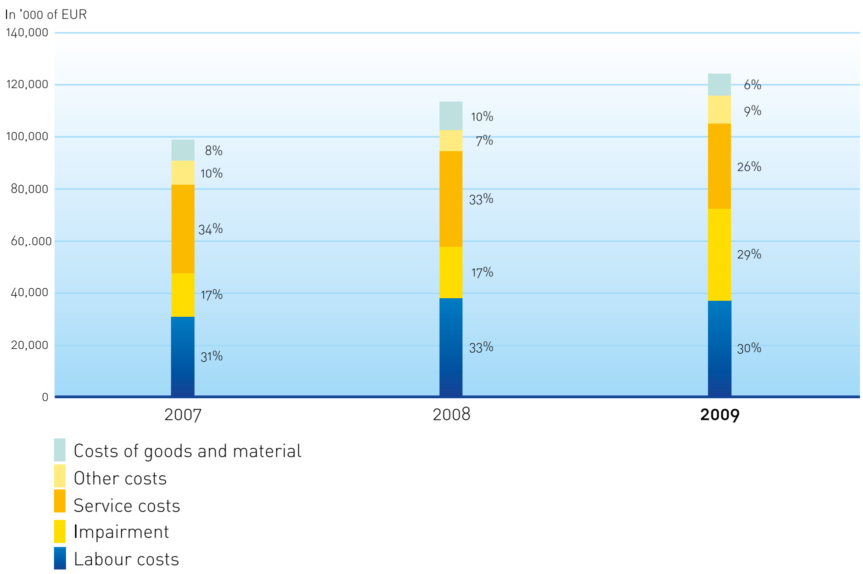
Structure of operating revenues of the Luka Koper Group by company



»The provision of port services with increased margin was further reflected in a 3 percent increase in revenue per tonne of goods throughput.«

res for the prevention of sea pollution in the location of the port aquatorium in compliance with the Concession agreement.
Operating revenue is inclusive of EUR 2.3 million of other revenue achieved on disposal of certain items of fixed assets, subsidies received for employment of disabled people, and contractual settlements due to delayed supply of assets.

Structure of operating costs



OPERATING COSTS

Operating costs were affected by increased costs of amortisation and depreciation and by derecognition of some items of fixed assets. Labour costs fell by 3 percent in spite of the fact that the Company complies with the collective entrepreneurial agreement. On the other hand, as a result of the Concession Agreement with the Government of the Republic of Slovenia, the costs of rent payable to the government, considerably exceeded the amount envisaged in 2008. Considerable investments in improved terminal capacities are reflected in increased amortisation and depreciation charges. As some of these investments were in economic terms less profitable, we derecognised fixed assets to the amount of EUR 13.4 million.

»Operating costs were affected by increased costs of amortisation and depreciation and by derecognition of some items of fixed assets.«

Costs of material

Costs of materials fell by 20 percent primarily due to a reduced scope of maintenance and lower use of energy sources as these account for two thirds of costs of materials. Due to reduced movement and handling of goods in warehouses as a result of reduced cargo, energy costs were also lower. The cost of electricity fell by 2 percent, while the cost of fuel was reduced by 23 percent.

Service costs

The majority of service costs (80 percent) represent costs of port services provided by contractors, maintenance services and costs of other services. Compared to the year 2008, costs of services fell by 12 percent to EUR 32.7 million.
Costs of port services were reduced by 28 percent. The reason for reduced need for services provided by external contractors is reduction in the throughput, which additionally resulted in redundancies. Redundant workers were engaged on doing work previously done by external contractors, which additionally resulted in reduced need for services provided by external contractors. Costs of maintenance fell by 17 percent to EUR 7.2 million, which accounts for 6 percent of operating revenue.
Among costs of services, we should highlight costs of IT support and concession agreement. EUR 3.4 million was earmarked for upgrading and maintaining the whole information system of the Luka Koper Group. This accounts for 2.9 percent of operating revenue. Concession fees have been accrued from October 2008, replacing the payment of rent as agreed in the previous lease agreement. The impact of the concession agreement on the operating results in 2009 amounted to EUR 3.6 million.

Labour costs

Labour costs account for one third of all operating costs. In the period under review, they reached EUR 37 million, a decrease of 3 percent compared to the previous year. At the end of the year the number of employees stood at 1.032, 77 fewer than in 2008.

In terms of employee reduction it should be pointed out that in 2009 Adria-tow d.o.o., the company employing 29 staff is no longer included in the consolidation of the Luka Koper Group. (Information about employees are presented in chapter Sustainable development.)
Labour costs inclusive of costs of external contractors providing port services account for 39 percent of total costs of the Group. They relate to human resource risk management described in chapter Risk Management.

Write downs
Due to intense investment activity, the cost of amortisation and depreciation rose by EUR 3 million or 16 percent to a total of EUR 22 million, accounting for 19 percent of total operating revenue of the Group, and 20 percent of the total Group's investments.
In 2009 we wrote-off EUR 13,4 million of fixed assets, which resulted in the recognition of EUR 760 thousand of costs not recognised for tax purposes giving rise to the obligation to repay value added tax. Therefore, in the income statement we reported fixed assets derecognition of total of EUR 14.2 million.
We generated EUR 13.9 million of simplified cash flows. Without taking into account write-offs due to bad investments in the past, the cash flow amounted to EUR 28.1 million, which accounts for 66 percent of the cash flow generated in 2008. The reduction is mainly due to reduced level of operating revenue.

»We generated EUR 13.9 million of simplified cash flows.«

FINANCE INCOME AND EXPENSES

The Luka Koper Group incurred EUR 64 million of financial loss, which was primarily due to impairment of investments in associates and impaired interests in other companies, which are carried at cost. As there were indications of impairment, at year-end we commissioned valuation of certain investments and recognised impairment loss of EUR 59.1 million, which considerably affected the amount of the net result. Interest costs are also up due to intense investment activities of the parent company in recent years, and also as a result of higher interest rates which reflect present circumstances in the global economy.

PROFIT OR LOSS FOR THE YEAR

All the factors discussed above impacted the operating result of the Luka Koper Group in 2009, which is a loss of EUR 66.6 million. By impairment and derecognition of bad investments which were not expected to bring the rate of return we had hoped, we have set solid foundations for future development of the Company and the Group.

CHANGES IN ASSETS AND LIABILITIES

As at the last day of the year 2009, total assets of the Luka Koper Group amounted to EUR 531.7 million, a decline of 4 percent compared with 2008. The most significant items of non-current assets include property, plant and equipment of EUR 387.9 million and non-current investments of total EUR 82.8 million. Since the beginning of the year, the value of property, plant and equipment rose by 7 percent as a consequence of past intense investment in increased capacities of the parent company. (More details about the investment cycle are reported in chapter Investment policy.)
The reduction in the value of non-current investments of the Luka Koper Group as at 31 December 2009 compared with the previous year, is primarily due to impairment losses as explained in more details in sections Finance income and finance expenses and Note 16 of the Consolidated Financial Report.
The change in current assets as at the last day of 2009 relates to the reduction in current investments, the balance of cash and deposits with banks. The major impact on the amount of current investments was due to the conversion of current loans into shareholdings in two subsidiary companies.
At the year-end, the equity of the Luka Koper Group amounted to EUR 247.4 million, a decrease of 20 percent compared with 2008. The net reduction is primarily the result of the net loss incurred in 2009 and reduction in equity of the minority shareholder as a consequence of the change in 2009 in the method applied in consolidation of Adria-Tow, d.o.o..
Compared with the balance at the beginning of 2009, financial liabilities of the Luka Koper rose by 16 percent or EUR 33.2 million. Of the total amount of liabilities, non-current financial liabilities account for 64 percent and current financial liabilities for 36 percent. Financial liabilities are increasing in line with extensive investments of the parent company.
More information about financial liabilities of the Luka Koper Group is provided in sections Financial management and Notes 27 and 28 of the Consolidated Financial Report.

MARKETING: PRODUCT GROUPS AND MARKETS

INTENSE PROMOTION OF NEW CAPACITIES AND EQUIPMENT

We have adapted our marketing strategy to the present economic circumstances and are focusing on our core activity of throughput, warehousing, auxiliary port services and on providing support to our customers. Thanks to new capacities container throughput fell by only 3 percent and we are determined to continue in the increase of throughput of perishable goods.

MARKETING STRATEGY: THE CORE PORT ACTIVITY IN THE FOREFRONT

Market changes and tense market circumstances have demanded deliberate adaptation of our market strategy. We have focused on our core activity comprising throughput, warehousing, auxiliary port services and supporting our customers in setting-up an efficient transport and logistics routes through the port of Koper.

The set marketing policies will be ensured through:

- Further increase in the quality of existing services, and development of new competitive products and capacities in cooperation with our strategic partners;
- Efficient cots management and consequently competitive market prices,
- Diversification of services which will result in mitigation of operational risks;
- Improved quality of relations with customers and strengthened competitive advantage;
- Improved accessibility, responsiveness, adaptability, professionalism, and kindness of all client serving employees;
- Increased port's recognition as an ideal access point for goods intended for the Central and South-European markets,
- Systematic search for new business opportunities with a view to marketing new services on both, our traditional and new markets such as the African, South American and some of the Asian markets which are forecast to record high economic growth;
- Consolidation of our position in the existing markets where we strive to increase our existing market share;
- Strengthening our presence on most significant hinterland markets with the help of a strong network of our own representative offices and on the more remote markets, with the selection of the best agencies.

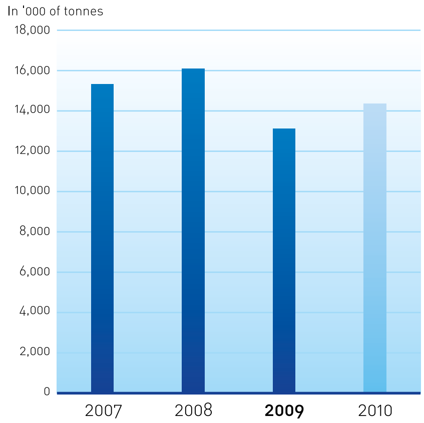
»We increased our throughput share for Hungarian, Austrian, Czech and Slovak markets.«

Solid land and sea connections are of key importance for successful realisation of our goals and for this reason we are striving to establish and strengthen our partnerships with shipping companies and rail operators as well as other private and public providers of services. Furthermore, we cooperate with government bodies which are either operating in the port or are somehow connected with it. This way we can achieve improved harmony and efficiency, as well as free flow of traffic on the transport and logistics route though the port of Koper.

MARITIME THROUGHPUT: CLEAR IMPACT OF TECHNOLOGICAL MODERNISATION

During the recession-affected year 2009 we were, as the majority of European ports, faced with a decrease in throughput. A throughput of 13,143,620 tonnes represents an 18 percent reduction compared with the record-breaking throughput in 2008. Considering current economic circumstances, an only 3 percent decrease in container throughput is a solid result. This was undoubtedly contributed by our major infrastructure investment in recent years i.e. extension of pier I. Throughput of various goods such as liquid cargoes, timber and fruit continued to increase and have proven that continuous upgrading of technology and high level of services are the two key competitive factors.

Movement in maritime throughput



As was expected, the decline was most prominent in cargoes of product groups related to automotive industry particularly in terms of throughput of cars, and also to a large extent in throughput of raw materials and semi-finished products for automotive industry.

COMPARING MARITIME THROUGHPUT WITH THE NEIGHBOURING PORTS

Decline in maritime throughput was registered by all North-Adriatic ports as well as other European ports. Data comparison shows a very similar level of decline in throughput and again reaffirms the advantage of cooperation between North Adriatic ports for the promotion of the North Adriatic transport route to overseas markets, particularly Asian markets. To this aim we support active mar-

keting role of the North Adriatic Port Association (NAPA).
The port of Trieste, located only 8 nautical miles from the port of Koper, in 2009 recorded an 8 percent decline in throughput compared with 2008. While this decline was recorded in all cargoes, the smallest decline was registered for oil which leaves the port through a pipeline. Container throughput fell by 17 percent.
The throughput in the next closest Italian port of Tržič - Monfalcone fell by one fifth of which the largest, 44 percent decline, was recorded in throughput of cars. However, throughput of new cargo, timber, reached 82,000 tonnes in 2009.
The port of Venice recorded decrease in goods throughput of EUR 5 million or 17 percent compared to 2008. Major decrease was registered in throughput of the general and dry bulk cargoes. Throughput of 369,403 TEU represents a 3 percent decline compared with 2008.
The port of Ravenna reported a 28 percent decrease in throughput or 7 million tonnes less than the previous year. Total container throughput of 185,022 TEU represents a decrease of 14 percent compared with 2008.
The port of Rotterdam reported an 8 percent drop in throughput and a 6 percent decrease in container throughput. The port of Antwerp registered a 17 percent less throughput than in 2008, and a 14 percent decrease in cargo throughput.

Container throughput in TEU per port

Port	2007	2008	2009
Koper	305,648	353,880	343,165
Trieste	265,863	335,943	277,245
Rijeka	145,040	168,761	130,740
Venice	329,512	379,072	369,403
Ravenna	206,580	214,324	185,022

MAINTAING THROUGHPUT LEVELS BY MARKET

In terms of total throughput, we increased our throughput share for Hungarian Austrian, Czech and Slovak markets. The highest, 2 percent increase in throughput was recorded on the Hungarian market. On domestic, Slovene market, we maintained the 32 percent share of total throughput, making our domestic market with a total of 4.2 million tonnes of throughput, our core market, followed by Austria (3.3 million tonnes) Italy, Hungary and Slovakia.
(More information about throughput per individual market and our market share is included in chapter Market conditions.)

Throughput in tonnes per ports

Port	2007	2008	2009
Koper	15,362,979	16,050,448	13,143,620
Trieste	46,116,075	48,279,107	44,393,322
Monfalcone	4,411,900	4,022,886	3,203,909
Venice	30,214,695	30,262,230	25,261,657
Ravenna	26,304,507	25,896,313	18,702,876
Rijeka	13,212,464	12,391,591	10,780,000
Ploče	4,214,735	5,100,000	2,800,000

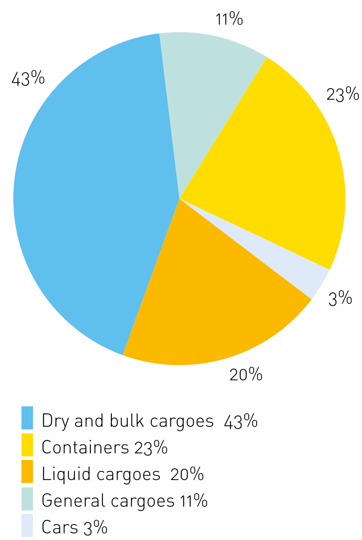
CHANGES IN THE SHARE OF THROUGHPUT BY PRODUCTS GROUP

In the throughput of individual product groups, there was an increase in the share of liquid and general cargoes as well as container throughput, while dry and bulk cargoes and throughput of cars declined. Throughput goods are classified into five main product groups under criteria of similar method of transport and throughput.

CONTAINERS

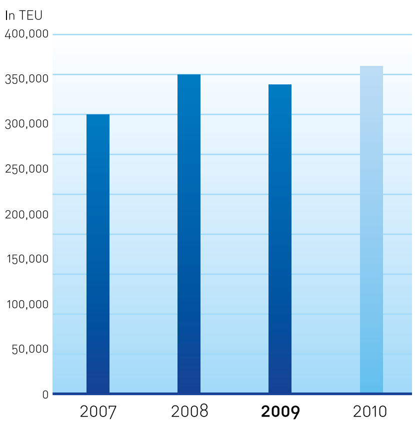
A throughput of total 343,165 TEU (container units), an only 3 percent decrease compared with 2008, is, in present circumstances and in

Structure of throughput by product group (in %)



comparison with other container ports in the region, and particularly in the Northern Europe, a solid result. Major contribution to this result was provided by our new direct shipping link with Far East, which was established following the construction of the new operational shore with hinterland areas and acquisition of four new, more efficient container cranes. These investments allow us to maintain competitive advantage, further increase in throughput and utilisation of the port's potential due to its favourable geographical position.

Movement in container throughput



A considerable contribution to our achievements was provided by new rail connections with hinterland markets and new shipping connections with the east Mediterannean. Increase in the throughput in the last quarter of the year and record-breaking monthly throughput in October with 34,963 TEU, provide good commercial potential for the future. We were most pleased with the increase in throughput for the Hungarian, Austrian and Check markets. On Hungarian and Czech markets we even increased our market share, while a decline in throughput was most prominent on the Slovene market.

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

	2007	2008	2009
Slovenia	132,546	156,299	129,323
Hungary	68,961	70,890	75,824
Austria	23,871	33,041	40,385
Slovakia	29,145	34,805	33,571

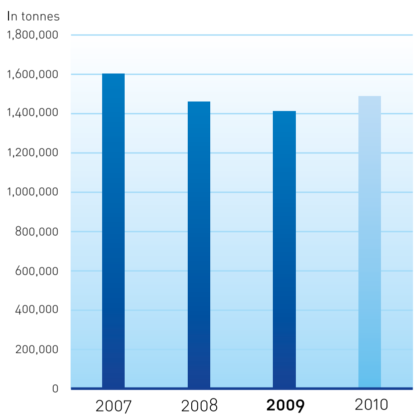
GENERAL CARGOES

Terminals used for throughput of a variety of general cargoes, fruit and perishable goods and terminal used for timber, are also used for throughput of a variety of general cargoes. Although total scope of general cargoes in 2009 fell, we recorded considerable growth in throughput of individual product groups such as fruit and vegetables and timber. Further, throughput of sheet steel, which is closely tied to the manufacturing output of automotive industry, has, after a steep drop at the beginning of the year, gradually increased. At the end of the year we again gained contract for throughput of Slovak steel products which we lost some years before due to non-competitive prices of rail transport to the port of Koper. There was also an increase in throughput of paper, pulp and livestock.

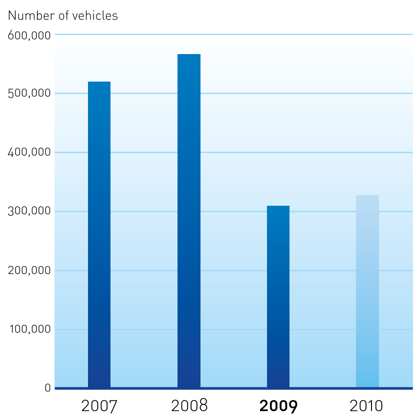
We have noted increased market activity in terms of project cargoes. Methodical and systematic monitoring of the market, communicating improved throughput capacities and good references on transactions successfully carried out, provide even more opportunities for new contracts in this particularly demanding market.

Cut pine timber is one of the product groups whose throughput on timber Terminal has been continuously growing regardless of the global economic situation. Demand for this particular timber, used in Northern Africa and Persian Gulf in construction industry, has remained high. Throughput of timber rose by 4 percent to record-breaking 735,421 tonnes or 1.07 million cubic metres. Throughput of fruit, vegetables and other perishable goods, which is of strategic importance, has risen considerably. The port of Koper is increasingly becoming an important port for supply of bananas to the neighbouring markets. Encouraging growth has been achieved also in throughput of other perishable cargoes such as citrus fruits, peppers

Movement in general cargo throughput



Movement in car throughput

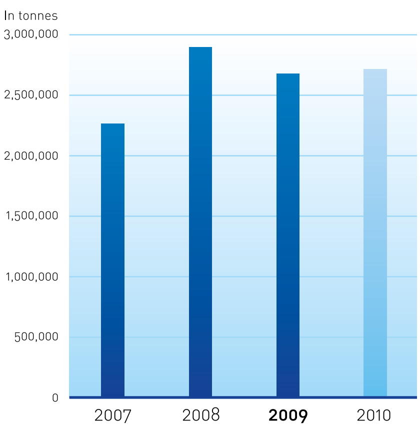


and other vegetables from Egypt and particularly from Israel. For exporters from Israel we are also providing distribution of fruits and vegetables directly to the recipients. In future we expect throughput to continue to grow as will revenue from existing shipping links with both countries and a new shipping link which we will introduce.

VEHICLES

Economic crisis hit automotive industry more than others, which was reflected also in the throughout in the port of Koper. Last year throughput of cars reached 313,679 cars, a fall of as much as 45 percent compared to the record-breaking throughput recorded in 2008. In spite of this, in terms of throughput of cars, we were positioned at the top place among our competitors in the Mediterranean and surprisingly rose to fourth place in Europe as other terminals suffered even larger decline in turnover.
In the long-term, production expansion in the new Hyundai plant in the Czech Republic, start-up of production in new plants in Romania, Serbia and Morocco, as well as a new shipping link for transport of cars between the port of Koper and Barcelona, will all contribute to our maintaining or even increasing the throughput in the port of Koper.

Movement in liquid cargo throughput

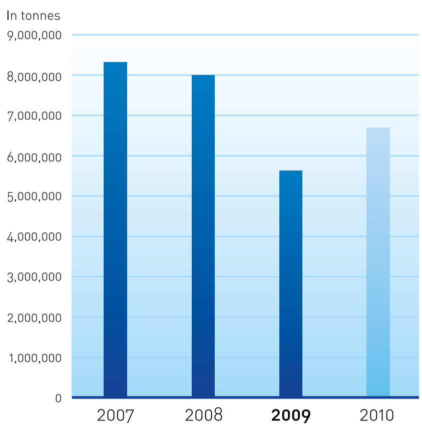


LIQUID CARGOES

The throughput of liquid cargoes is showing a dramatic increase with throughput quantities increasing by 20 percent compared to 2008. While the throughput of liquid cargoes has risen, there was a slight fall in the quantities of oil derivatives.
In the past medium-term period we doubled our capacities to a total of 110,000 m^3 of tank capacity thanks to our investment in three new tanks and infrastructure for storage of aviation fuel. Completion of this project means that Luka Koper, d.d. is the largest distribution storage for aviation fuel in this part of Europe. We are further strengthening our position as an important distribution centre for liquids in the wider region. We are constructing capacities for throughput of methanol to the South-Eastern Europe for a known Japanese partner. When marketing our capacities we are looking for long-term partnerships, thus reducing operational risks. Liquid cargo terminal will in future be devoted mainly to throughput of the following three product groups:

- Chemistry (methanol and other alcohols),
- Traditional fuels, and
- Aviation fuel.

Movement in dry bulk cargo throughput



DRY BULK CARGOES

The throughput of dry bulk cargo is carried out at the dry bulk cargo terminal and at the coal terminal. This year, as a result of global recession, we recorded a decline in the throughput of dry bulk cargoes.
The dry cargo terminal recorded a slight increase in throughput of soya, which was above the expected levels and a decreased throughput of cereals, which is primarily due to the market price of cereals, and unfavourable transportation fees to the port of Koper compared to low transportation fees on the Danube.
New contract for throughput of scrap iron somehow eased a decline in throughput of iron ore and alumina as a result of lower production output by our major customers. Towards the end of the year we saw an increase in throughput of phosphates and we are expecting increased quantities of phosphates throughput in 2010. As the winter season was approaching, there was also an increase in the throughput of road salt.
Throughput at the coal terminal was by a third smaller than the year before. Following a considerable decline in the first half of the year, we were delighted to hear that the production in Donawitz steel works in Austria had restarted as deliveries of larger quantities of coal and iron for the steel works go through the port of Koper. Therefore, in the latter part of 2009 we recorded increased throughput, a trend, which will, on account of iron ore, continue also in 2010.

FINANCIAL MANAGEMENT

POSITIVE IMPACT ON LONG-TERM LIQUIDITY

The Luka Koper Group ensures optimum liquidity and controls financial risks through comprehensive financial management by the parent company. Through increased long-term financial liabilities we have ensured improved security, long-term liquidity and stability for of the Group.

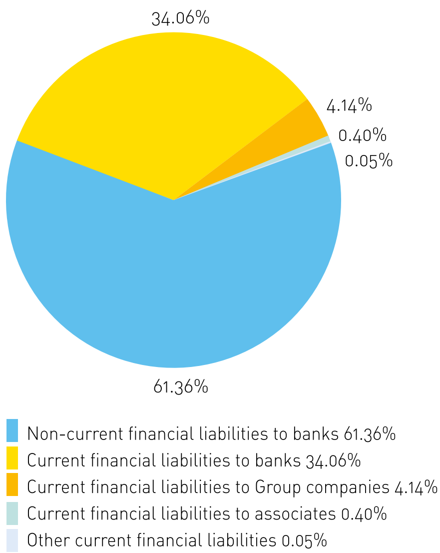
Financial management of the Luka Koper Group is centralised in the parent company that ensures the liquidity and financial risk management of the Group. The prevailing impact of the parent company is reflected in its 98 percent shares of the balance sheet items of the Group, while its share capital accounts for as much as 96 percent of the total capital of the Group.

MATURITY STRUCTURE OF LIABILITIES: MAJOR SHARE OF LONG-TERM ASSETS

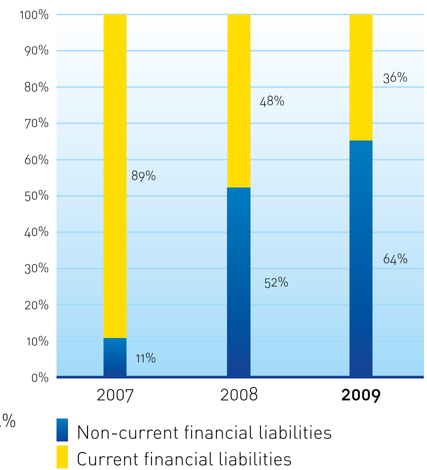
To ensure better access to long-term bank loans, the parent company in 2009 considerably improved the maturity structure of its liabilities. In total liabilities, long-term financial liabilities rose by 10 percent to EUR 150 million as at the last day of the year. Such a considerable increase provides the Group with increased security, long-term liquidity and provides solid base for its stable operations in circumstances of global recession.
In the long-term loan contracts,

the parent company has, as is the usual banking practice, agreed certain loan covenants, of which some, primarily due to investment impairment, the Company could not comply with in 2009. The total amount of financial liabilities from these contracts is EUR 105 million and in accordance with the provisions of IAS 1.65, total amount of these liabilities were transferred from long-term to short-term financial liabilities.
As a result of specific circumstances that affected Luka Koper, d.d. in 2009 and regular repayment of all its financial liabilities, we do not expect banks to exercise their contractual right and demand repayment of long-term loans. The original maturity structure of financial liabilities is presented below despite the fact that the recognition is described also in the financial statements and notes included in the financial report.
The restructuring process of the parent company's short-term financial liabilities will continue in the future period and for this purpose the Company has already began negotiations for re-financing of its short-term financial liabilities with specialised banks, including some foreign investment banks.
The majority of financial liabilities to banks are tied to variable rate of interest. Only some of the short-term liabilities to banks and loans received from the Group are agreed at the fixed rate of interest. Due to the prevailing share of variable interest rate, the Company is constantly monitoring the interest rate markets and for 2010, it is planning to apply appropriate interest rate hedging for a portion of its long-term financial liabilities.

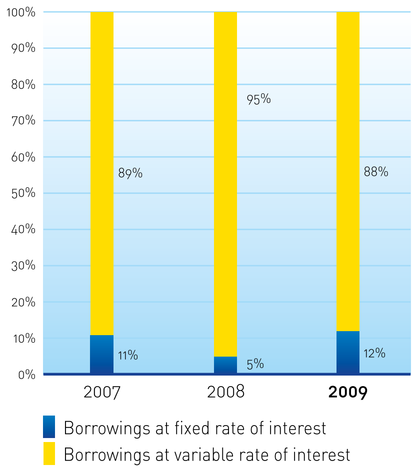
Financial liabilities of Luka Koper, d.d.



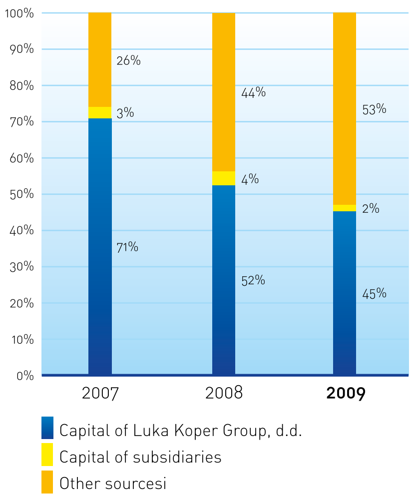
Structure of liabilities of the Luka Koper Group in terms of maturity as at 31 December



Structure of liabilities of Luka Koper, d.d., in terms of the interest rate type as at 31 December



Structure of the Luka Koper Group liabilities



STRUCTURE OF THE LIABILITIES

The investment cycle's impact is reflected also in the structure of the Luka Koper Group liabilities. As a result of increased foreign borrowin-gs, the share of equity in the balance sheet total decreased to 47 percent as at the last day of the year, which is 9 percent less than the year before. The existing liabilities' structure continues to ensure financial stabili-ty of the Luka Koper Group and pro-vides solid basis for further mode-rate growth. Our fundamental policy in the future is balanced borrowing raised from specialised banks and searching for optimum solutions in terms of lower variable rates of interest and available instruments to hedge against interest rate risks.

CURRENCY STRUCTURE OF THE SOURCES OF FINANCING

As there are major advantages in using the domestic currency, in recent years we have actively been increasing the share of euro-de-nominated invoicing. The euro has successfully superseded the previous maritime transport practice and the dominance of the US dollar. Thro-ugh mainly euro-invoicing we have considerably reduced our exposure to the currency risk. In the past year, this risk was negligible as the share of receivables denominated in the US dollar only accounted for 3.3 percent of total receivables.

INVESTMENTS POLICY

READY FOR THE NEW MOMENTUM

We completed major investments and modernised throughput technologies and provided the infrastructure that is able to service contemporary container ships and other types of cargoes.

To ensure economically viable and fast connections between sea and land, ports that provide a set of comprehensive activities must continually follow technical and technological developments in transport. Due to historical reasons the basic port design and equipment is not adapted to new modern ships with a variety of cargoes and containers and even less, to the traffic volume.

»We completed or continued investments in modern technology equipment and port infrastructure by investing EUR 113 million.«

Therefore, it is necessary to continually upgrade throughput capacities and improve connections with the hinterland. As this also applies to the port of Koper, in 2007 we began implementing the extensive and value-intensive investment cycle.
In 2009 we either completed or continued investments in modern technology equipment and port infrastructure by investing EUR 113 million, which accounts for 97 percent of operating revenue. Majority of the investments were realised by the parent company Luka Koper, d.d., namely in the amount of EUR 108 million.

INVESTMENTS IN PORT ACTIVITIES TO SATISFY USERS' EXPECTATIONS

High level of services and flexibility in adapting to users' requirements are ensured through implementation of modern technologies used in throughput and transport, suitable infrastructure able to service modern ships and through managing demands for new types of throughput.

MORE MODERN EQUIPMENT TO MAINTAIN COMPETITIVENESS

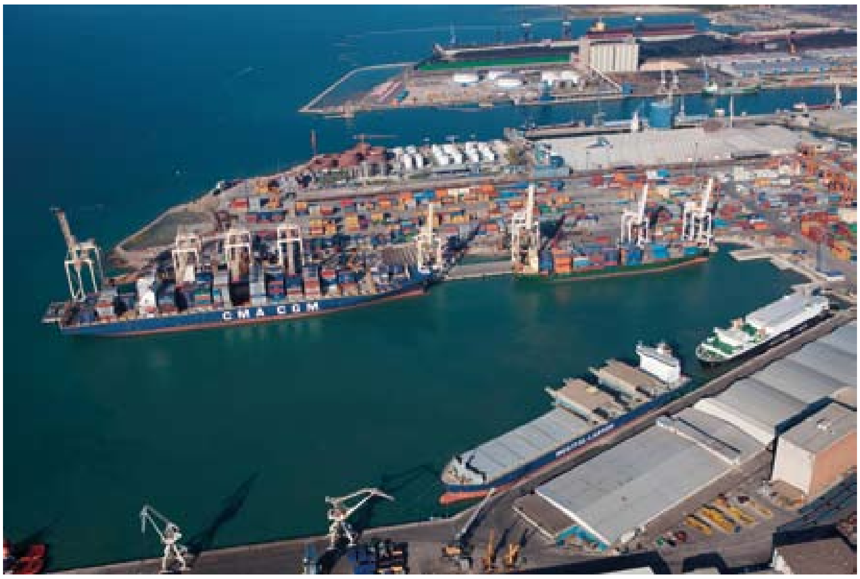
Major investments in boosting equipment capacity in 2009 included:
- The purchase of four postpanamax cranes for container terminal,
- The purchase of s bridge crane for coal terminal,
- The purchase of a jib crane for bulk cargo terminal,
- The purchase of two Transtainers for managing container throughput.

New container cranes on the extended pier I

Maritime container transport development has resulted in ever larger container ships and therefore, ports are required to follow this development and provide suitable

»The investments on pier I ensured improved results in terms of container throughput since the other ports are faced with considerable decline in throughput.«

shores and cranes that can service such ships as well as all other equipment and infrastructure for fast transhipment of vast quantities of containers. In the development of increasingly more efficient European ports, new technology and innovations connected with port equipment are playing an ever more significant role.
New container cranes allow throughput on ships with capacities of up to 8,000 TEU. A postpanamax cranes' maximum capacity of 75 tonnes and the crane's reach of 51 metres allows for smooth unloading



and reloading of almost all of the largest container ships. The first two cranes arrived in the port of Koper in the summer, and last two in October 2009.
Thanks to extended shore, deepened sea bed and new postpanamax cranes, container terminal is able to services some of the largest container ships. Shipping companies are demanding ever increasing capacities and the advantage of new investments was shown in July when two shipping companies introduced a new direct service line from the Far East.
This investment will ensure improved results in terms of container throughput since the other ports are facing considerable decline in throughput.

Purchase of a bridge crane for coal terminal

For managing the existing unloading capacities on coal terminal and to ensure expansion, it was necessary to improve and modernise technological equipment. New bridge crane will decrease failure and prevent congestion when implementing technological procedures , and it will also allow for simultaneous loading and unloading of ships cargo. The whole of the bulk cargo is unloaded using two bridge cranes, one of which has been operating since 1991.

Purchase of jib crane on bulk cargo terminal

Jib crane is used for throughput in the warehousing facility and other bulk cargoes either into the warehouse or directly on means of transport. Newly purchased crane replaced the existing outdated one which was not able to provide the required unloading capacities. Once the new crane was in the position, the old one was relocated to a new position and is used in the throughput of bulky cargo.

WAREHOUSING FACILTY FOR CARS ENSURES IMPROVED LEVEL OF SERVICES

The throughput of cars is one of our main activities and car terminal is regarded as one of the largest and best equipped terminals in the Mediterranean. The terminal dates back to 1990, when the first ship carrying cars was directed to the port of Koper by Hyundai, South Korean car manufacturer. For several years the port of Koper is more than just a logistics point for delivery of cars to the European markets, the traffic flows also in the other direction as some of European car manufacturers use the port of Koper as their port of exit.
At the beginning of 2009 we completed the first phase of the warehousing facility for storage of 2,750 cars. By building a viaduct connecting the warehouse with the shore we considerably increased the level of throughput. The viaduct allows for direct connection with ships and has considerably improved car terminal efficiency.
Construction of the phase two of the warehousing facility for cars was completed in the beginning of October, which was followed by a technical inspection which was carried out on 14 October 2009. This part of the warehouse provides parking space for 1,350 cars and has two rails for direct throughput of cars from the warehouse onto the wagons.
Individual car manufacturers have specific requirements in terms of throughput and storage of cars and some require weather protection. The new warehouse facility provides space where the effects of weather are minimised and ensures improved level of services required for more prestigious cars.

TERMINAL FOR ALCOHOL

Emerging terminal for alcohols will be used for storage and throughput of alcohols, primarily methanol and ethanol and will operate as the central distribution centre for alcohol derivatives in the Central European

area. Similarly, two years ago we introduced throughput of aviation fuel through the port of Koper. The investment is estimated to be worth EUR 15 million.
As early as in April 2009 we signed an agreement with a Japanese corporation for a long-term lease of tanks for throughput of alcohols. The terminal will have seven tanks, one with capacity of 5,700 m^3, four with capacity of 6,250 m^3 each, and two with capacity of 330 m^3 each. Construction of tanks, technical pumping station with connecting technological pipelines between the tanks, wagons and cisterns began in July and we expect the investment to be completed towards the end of the first quarter of 2010.

EXTENDED PIER I – KEY INVESTMENT IN PORT INFRASTRUCTURE

In recent years maritime container traffic has recorded a fast technological development. With the increase in the speed of cargo ships, construction of large ships and introduction of new transport technologies, transport capacities have also increased and around the globe, ports have responded differently to this fast tempo.
The port of Koper welcomed its first containers, as individual pieces that appeared among other general cargoes, in the sixties of the past century and throughput was provided by using classic port facilities and equipment. In 1970 a provisional container terminal was set up alongside berth 2 and marks the beginning of maritime container cargo in the port of Koper. From then on, work was done on setting up a permanent container terminal which began to operate on the newly constructed shore in 1979.
With the ever increasing traffic, capacities were used to their maximum potential and therefore in 2006 decision was made to increase the port's capacities with extension of the pier I. On the occasion of the 50th anniversary of the establishment of Luka Koper, d.d., on 4 October 2007 the first pile was set and construction began in February 2008.
Construction of otherwise highly demanding facility was uncommonly fast and the first phase in which the terminal gained additional 50 metres of shore, was completed in September 2008. Work continued and at the end of 2009 the second phase was completed which extended the pier I by another 96 metres of shore.
The third phase is currently in progress and will be completed soon by burying lagoons between the shore and the pier hinterland and by landscaping the area around the front of the pier. This will provide considerable amount of additional space for warehousing facilities and for handling containers.
At present container terminal is covering 596 metres of shore with three moorings. At the farthest, ships with a draught of up to 11.4 metres can be moored. Pier I has total warehousing capacity of 19,000 TEU with 340 connections for refrigerated shipping containers. Terminal I covers 172,000 square metres of warehousing space with an estimated annual throughput capacity of over 600,000 TEU.
On 12 February 2009 the first ship docked on the new mooring and so far the new mooring registered throughput of a total of 2,252 container units.

ARAD CONTAINER TERMINAL: CONSOLIDATING OUR POSITION ALONG EUROPEAN CORRIDOR IV

In September 2009 we formally put to use land container terminal in Curtici, Romania. This terminal is result of co-operation between Luka Koper, d.d., the Hungarian railways MAV Cargo and Trade Trans Invest a.s. from Slovakia. Curtici is located on the border between Hungary and Romania in the region of Arad, which is one of economically more developed regions in Romania and where a number of multinational organisations have set up their production including steel industry, cereal producers, automotive industry, chemical industry and manufacturers of consumer products.
Terminal Railport Arad spreads over an area of more than ten hectares with throughput capacity estimated at 60,000 TEU. Terminal has a direct rail link with the existing network. Adria Transport, d.o.o., has set up a weekly direct rail link between the terminal and the port of Koper.
For this particular part of Romania, the port of Koper provides a less costly and faster alternative to other Romanian ports as due to Bosporus strait and overland connections, shipping lane via the port of Koper is considerably shorter. In future this terminal will promote development of multimodal connections and strengthen exports from the whole of the region which is already generating as much as 35 percent of Romanian GDP.

PLANS FOR 2010

Further development of the port system will be ensured through the provision of appropriate port infrastructure and by implementation of more modern throughput technologies. A total of EUR 35.8 million will be allocated for investments, some of which have been implemented in 2009, and also for some new ones.

»A total of EUR 35.8 million will be allocated for investments, some which have been started in 2009, and also for some new ones.«

Investments in the basic port activity

Port equipment and facilities will be continually modernised by implementation of new technological solutions that will improve efficiency, energy saving and reduce environmental strains. Investments in port equipment are geared to increase productivity and reduce congestion in both, land and maritime transport. Major investments in equipment and facilities will include:

- Completion of the alcohol terminal and
- Renovation of the conditioned warehouse for perishable goods.

Investments in port infrastructure

In order to increase operating efficiency, growth and flow of goods, we will:

- Continue to work on hinterland areas on pier I to gain additional area for container storage,
- Increase port capacities by construction of berth 12 for general cargoes terminal,
- Arrange internal and external truck park areas near the new entrance.

Network of land logistics terminals

In the past we have invested heavily in hinterland terminals, while in future, our investments will be less intense and will reflect the results generated by these terminals. Our priority will be given to the terminal in Sežana and container terminal in Arad.

DEVELOPMENT ACTIVITY

NEW CHALLENGES AND NEW PROJECTS

In 2009 we devoted special attention to development activity as development is the prerequisite for excellence in other business functions and successful performance. We began by following systematically internal development projects and actively participated in European projects – in addition to existing, we began our participation in five new projects.

RESEARCH AND DEVELOPMENT

In terms of development, internal projects were organised in order to ensure more efficient management and supervision. Due to complexity and extensive development activity, unification of project management is rather complex and demanding. Development activity includes infrastructure and technological solutions, development activities and tenders as well as implementation of new processes and strategies. We are aware that systematic approach to development activity will bring long-term and significant advantages in terms of managing research and development activities, generating new knowledge and improving our experience.

We have taken on an interdisciplinary project to upgrade the existing system of project management with a view of ensuring a more comprehensive system of project management that is harmonised with the Company's strategy and plans. We intend to implement a system that will allow for a unified and planned approach to our project work whilst at the same time ensure mechanisms for monitoring performance of individual projects and their cost efficiency.

EUROPEAN PROJECTS

One of the key areas in terms of research and development activity of the Company is the management of national and European tenders and working on specific projects.
In 2009 we actively participated in European projects planned for the period 2007-2013. In addition to three projects approved in 2008 (STARNETREGIO, SONORA and KOBALINK), which required intense activity in 2009, we gained five additional projects (HINTERPORTS, CLIMEPORT, BACKGROUNDS, MEMO and WATERMODE).
Most of the activities related to **European territorial cooperation**, with formation of a consortium of interested partners. They share international knowledge and experience and are striving to implement new solutions for sustainable development, advanced technologies and processes and discuss wider issues related to European transport and logistics network.
In terms of **community programmes** we were active primarily on the Marco Polo project, which is specifically aimed at business users who can redirect road transport to more environmentally friendly means of transport. In addition to Luka Koper, d.d., in 2009 Adria Transport, d.o.o., was also involved in European projects and participated in SEZARA project, while TOC, d.o.o., participated on the approved CAPS programme Eco-Innovation.

Overview of European projects of Luka Koper, d.d., in 2009

Project	Programme	Content
KOBALINK	Marco Polo	SSS (Short Sea Shipping) connection Koper – Barcelona for cars.
HINTERPORTS	Marco Polo	Promotion of land transport through cooperation in designing integrated solutions for routes port-hinterland terminals.
SONORA	Central Europe	Continuation of AB Landbrige project; study and promotion of corridor for the link Adriatic–Baltic via Central Europe.
CLIMEPORT	Mediterranean	Promoting Mediterranean ports to respond to climate changes by reducing emissions and improved energy efficiency (sustainable development).
BACKGROUNDS	Mediterranean	Improved competitive advantage of the port through efficient connections with production systems/hinterland industry
MEMO	Mediterranean	Innovative informational system and infrastructure for integration of environmental management technologies with security of sea/port/navigation.
WATERMODE	South-Eastern Europe	Promotion and coordination of various logistics operators for more efficient transport policies and implementation of multimodal logistics co-
STARNETREGIO	7^{th} indicative programme	Encouragement of development of maritime industry in terms of shipbuilding and port technologies.

THE SHARE

LEVEL GROWTH AND INVESTOR DEMAND

In uncertain market circumstances that marked the past year, stable operations of the parent company and the whole of the Luka Koper Group significantly contributed to the share maintaining its value recorded at the end of 2008 and surpassing the initial values recorded in the beginning of 2009 by nearly 14 percent.

In the past year the value of Luka Koper, d.d., share (LKPG) was relatively level. In addition to operating results, the share was influenced by events on Slovene capital market , which was strongly influenced by global financial market developments. Psychological impact of the crisis was greater than the real economic impact and resulted in uncertainty and decline in investment activity.
In spite of this, major development opportunities of the port of Koper provide guarantee for long-term and stable growth of Luka Koper, d.d., and the value of its share.

OWNERSHIP STRUCTURE PRACTICALLY UNCHANGED

There were no major changes in the ownership structure of Luka Koper, d.d., in 2009. As at the last day of 2009, the Company had 14,925 shareholders. The biggest shareholder remains the Republic of Slovenia jointly with its two funds Slovenska odškodninska družba and Kapitalska družba. Pursuant to the bill on transformation of Kapitalska družba, which is expected to be in the process of adoption in spring 2010, Luka Koper, d.d., is one of the government's strategic investments. Therefore, in future we can expect transfer of ownership shares held by SOD and KAD to the government.

MOVEMENT OF THE LKPG SHARE PARALLEL TO MOVEMENT IN THE SBI20

The LKPG share value fluctuated almost parallel with the movement in the SBI20 stock exchange index and at the year-end, the share value surpassed the annual yield of the SBI20 index by three percent. Compared with its value at the end of 2008, the share gained 14 percent. Last year 4,646 deals and lot deals were concluded with the LKPG share. Total trading in this period reached EUR 12,021,238 and 499,524 shares changed owners.

The LKPG share was included in the Slovene blue chip index - SBI TOP until 1 April 2009, when it was excluded from the index due to not fulfilling the criterion set for mar-

Ten largest shareholders as at 31 December 2009

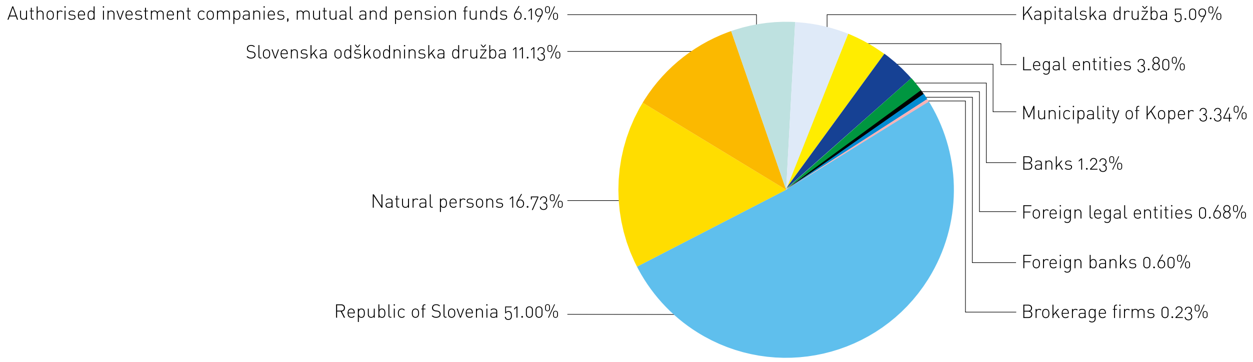
Shareholder	Number of shares	Equity stake
Republic of Slovenia	7,140,000	51.00%
Slovenska odškodninska družba, d.d.	1,557,857	11.13%
Kapitalska družba, d.d.	712,304	5.09%
Municipality of Koper	466,942	3.34%
KD Galileo, flexible investment structure	152,265	1.09%
KD ID, delniška ID, d.d.	149,882	1.07%
Mutual fund Triglav Steber I	114,859	0.82%
Perspektiva FT, d.o.o.	110,895	0.79%
Zavarovalnica Triglav, d.d.	104,756	0.75%
Vidmar Nevenka	85,719	0.61%
Total	10,595,479	75.68%

Ownership structure of Luka Koper d.d. as at 31 December 2009

Shareholder	Number of shares	Equity stake
Republic of Slovenia	7,140,000	51.00%
Natural persons	2,342,127	16.73%
Slovenska odškodninska družba	1,557,857	11.13%
Authorised investment companies, mutual and pension funds	866,053	6.19%
Kapitalska družba	712,304	5.09%
Legal persons	531,784	3.80%
Municipality of Koper	466,942	3.34%
Banks	171,936	1.23%
Foreign legal entities	95,284	0.68%
Foreign banks	83,901	0.60%
Brokerage firms	31,812	0.23%
Total	14,000,000	100.00%

»In spite of market circumstances, major development opportunities of the port of Koper provide guarantee for long-term and stable growth of Luka Koper, d.d., and the value of its share.«

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



ket capitalisation. For a share to be included in the SBI TOP index, the following criteria should be fulfilled:

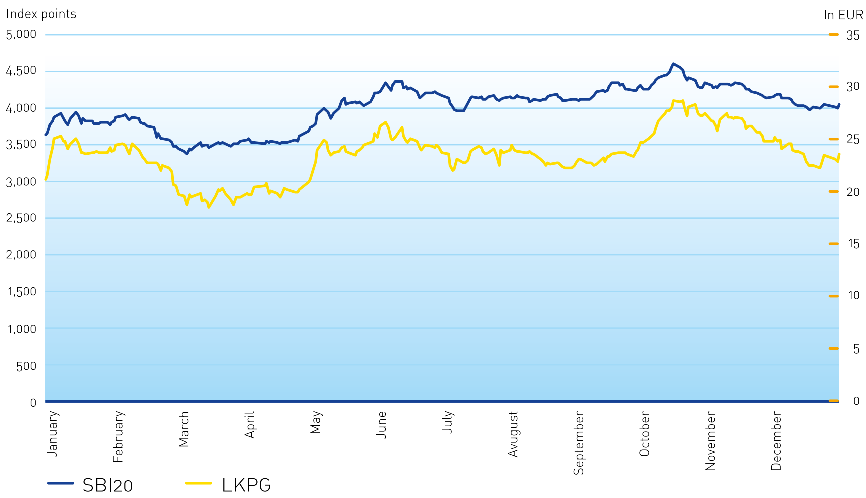
- Market capitalisation in free circulation of at least EUR 100 million,
- Average absolute daily turnover (without lots) of at least EUR 50,000,
- Average number of deals (without lots) of at least 10.

Luka Koper, d.d. meets two of the above criteria, however, due to a low number of shares in free circulation, it does not meet the first criterion. The reason for this is a very specific ownership structure of the Company where the percentage of shares in free circulation stands at only 29.56.

DIVIDEND POLICY

As a rule, half of the net profit was in the past appropriated to dividends. In accordance with the resolution adopted at the 16th General Meeting of Shareholders, no dividend was paid for the year 2008.
As a result of harsh circumstances on the global economic market, process of completing investments made in the past, and loss incurred in 2009, we will not propose dividend payment to the General Meeting of Shareholders.

Changes in the SBI20 index and LKPG in 2009



Changes in the LKPG share price and daily turnover in 2009

Key data about LKPG share in the past three years

	2007	2008	2009
Number of shares	14,000,000	14,000,000	14,000,000
Number of ordinary no-par value shares	14,000,000	14,000,000	14,000,000
Share price on the last trading day of the year (in EUR)	88.76	20.97	23.84
Share's book value as at 31 December (in EUR)	23.23	20.84	17.02
Price-Book value Ratio (P/BV)	3.82	1.01	1.40
Average weighted market price (in EUR)*	85.20	53.82	24.07
Average share book value (in EUR)**	21.91	22.30	21.5
Average weighted market price/Average share book value ratio	3.89	2.41	1.14
Net earnings per share (EPS) (in EUR)	1.79	0.98	-4.23
Average weighted market price/Earnings per share ratio	47.58	54.92	-5.69
Share price/earnings ratio (P/E)	49.59	21.40	-5.64
Market capitalisation as at the last day of the year (in EUR million)	633.75	293.58	333.76
Total share trading (in EUR million)	144.60	35.75	12.05
Dividend per share (in EUR)***	1.09	0.55	/

*Average weighted market share is calculated as the ratio between total turnover, arising from ordinary (stock exchange) transactions and the quantity of LKPG shares traded in ordinary (stock exchange) transactions.
**Average share book value is calculated based on the average monthly ratio between capital and the total number of ordinary shares.
***Dividend paid based on resolution of the General Meeting of Shareholders for the current year, financed from distributable profit of the previous year.

CROSS-LINKAGES WITH OTHER COMPANIES

The only company in which Luka Koper, d.d. holds at least 5 percent interest and which owns shares of Luka Koper, d.d., as at 31 December 2009, is Intereuropa, d.d., in which Luka Koper, d.d. holds a 24.81 percent interest. Intereuropa, d.d., held an 0.03 percent interest in Luka Koper, d.d. Shareholders, holding at least 5 percent of the LKPG shares include:

- Republic of Slovenia (51.00%),
- Slovenska odškodninska družba, d.d. (11.13%) and
- Kapitalska družba, d.d., and its funds (5.09%).

TRESURY STOCK, AUTHORISED CAPITAL, CONDITIONAL CAPITAL INCREASE

As at 31 December 2009, Luka Koper, d.d., held no treasury shares.

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

	Shareholder	Shares owned as at 31 December 2009
Supervisory board	Marko Simoneti, Dsc., Member	590
	Nebojša Topič, Msc., Member	9
Management board	Gregor Veselko, Dsc., Chairman	20
	Tomaž Martin Jamnik, Deputy Chairman	80
	Mirko Pavšič, Procurator	3,970

Other members of the Supervisory Board and the Management Board were not shareholders of the company on 31 December 2009.

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

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

According to the recommendations of the Ljubljana stock exchange, Luka Koper, d.d., drew up the Rules on Trading in Issuer Shares, which is an additional guarantee for equal informing of all shareholders on all significant business events in Luka Koper, d.d. as it prohibits the representatives of the Supervisory Board, the Management Board and other management staff to trade in the Company's shares based on insider information.

COMMUNICATIONS WITH INVESTORS

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. A special chapter »For Investors« is devoted to shareholders and investors on our web-site 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.
We also publish e-newspaper »Notice«, of which four issues were published in the past year. Prior to every General Meeting of Shareholders, we issues and send to the shareholders newspaper »Luški delničar«, which in addition to the Agenda of the General Meeting includes also current information of the Company's performance and its business plans.
Furthermore, investors are informed of the Company's performance and innovations at the events organised by the Ljubljana stock exchange.
In April 2009 we participated at the Presentation of Slovene Capital Market in Ljubljana.

Investor information
at the web address:
www.luka-kp.si/eng/investors

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

CALENDAR OF MAJOR PUBLICATIONS IN 2010

Scheduled date of publication/event	Type of publication/Event
by 28.02.2010	Publication of non-audited non-consolidated financial statements for the year 2009
by 30.04. 2010	Publication of the Statement of Compliance with the provisions of the Governance for Public Limited Companies Publication of the Annual Report 2009 Publication of the Annual Document
by 15.05.2010	Publication of the Operational Report for the first quarter of the financial year
July 2010	Session of the General Meeting of Shareholders
by 15.08.2010	Publication of the six-monthly Report of the Company's Operations
by 15.11.2010	Operational Report for the first nine months of the financial year

Intended publications and other sensitive information as well as any changes to estimated date of individual publications are regularly publicised on the Ljubljana Stock Exchange web site via electronic information system SEOnet (http://seonet.ljse.si/) and on our own web site www.luka-kp.si. As a rule, the annual document containing a list of all information in the Slovene and English language published on SEOnet in the past 12 months, is also published on both these web sites.

RISK MANAGEMENT

FAST RESPONSIVENESS AT THE FOREFRONT

The risk management was adapted to new economic circumstances and both, the revenue and costs elements were considered when taking the relevant measures. We have again set up an independent internal audit function whose aim is to develop and review the internal control system for the managing of all types of risks to which the Luka Koper Group is exposed.

Timely response to highly stringent conditions in international business environment is key to efficient risk management and contributes to the achievement of set objectives.
Therefore, in the past year we devoted much attention to effective adaptation to new circumstances and again established the internal audit function. Determining the type of risks, assessing the level of exposure and implementation of an integral risk response are those most important aspects of our business policy.
Risk management is the responsibility of the Management Board. In close cooperation with the internal auditor, controlling department and quality department as well as other professional services, the Management Board ensures that the risks we are exposed to are understood, that risk management controls exist and function, and that changes in the environment are predicted. We carry out regular internal and external assessments and inspections of our operations.
Key risks to which the Luka Koper is exposed are divided into:

- Strategic risks,
- Business risks,
- Financial risks.

STRATEGIC RISKS

Strategic aspect is considered comprehensively which means that risks are encountered by all four systems that constitute the activity of the Luka Koper Group. Since business system risks are covered separately, we are focusing on three other systems as part of the strategic risks:

Port system

For future development of the port system, adoption of the National spatial plan is of key importance as this will allow for the port's further expansion and increased capacities. Intense efforts towards this objective have been noted also with our competitors (Trieste and Rijeka). Due to limited financial resources, selective and rational investment activity is of special importance.

Logistics system

In terms of strategy, efficient general logistics activity as a way of supplementing the port activity is of special importance as it firmly establishes the port on the transport routes. In the past our logistics system was very ambitious, tying up a large amount of assets. In future we will devote our attention to key activities that will improve competitive advantage of the port itself. Directing and managing the logistics system will be an important challenge as it has to be made acceptable for competitors, and primarily for financial resources, human resources and market resources of the Luka Koper Group.

Institutional system

By managing the port of Koper as a national facility of the Republic of Slovenia that is of strategic importance, Luka Koper, d.d., is entrusted with its wider and institutional development and allows for external impact of the port's activities. Certain functions are still rather fragmented which prevents comprehensive supervision and activities directed towards the port's long-term development and its full establishment in the European area. The related risks are mitigated by our efforts to establish close cooperation with all competent authorities at the local and national level, who are charged with planning transport infrastructure and strategic development of the transport and logistics activities.

Strategic risks associated with the port's and logistics systems are moderate, while the risk associated with the institutional system is low. Due to clearly defined strategy and continuous monitoring of its implementation, the probability of damage due to strategic risks is moderate.

Overview of risks, including exposure level and risk control measures

TYPE OF RISK	MANAGEMENT BOARD'S ASSESSMENT OF RISK EXPOSURE	RISK REDUCTION MESURES
Strategic risks		
Port system • Fast development of competition • Spatial expansion – adoption of the National spatial plan • Financing new investments.	moderate	• Consolidation and adaptation for fast adoption of spatial planning documents, • Monitoring competitive developments, • Careful and selective planning of investments based on their return and financial effects.
Logistics system • Efficient operation supporting the port system • Managing investments outside the port • Managing activities outside the port	moderate	• Concentrated efforts devoted to only 2 hinterland terminals, • Concluding long-term partnerships with logistics services providers, • Openness to all logistics operators and provision of good connections between the port and the hinterland, • Joint appearance on the market and ensuring Luka Koper's systematic support to its subsidiaries.
Institutional system • Care for firm establishment and sustainable development of the port – consistent with wider national interests	low	• Systematic cooperation with all the competent bodies.
Business risks		
Investment risks	high	• Qualification and responsiveness of engineers, designers and marketing staff in order to detect technological changes and altered market demands for port services, and their response; • Balanced planning of investments in basic port and development activities • Checking the economic justifiability and reaching the planned economic performance of investments, • Constantly improving the quality of the preparation, implementation, activation and monitoring of investments.
Human resource risks	moderate	• Measures for ensuring the availability of labour force, • Measures for preserving and increasing the motivation of employees.
Information system risks	moderate	• Specifically defined relationship and established good business practice with a contractual partner providing • information support services, • Contractual partner is a holder of the ISO/IEC 27001:2005 certificate, • Restriction of access by a contractual partner to the information system data without the presence of employees.
Sales risks	moderate	• Higher investments in basic port infrastructure and equipment, • Active marketing of services and gaining new contracts for the port and hinterland terminals, • Sales contracts must stipulate payment collateral instruments, • Further development of good partnerships with customers, enabling proactive solving of operational issues.
Environmental risks	low	• Regular statutory monitoring- measurements carried out by authorised organisations (measurement in the environment and at job positions), • Regular internal supervision, • Preventive measures specifically identified for each terminal or technical procedure, • Regular organisation of drills, • Continued education of employees, • Efficient response and supervision, • Implementation of new technology and monitoring of the realisation of the adopted measures.

TYPE OF RISK	MANAGEMENT BOARD'S ASSESSMENT OF RISK EXPOSURE	RISK REDUCTION MESURES
Strategic risks		
Legislative risks	low	• Fruitful co-operation and consultation with regulatory bodies in the process of introduction and amendment of legislation, • In-house expert personnel.
Profitability risks	moderate	• Arrangement of the concession relationship with the state, representing a stable basis for development, • Promoting North Adriatic transport routes to increase throughput, • Cost reduction and ensuring liquidity, • Searching for partners for the period after adoption of the national spatial plan and start-up of the port's new development cycle.
Financial risks*		
Fair value risk	low	• Marketable securities portfolio diversification, • Consistent analysis of financial investment sensitivity at fair value, and • Considering forecasts that no major correction of stock values are expected.
Interest rate risk	low	• Identifying the right moment to set up long-term interest rate hedges to secure financial liabilities tied to variable rates of interest, • Consistent analysis of financial liability sensitivity to changes in variable interest rates, • Adjustment to the expected increase in interest margins by searching for banks specialised in infrastructural investments.
Currency risk	low	• Significant decrease in the share of USD-denominated trade debtors, mainly in the parent company, where the relevant share dropped from 4.62% at the end of 2008 to 2.46% at the end of 2009.
Liquidity risk	low	• Centralised management of the Group's assets in the parent company, • Regular cash flow projections for various maturities centralised in the parent company, • Matching the maturity of assets and liabilities, • Careful planning of operating and financial liabilities and provided system control over liabilities' due dates, • Organisational changes in collection to boost the role of collection in ensuring regular inflows, • Uniform financial policy for customers and suppliers, • Greater emphasis on charging of default interest, • Monitoring of outstanding receivables from customers at shorter intervals, • Producing various scenarios for adjustment to planned extension of short-term loans.
Credit risk	low	• Preserving the specific customer structure and operating with a limited number of major forwarding companies and agents, • Existence of lien on stored goods, which is specific for our operations, • Collateralisation of some types of receivables by security, • Collateralisation of loans granted by blank bills of exchange and other (im) movable property, • Integral approach to trade debtor management.
Capital structure risk	moderate	• Regulating indebtedness, which is crucial in the global crisis situation, by restricting the increase in the share of total liabilities to 60%, • Measures for shortening deadlines for the completion of investments in progress and for faster generation of operating

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

BUSINESS RISKS

Business risks are those that are associated with the ability to generate revenue, profit and cash flow of the Group, and include:

- Investment risks,
- Human resource risks,
- Information system risks.

Business risks are managed by the Controlling and Quality Departments. We regularly carry out internal processes assessment and report to the management on the efficiency and accuracy of the operations of organisational units.

INVESTMENT RISKS

Making investment decisions in individual areas and activities is in the present market conditions of key strategic importance. Among investment risks, the key risks are those associated with achieving planned investment economics and successful implementation of new technologies when using equipment. Therefore, the investment cycle is adjusted to reflect market changes and to achieve target returns. Investment risks are managed through measures listed in the table Overview of Risks.

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

Management Board's Assessment: Investments risks are assessed as high, however, as a result of high level of write-off in 2009, we have established the right mechanisms for their monitoring and management.

HUMAN RESOURCE RISKS

The availability and motivation of employees are important factors for success also in the advanced technical activity as ours. In spite of strong impact of the global recession and consequently reduced throughput of goods, human resources risks in the Luka Koper Group is moderate. In order to manage the changing business conditions and ensure employment to all employees, we have began implementing a number of measures to improve human resource organisation and utilisation (business process optimisation).

Human resources risks related to the availability of workforce and reduction in the number of employees, were managed by:

- A systematic annual and semi-annual plan of labour primarily focusing on:
  - Slowdown of employment growth particularly in the latter part of the year and recruitments only when an explicit need arises,
  - Utilising internal human resources through horizontal and vertical workforce mobility in the parent company and in the Luka Koper Group, which was exercised as follows:
    a) retired employees and other staff who left the company were usually replaced by internal human resources,
    b) by occasional reassignment of employees among organisational units and profit centres,
    c) by improving the internal work organisation which included organisational changes, abandoning unnecessary intermediary levels, and optimal use of working time,
  - Rationalisation of operating costs i.e. labour costs,
  - Gradual reduction in the number of external contractors, providers of port services.

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

	RESPONSIBILITY		
TYPES OF RISKS	Risk identification	Implementation of measures	Monitoring the efficiency measures
Strategic risks	• Management Board of the parent company	• Management Board of the parent company	• Management Board of the parent company
Business risks	• Management Board of the parent company- Heads of expert departments and profit centres • Internal audit function • Controlling department • Quality department	• Expert departments and profit centres	• Management Board of the parent company • Internal audit function • Controlling department • Quality departmen
Financial risks	• Management Board of the parent company • Finance department • controlling department	• Finance department	• Management Board of the parent company • Finance department • Controlling department

Human resources risks are managed also by measures designed to maintain and improve employee motivation and which include:

- Provision of social security and ensuring durability of employment,
- Implementing a system of material motivation and remuneration of employees,
- Providing career development and financing training and education,
- Setting up intense dialogue between management and labour for implementation of individual sections of collective agreement for corporate sector as well as for other means of cooperation,
- Setting up a dialogue though various forms and tools used in internal communications,
- Monitoring human resources management efficiency including annual interviews with employees, surveys on organisational climate, affiliation and staff satisfaction,
- By public recognition and granting awards to employees, remembering employees' birthdays and congratulating on their personal achievements and at New Year by the Chairman of the Managmetn Board,
- Provision of financial support to staff who find themselves in difficult social circumstances usually due to illness,
- Additional care for employees outside of working hours through organised sports and recreational activities, utilising holiday facilities of the Company, enabling participation at cultural and sports events, and organising social gatherings.

Management Board's Assessment: human resources risks in the Luka Koper Group are moderate. Due to properly defined measures for risk management, the probability of damage in the Group is also moderate.

INFORMATION SYSTEM RISKS

Smooth functioning of the information system is of key importance for successful implementation of business processes in the Group and therefore, we mitigate these risks through a variety of measures. Major risks related to the functioning of the information system include:

- Ensuring stable development of the information system,
- Reaching a suitable satisfaction level of the users of information solutions,
- Identifying irrational processes preventing their duplication,
- Supervision of errors, abuse, assets and data theft,
- Comprehensive system for granting authorisations for access to data, and
- Quality and suitability of data.

The above risks are managed by outsourcing of information support services, which are provided by Actual I.T., d.o.o., Koper, and mitigated as a result of established good business practice proven by the stable functioning of the information system. Our contractual partner holds information management certificate ISO/IEC 27001:2005 for the information management system, while the long-term contract renewed in 2009 provides assurances that the contractual partner cannot access data in information systems without the physical presence of the Company's employees. All this contributes to a stable and safe information system. (The elements of risks arising from the operation of the information system are detailed in chapter Provision of Information Support.)

Management Board's Assessment: due to established risk management mechanisms, the risks arising from operation of the information system are moderate and as a result of the measures taken to mitigate risk, the probability of damage is low.

SALES RISKS

Sales risks depend on competitive advantage in the sale of services and affect the quantities of throughput of goods. In addition to the basic port

services of throughput and warehousing, we also offer other services within the port system and along the whole of the logistics chain. Due to the present market circumstances we are exposed to the following risks:

- Redirection of customers' cargo to other ports due to unsuitable port infrastructure,
- Management of the sales and pricing policy with the aim of redirecting throughput to the port of Koper,
- Insolvency of customers,
- Provision of comprehensive support to customers through the implementation of logistics services,
- Enhancing quality and efficiency as fundamental advantages of our services.

In addition we are facing the risk that due to external factors (railway construction via Austria instead of Slovenia and delays in the construction of the second railway line to Divača) important traffic connections will pass by the port. There is also a risk that due to delays in adopting the National spatial plan or division of municipalities, our development plans will suffer and we shall loose our competitive advantage to our neighbouring ports.
(Sales risks are managed in a variety of ways as described in the table Overview of Risks.)

Management Board's Assessment: Sales risks is assessed as moderate and due to the established risk management mechanisms, the probability of damage is low.

ENVIRONMENTAL RISKS

An important step forward in preservation and improvement of the environment is mitigation of risks for occurrence of environmental incidents and enhancement of various procedures to take suitable action. At the level of the Luka Koper Group we prepare and maintain a list of potential environmental and occupational risks and assess the level of risk of major incidents occurring. We have established mechanisms to protect the environment and occupational health of our employees. These mechanisms are used to identify key aspects of risks, which are managed according to specifically defined measures presented in the table Overview of risks.
Potential risks to environment and employees include:

- Risks arising from port activities:
  - Incidental spillage of chemicals,
  - Technical gasses leaks,
  - Risk of infection when handling hazardous waste,
  - Exposure when handling hazardous substances,
  - Fire hazard, risk of major incidents (SEVESO directive),
  - Chemical poisoning, and
  - Noise pollution
- Risks related to the global policy concerning energy (efficient use of energy and use of renewable energy resources)
- Risks related to harmonisation with legislative amendments.

Management Board's Assessment: Due to the adoption of preventive measures, the environmental risks are below the statutory prescribed limits.

LEGISLATIVE RISKS

Legislative amendments and interpretation of the legislation, in particular those regulating the core activity of the Group, are the key elements of legislative risks. In 2009 there were a number of legislative

amendments in Slovenia that affected our core activities and which require implementation of a number of measures in order to adjust our operations. Through close cooperation and consultation with regulatory bodies in the process of introducing and amending legislation, along with our own experts, we reduce exposure to this type of risks.

Management Board's Assessment: The Management Board is of the opinion that the legislative risk is low. Suitable measures ensure a low probability of damage resulting from such risks.

PROFITABILITY RISKS

The regulation of the concession relationship concerning port terminal management will provide a stable basis for further development of the Luka Koper Group.
Since in the past some decisions pertaining to development did not bring expected returns, in 2009 the new Management Board took a decision to impair some of the assets in order to provide a healthy and stable basis for future development of the Group. In order to preserve and increase profitability we will even more intensely promote the North Adriatic transport routes to increase the volume of throughput. We will continue our efforts to reduce costs and focus on operational liquidity. We are searching for potential new partners primarily for the period after the adoption of the National spatial plan when we will draft the new development cycle of the port of Koper.

Management Board's Assessment: Profitability risks are assessed as moderate; the probability of damage in the Group is also moderate.

FINANCIAL RISKS

The financial risk management of the Luka Koper Group is provided by the finance department of the parent company. Major financial risks to which the Luka Koper Group is exposed include:
- Interest rate risk,
- Liquidity risk,
- Credit risk, and
- Capital structure risk.

The Finance Department regularly and systematically supervises these risks. By doing this, it adequately manages the uncertainty arising from fluctuations in financial categories, which ensures the long-term stable operations of the entire Group. This provides the necessary conditions for achieving the planned categories, primarily future cash flows. In 2009 we largely implemented existing measures for the managing of financial risks. In order to mitigate liquidity risks we have mainly focused on collection of receivables. To ensure adequate capital structure we set limits to the level of increase in the share of liabilities and took measures that will ensure faster return on new investments.

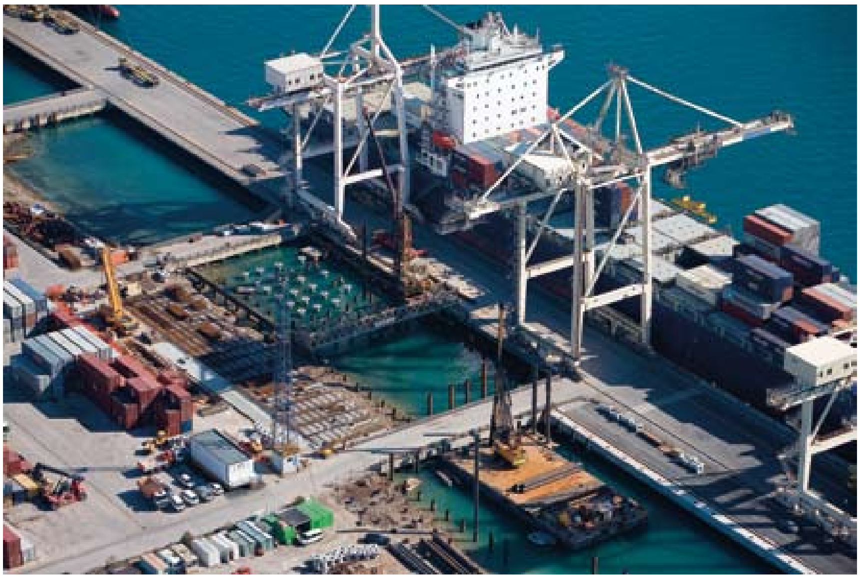
Since the measures for indentifying and supervising financial risks are integrated in everyday work process, it is possible to respond quickly and in a timely manner to the changes in financial categories arising from financial risks. The adopted financial policy and the financial risk management process provide for more stable operations of the Luka Koper Group, they increase the trust of the Company's owners, business partners and all other stakeholders.
(Overview of measures for mitigating exposure to financial risks is presented in table Overview of risks, whereas all aspects of financial risks are described in Note 29 of the Financial Report of Luka Koper, d.d.)

Management Board's Assessment of financial risks is a constituent part of the Financial report of Luka Koper, d.d., described in Note 29.

PROVISON OF INFORMATION SUPPORT

SOLID BASIS FOR TRANSPARENT AND EFFICIENT OPERATIONS

Efficient information support is essential for realisation of our business goals. Therefore, we are constantly intrtroducing improvements and innovations. We implemented new SAP models to improve occupational safety of employees, to facilitate consolidation process and payment processing. By upgrading TinO system, we made it easier for users to do their work and we modernised the warehousing management system.



Information support to the Luka Koper Group is provided in full by the outsourcer Actual I.T., d.o.o. During the seven years of cooperation, we have built a solid partnership to our mutual satisfaction and benefit. Complete information support outsourcing is rare in Slovenia, and potential risks, arising from such a relationship are managed by a specially defined general contract, service-level agreements and by constantly checking competitive services.

HIGHLY DEVELOPED ELECTRONIC COMMUNICATIONS WITH CUSTOMERS

Modern system of paperless electronic communication in ordering, service implementation and authorisation between the customer and provider, ensures quality, as well as fast and transparent communication. For several years our customers have been requesting services rendered by Luka Koper, d.d., through electronic data exchange. Our mutual communication is based on open standards and conducted by means of various competitive applications and an utterly safe manner.

»Modern system of paperless electronic communication in ordering, service implementation and authorisation between the customer and provider, ensures quality, fast and transparent communication.«

By co-ordinating information support at Luka Koper, d.d., we ensure concerted action of the administrators of customers and providers. Key co-ordination tasks include:
- Planning development and carrying out development projects and major development activities, which bring added value and greater competitive advantage to the Company;
- Ensuring the safe use of IT tools in local networks and on mobile devices;
- Constant support to maintaining service level, focusing primarily on supervision and control of all systems operations.

In the field of information technology, we ensure realisation of set goals through:
- Efficient support to all business processes,
- Openness and integration in the comprehensive logistics service range,
- The safety and rationality of operations,
- Maintaining the level of total costs (running the operations and implementing development projects) below 4 percent of the Company's operating revenue.

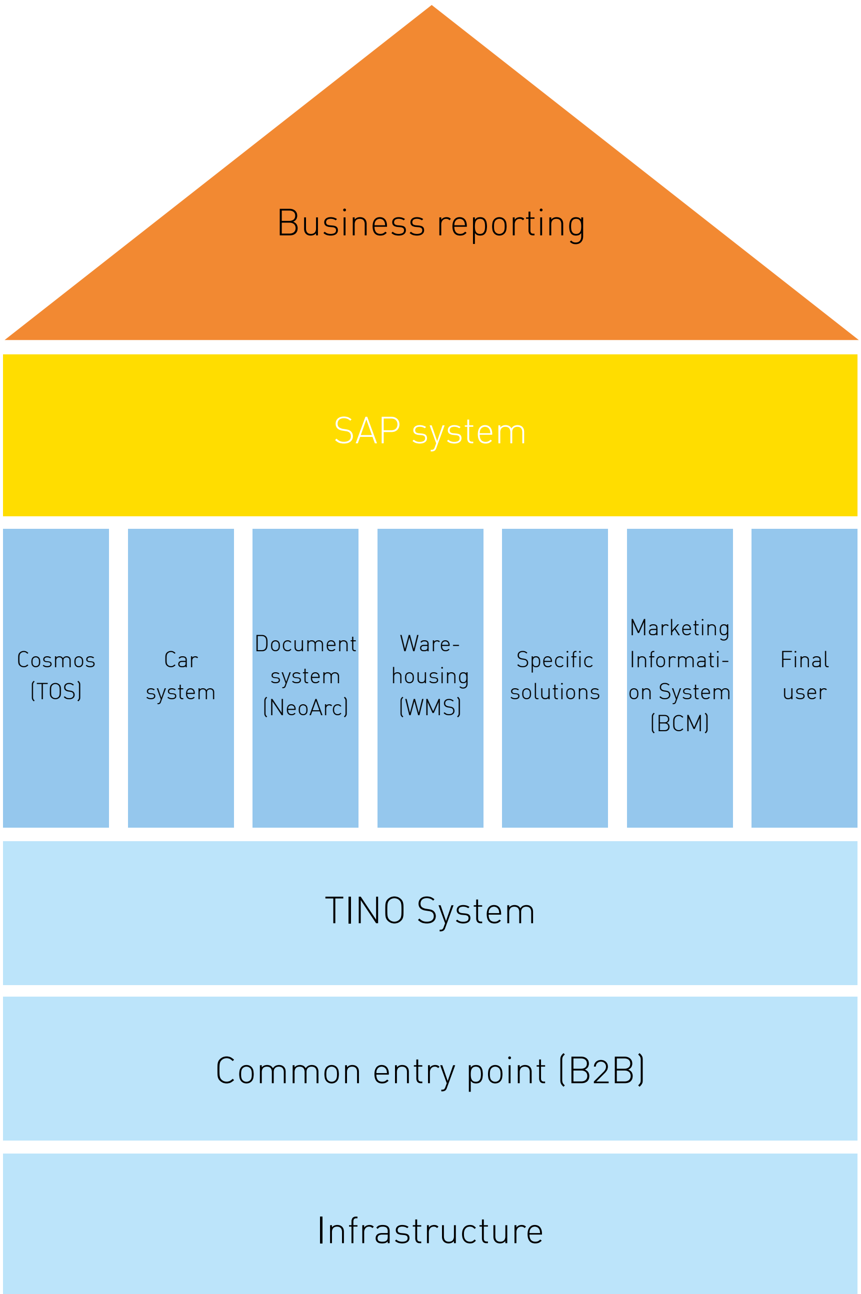
Compatibility of planning information technology solution is reflected in a smooth running of the entire information system and suitable level of satisfaction of its users.

NUMEROUS NOVELTIES

Information system is constantly supplemented and upgraded in order to facilitate and simplify business processes. To this effect, in 2009 we:

- Introduced new modules in SAP for occupational safety at work and health checks, OneBank Consolidation modules, and redesigned payroll to make it more intelligible and employee's friendly;
- Upgraded TinO system to make it more simple and faster for users;
- Introduced a modern warehousing system for storing fruit and vegetables using barcode.

Fundamental constructs of the Luka Koper Group's Information system in 2009



We introduced an electronic system for registration of vacations to allow employees of Luka Koper, d.d., to submit vacation request and obtain approvals through either the Intranet or Infomat. The solution was integrated in the SAP system.
Last year a number of project teams worked on setting up the basis for implementation of new systems solutions.
The information system of Luka Koper, d.d., effectively consolidates and supports subsidiary companies, it enables further expansion and connections with both the surroundings and any newly established subsidiaries.
Through continuous development of the information system, we provide support to ambitious plans of Luka Koper, d.d.. The redesign of the system supporting decision-making process, and of the document system, the introduction of new SAP modules, the integration of new functionalities in the TinO system, and e-invoicing are just some of the projects that are planned for the future.

SUSTAINABLE DEVELOPMENT REPORT

COOPERATING, SUPPORTING, PROTECTING

Through its operations, the impact of the Luka Koper Group on the narrower and wider environment in terms of economy, social environment and employment is considerable as the Group is closely integrated in natural environment. Our commitment to sustainable development is one of our key strategic orientations in spite of difficult economical circumstances.

We take seriously our social responsibility in relation to employees, local community and natural environment. In spite of demanding financial year we remain one of major providers of funds and sponsors in the vicinity, maintaining high level of social security of employees. We aim to ensure employee satisfaction also in the future as this is of key importance for achieving balanced and successful development of the Company and the entire Luka Koper Group.

In 2009 we introduced principles of European eco-management scheme under the EMAS principle and we are currently in the process of obtaining certificate of the Ministry of Environment and Spatial Planning. We became a full member of the Institute for the Development of Social Responsibility and Slovenian Association of United Nations for Sustainable Development »Global Compact«. At the end of the year Vienna stock exchange included the Company in the CEERIUS index composed of the leading companies in reference to sustainable development in the Central and Western Europe. We are proud to have received a special recognition by the Finance newspaper for the best sustainable report in 2008 in the Slovene territory, and the award received at the international forum Fresh Produce Mediterranean by our fruit and vegetables terminal as the best provider of services in the Mediterranean in 2008. Our achievement and other developments in the Company are communicated openly through the available media and our web sites www.luka-kp.si and www.zivetispristaniscem.si.

We are following our policies set in the past in terms of sustainable development. We strive to ensure

»Vienna stock exchange included the Company in the CEERIUS index composed of the leading companies in reference to sustainable development in the Central and Western Europe.«

business excellence in all business segments including in our relations to customers and suppliers.

Regular monitoring and reduction in emission levels, additional investment in reducing negative environmental effects, reduction in the use of natural resources, waste management, preventive protection measures and general orientation towards environmentally friendlier cargoes, are at the forefront of the many objectives that will ensure sustainable development.

Our environmental and social responsibility is extended to all our partners as our objective is to ensure sustainable and balanced development in the environment where we work and live.

HUMAN RESOURCE DEVELOPMENT

Due to changed economic conditions we have limited employment, improved utilisation of internal human resources, replaced retired employees by existing staff, efficiently reassigned staff and ensured optimum utilisation of working time, and reduced the number and volume of work provided by external providers of port services. We also reduced labour costs. We held intense dialogue between management and labour for implementation of new collective agreement for corporate sector, and we ensured effective training and education of employees based on a selective and targeted approach. We regularly monitored human resource management systems' efficiency by:

- Measuring organisational climate,
- Measuring employee affiliation and satisfaction,
- Performance assessment of the leading members of staff,

The number of employees in the companies and the Luka Koper Group on 31 December

Number of employees	2007	2008	2009
Luka Koper, d.d.	774	786	768
Luka Koper, INPO d.o.o.	228	241	220
Luka Koper Pristan d.o.o.	9	14	8
Adria Terminali d.o.o.	35	35	35
Adriasole, d.o.o.	-	-	1
Adria-Tow d.o.o.*	24	29	-
Adria transport d.o.o.*	-	1	-
TOC, d.o.o.*	-	3	-
TOTAL	1.046	1.076	1.032

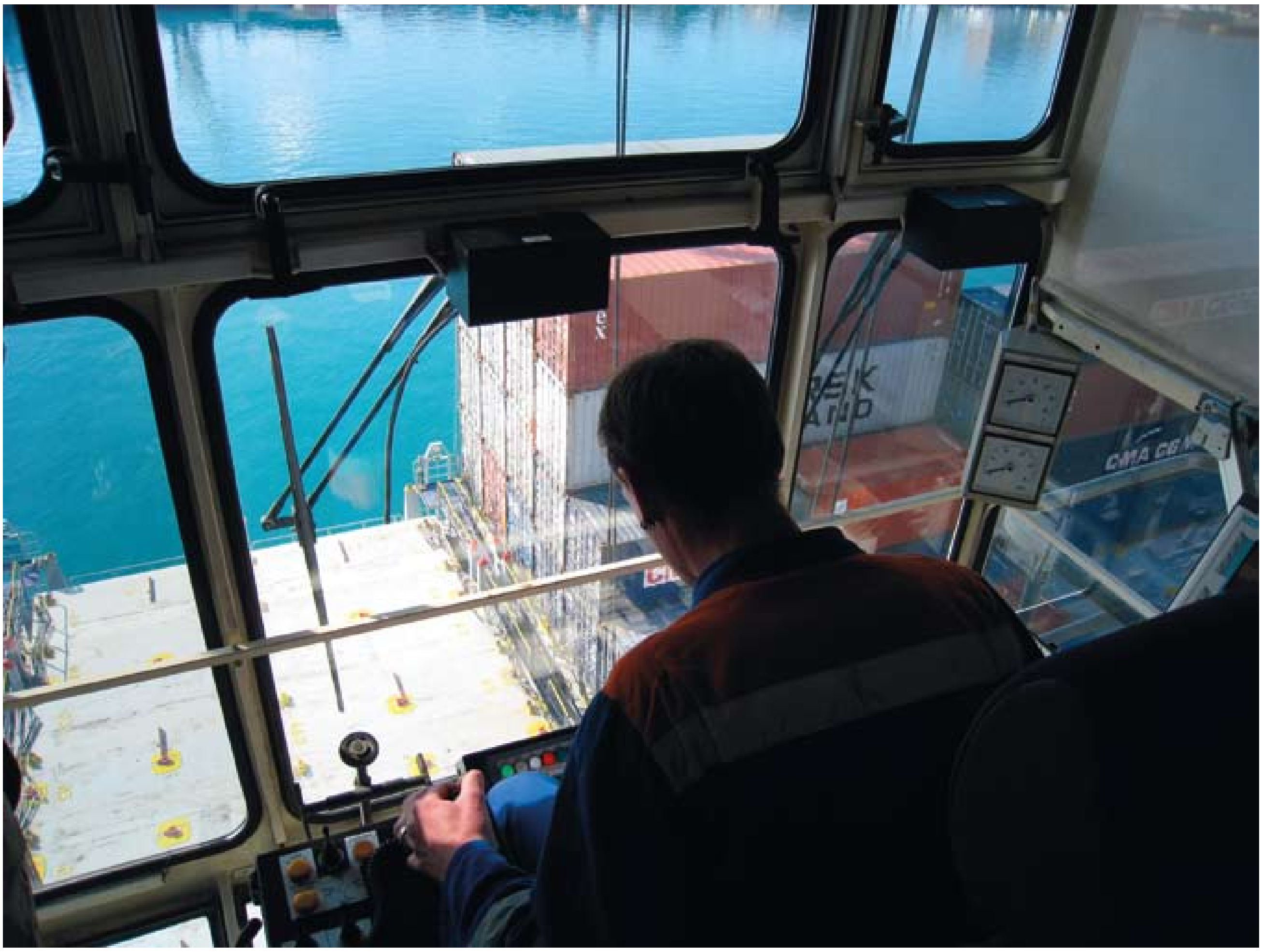
* In accordance with the amended consolidation methodology, the above comparison of the number of employees per individual companies only includes companies which were in 2009 included in the Group. Companies in the Luka Koper Group which have no staff, are not included in the above table.

»We have laid down our human resource development plans until 2014, placing in the forefront continued efforts to ensure social peace and partnership with the employees.«

- Annual interviews, and
- Assessment of cooperation between teams.

In the Development strategy we have laid down our Human resource development plans until 2014, placing in the forefront continued efforts to ensure social peace and partnership with the employees, secure employment to all our staff, more efficient use of internal resources and establishment of optimum relations with the providers of port services. In future years, the number of employees in the core and supporting business processes will gradually decline as the number of staff in the core throughput activity will depend on the actual turnover and potential changes affecting the work of aliens and other governmental measures. Luka Koper, d.d., will invest an average of 18 hours or EUR 260 for education per employee annually, with the aim of preserving and enhancing quality of services, staff motivation and ensuring their personal growth and career development.

We have optimised business processes, organisational units and management levels. Furthermore we merged investment, technical and procurement departments and separated departments for coordination of our core activity and rail transport. Departments for sea protection and ecology were reorganised as was department for the general and sea protection. Individual job positions were abolished in



Employee turnover

Comparison between recruitments, departures and employee turnover rate in the period from 2007 to 2009 at the level of the Group and the Company

	New recruitments			Departures			Employee turnover rate*		
	2007	2008	2009	2007	2008	2009	2007	2008	2009
Luka Koper, d.d.	120	52	14	38	40	32	4.7	4.8	4
Luka Koper Group	169	94	26	62	64	69	5.6	5.6	6.3

* calculation methodology for employee turnover rate= number of departures (initial number of staff + new recruits) x 100

order to reduce management levels (executive director, adviser, and similar) and established new positions for the supervision and integration of business processes (internal auditor, head of costs supervision, and others). In doing this, we strived to ensure work and preserve employment.

Employment policy

As at 31 December 2009, the Luka Koper Group employed 1,032 staff, 4 percent less than in the previous year. Due to employment restrictions as a response to uncertain market conditions, in 2009 the number of employees in the Company and in the Luka Koper Group declined.

We have concluded employment contracts for indefinite period of time with almost all of the employees. At the Group level, 98.7 percent of all employees were employed for indefinite period, whereas at the Company level 98.4 percent of all employment contracts were concluded for indefinite period of time. In the Group, 27 members of staff were employed on part-time basis, 25 disabled persons and two parents with small children. In Luka Koper, d.d., two parents with small children and one disabled person were employed on part-time basis. Majority of disabled persons (22) employed on part-time basis work in Luka Koper INPO, d.o.o.
The average age of staff has fallen from 43.1 to 42.8 years as a result of retirements. However, the average years of service rose compared to the previous year by 1.2 percent to 20.8 years.
Due to difficult and specific working conditions, we employ more men than women. The male population prevails in the core activity and the basic activity, while more women are employed in professional services, administration of profit centres and in the management. Compared to the previous year, there was no major change in the share of women in total number of employees; it stood at 12.4 percent compared to 12.5 percent in 2008.
At the end of 2009 the Group employed 163 disabled persons; majority, 144 in total, worked in Luka Koper INPO, d.o.o., which accounts for 65 percent of total staff employed by this company.
New employment contracts for a definite period of time were signed in Luka Koper, d.d., by 37 new recruits, whereas at the Group level, a total of 47 new recruitments were made.
At the Group level, 96.1 percent of staff are employed under collective agreement, and 95.6 percent in Luka Koper, d.d..
In 2009 The Group recruited 26 new staff; of those, 14 were employed by Luka Koper, d.d.. Of total number of new recruits, those with higher educational level or university degree at the Group level account for 42 percent, whereas in Luka Koper, d.d., 57 percent of new recruits have either higher educational level of university degree. We have, to the largest extent possible, engaged the existing workforce, which was reflected in a 29 percent decrease in the volume of work provided by students compared to 2008.

Leaving the Company

A total of 69 departures were recorded at the Group level, of those 32 in the Luka Koper, d.d., most frequent reason being retirement while other departures were related to organisational changes and changes in the human resources. For several years we have reported a large number of retirements due to a relatively large number of senior employees. The trend is expected to continue also in 2010.

Managing working time

In 2009 we recorded fewer reassignments of working time (29 percent less than the previous year), less overtime (8 percent less than the previous year), and the highest level of utilisation of annual holiday leave so far: 85 percent at the Group level and 90 percent at the level of Luka Koper, d.d..
To ensure more efficient assignment of work we introduced electronic registration of annual leave via personal computers and two Infomats.

Educational level of employees of Luka Koper d.d. and the Luka Koper Group as at 31 December 2009

	Luka Koper, d.d.		Luka Koper Group	
Level of education	31.12. 2009	Share (%)	31.12. 2009	Share (%)
VIII/2	2	0.3	2	0.2
VIII/1	15	2	17	1.6
VII	94	12.2	103	10
VI/2	113	14.7	119	11.5
VI/1	47	6.1	57	5.5
V	234	30.5	266	25.8
IV	186	24.2	264	25.6
III	21	2.7	29	2.8
I - II	56	7.3	175	17
Total	**768**	**100%**	**1,032**	**100%**

Safety and health at work

Due to absenteeism as a result of illness, 108,733 of working hours were lost in 2009. At the group level, absenteeism reached 4.9 percent, a reduction of 0.4 percent compared to 2008, whereas in Luka Koper, d.d., it rose by 0.6 percent to 4.5 percent, primarily as a result of increasing average age of employees and longer absenteeism of some members of staff. 79 employees suffered an industrial injury.

All cases are carefully investigated so as to determine the causes, make a report and take the necessary measures to prevent future injuries. Our main objective is to protect employees from negative effect of working environment and technological processes and to this effect we maintain our health and safety at work system in accordance with the guidelines of the international standard OHSAS 18001/2007.

Education and training

As part of the measures taken in response to the global economic crisis, we organised primarily short in-house training, particularly workshops in the domain of occupational safety, environment protection, IT, quality standards, warehousing operations, and working time management. Therefore, the cost of education and training per employee in the Group reached EUR 154, which is EUR 130 less than in the previous year.

At the Group level, a total of 14 hours of training was allocated per employee in 2009, an increase of 3 hours compared with 2008, and 16 hours at the level of the Company compared with 24 recorded in 2008. As a result of non-recruitment of new workforce, the number of practical instructions for handling of machinery was considerably lower. Compared with the previous year, the share of in-house training fell as a result of the changed educational policy. We organised larger number of shorter and more specific trainings which provide similar or even better results along with lower costs.

In-house training prevailed at the Group and the Company levels (accounting for 52 percent). Relatively high share of external training is due to lengthier fire prevention training stipulated by legislation.

We have adopted new criteria for agreeing educational contracts which will in future be approved only for the most promising staff. In 2009 we agreed to support education and training to 12 employees.

We maintain active cooperation with local educational institutions such as the University of Primorska, Faculty for Maritime and Transport, technical colleges and Open College as well as similar institutions in the wider area (IEDC Business school Bled, International Post Graduate Institute Jožef Stefan, and others).

In 2009 we approved student grants to one student through the Student Grant Scheme of South Primorska and two through the Student Grant fund of the University of Primorska.

Students can take their compulsory on-the-job training at Luka Koper and we provide mentors to give support to students with writing their diplomas, thesis and master's thesis We actively participate in redesigning study programmes of colleges and faculties.

The educational level of employees has risen due to the following:

- 29 successfully competed open college studies,

- 11 new recruits with higher level of education,
- Departure of workforce in the core activity with no education, who are not replaced with new recruits.

The more favourable educational level of staff employed in the Company over those employed in the Group is the consequence of the parent company's development role and the performance of supplementary activities by the other companies.
We support career development of our employees through:
- Allocation of employees into a higher level of professional competence and flexibility at job positions,
- Horizontal promotions when an employee signs new employment contract for the same or another job position with the same degree of competence in another unit, and
- Vertical promotions when an employee signs a new employment contract for a more demanding job position.

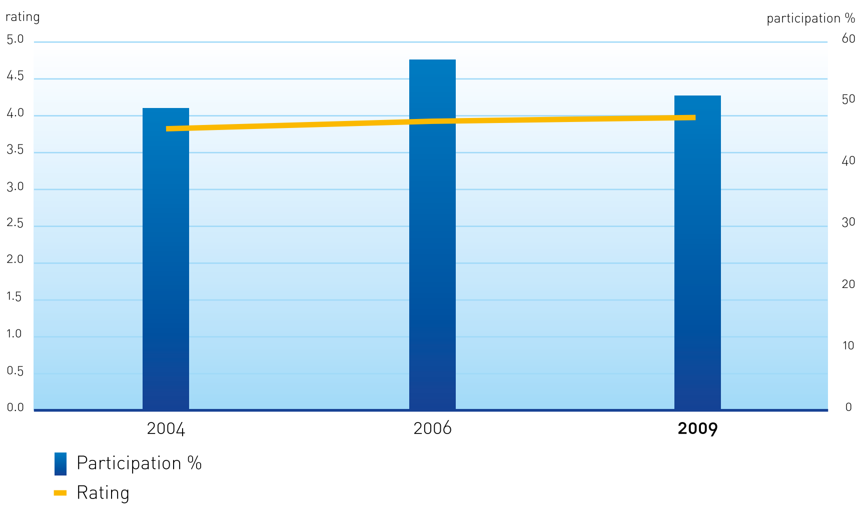
Staff mobility in the Company and the Group is high (over 40 percent). 115 staff were promoted in 2009 at the Group level (11 percent), and 74 in the Company (10 percent).
Additional employee motivation is higher level of competence and flexibility achieved by large number of employees: 362 staff (35 percent at the Group level) and 255 staff (33 percent) in the Company.
We further support and promote career development of our employees at annual interviews, specific attention devoted to staff that show potential for promotion and to those who successfully completed open collage courses with the help of financial support from Luka Koper, d.d.
We have updated the database of staff who may potentially take more senior managerial positions. With four of them we agreed employment contract for the job of a head of unit, and one was employed as head of operations.

Motivation and remuneration

In spite of uncertain market circumstances we ensured regular monthly salary payment to above the average salary in the country and the sector.*
At the end of the year we also paid bonuses.
We build partnerships with our employees and ensure rewards for:
- Useful proposals and innovations,
- Tutors, mentors, in-house lecturers,

- Participation on projects,
- Annual rewards are provided for selected exemplary employees, head of the year, innovator of the year, members of the best quality team,
- Payment of 70 to 90 percent of the premium for additional voluntary pension insurance,
- Fast and comprehensive information provision using
  - Brief news bulletins (via e-mail and notice boards),
  - Free monthly in-house newspaper »Luški glasnik«,
  - info points in the profit centres,
  - Internet forum where individual departments answer questions posed anonymously, whereas answers are available to all,

Overview of the average rating and participation in employee satisfaction survey in Luka Koper, d.d., in the period from 2004 to 2009



* Source: Statistical office of the Republic of Slovenia

- Organisation and financial support for educational courses and trainings that are in the interest of the Company,
- Covering costs of flue jab,
- Care for health and promotion of informal gathering of employees through organised sports and recreational events (recreational activities at lower costs, booking and renting of sports facilities and guided recreation at sports and bowling facility in Koper),
- Utilising holiday facilities at low prices and under special payment terms,
- Organisation of social gatherings on the occasion of celebrating the anniversary of the port's operations, New Year, Christmas presents for children, Ladies day,
- A letter of congratulations from the Management Board at birthdays and New Year,
- Free-of charge participation at cultural, entertainment, and sports events sponsored by the parent company in the locality.

To strengthen employee affiliation we occasionally present employees with various articles with the Luka Koper, d.d. logo such as t-shirts, towels, diaries and calendars.

Monitoring efficiency of the human resource management

This year we again carried out a survey of employee satisfaction and for the first time we also surveyed mutual cooperation between individual units within the Group. 83 percent of employees participated in the survey and gave an average rating of 3.66 to mutual cooperation, while PR department was rated the best unit and was awarded special public recognition on the occasion of celebrating the anniversary of Luka Koper, d.d.. This will provide the basis for improving cooperation between the units.

Organisational climate trend is improving as is employees affiliation and satisfaction in the parent company and in Luka Koper INPO, d.o.o. The results were published in in-house newspaper.

In the parent company we carried out assessment of the leading staff by their subordinate staff and also senior members of staff. The average rate was 4.07. The results showed the need to implement clear reporting structure and reduce managing levels. Based on these results, head of units held interviews with the leading staff who received less favourable rates.

424 employees of Luka Koper, d.d., (54 percent which is the highest so far), were included in annual reviews, whereas in Luka Koper INPO, d.o.o. as much as 83 percent of all employees were included in annual interviews).

The best head of the year, exemplary members of staff, the innovator of the year and the best quality team were all awarded public recognition and rewards on the occasion of the anniversary of the port.

The results of our surveys have shown that we are successful at human resource management. Through more consistent implementation of existing practices and compliance

with existing systems we shall in future improve our performance even more.

Communications with employees

Open communication with employees consolidates their affiliation with the Company, increases their productivity and helps achieve business goals. Over the years we have developed a variety of tools which we use to inform employees of the developments in the Company.

LUKANET is the Luka Koper Group's in-house web site which includes, in addition to the latest news, also the mission, vision and strategy of the company, business plan, all the basic information about organisational units and subsidiaries, internal rules and instructions for work, instructions about the corporate image of the Company, daily news from media, archive of photographs, schedule of recreational events and vacations, as well as other important pieces of news. In 2009 we introduced a novelty, »luška klepetalnica«, a forum that allows interactive communication where employees can pose questions, provide recommendations, ideas and comments.

Staff that do not have personal computers are able to access the web site via the Infomat. Urgent messages are sent via e-mail and published on notice boards. Our monthly

Statistical data on interventions at sea

	2007	2008	2009
Number of incidents at sea	51	53	32
Number of interventions by the Sea protection services	39	43	18
Number of incidents not requiring intervention	12	10	14
Number of pollution incidents outside the port's aquatorium	0	0	0

newspaper » Luški glasnik« is the central printed media providing information about the development and events within the Group.

NATURAL ENVIRONMENT

Ours is the only port in the North Adriatic with implemented quality systems for environment protection, occupational health and safety, safety of foodstuffs and others. Care for the environment and occupational health and safety are integral parts of the Company's management policy and organisational culture. We are aware that our activity affects the wider area and we strive to mitigate the impact by taking relevant measures. By doing this we follow our vision to become environmentally friendly, green port. In future we will ensure that our new investments, equipment and the port's spatial plans comply with the highest ecological standards.

As the third company in Slovenia, in 2009 we adjusted our operations to comply with the requirements of EMAS – environmental management and audit standards, and thus joined only a handful of other European ports that comply with the standards. Slovenian Institute for Quality and Metrics has confirmed that the performance of port activities is consistent with the Directive, and we are in the process of acquiring certificate from the Ministry of Environment and Spatial Planning.

In 2009 we allocated EUR 2.9 million or 2.5 percent of operating revenue for environmental projects. Information about all important environmental aspects inclusive of data concerning measurements of dust particles and noise pollution are regularly published on our web sites www.luka-koper.si and www.zivetispristaniscem.si, in the »Luški glasnik« and in media.

»We adjusted our operations to comply with the requirements of EMAS – environmental management and audit standards, and thus joined only a handful of other European ports that comply with the standards.«

In cooperation with some other ports/port administrative bodies (Venice, Trieste, Levante, Pirej, Rijeka, Bar) we, as the proposers, prepared a project of four studies on the use of solar and wind energy, and energy derived from waste and green algae, with the aim of production and utilisation of renewable energy resources and assurance of energy self-sufficiency of ports.

Air quality

In Luka Koper, d.d., we conduct regular measurements of air quality. Control measurements of dust sediments are carried out at 10 points inside the port and 10 on locations outside the port. No legal limits concerning dust sediments are provided in Slovenia, therefore we apply German guidelines which allow annual limit values for total dust sediments of 350 mg/m^2/day. Measurements taken in 2009 showed our value to be much lower with exception of those measuring points where intense construction work was carried out nearby (extension of pier I).

The annual average emission of PM_{10} particles (size of up to 10 μm) was 24.6 μg/m^3, which complies with the legislative requirements. Current (hourly) values are shown on our web site www.zivetispristaniscem.si

Impact of noise pollution on the environment

Noise level measurements have been taken since 1998, whereas in 2008 we introduced continuous measurements on three locations which are the port's border points. In 2009 noise pollution levels measured in the direction of the town centre showed a slight decline from 58 to 53 dBA as a consequence of lower volume of throughput and fewer number of ships, as well as on average fewer number of old ships. This readings show that we have surpassed our goal of 58 dBA. At the other two points (direction Ankaran and direction Bertoki), noise levels were even lower.

Quality of waste water

Technological waste water generated in the (technical waste water generated by the port machinery wash, rain water from liquid cargo terminal on pier I, technological waste water from Livestock terminal, and rain water from liquid cargo terminal on pier II,) is purified in our own water purification plants before water is released into sea.
In 2009 we optimised performance of existing small sewage water purification plants. Results from measurement of the waste water quality show that we comply with the set standards. Currently we are in the process of obtaining environmental permit for waste water emissions.

Use of energy resources and water

We have planned reduction in the consumption of drinking water to 6.0 litres per throughput tonne; however we have not reached our objective as due to changed economic conditions, in 2009 investments were directed exclusively into our core activity. Increase water consumption is primarily attributable to decrepit water supply network and frequent leaks particularly in the south, the oldest part of the port. Electricity consumption was reduced by 4 percent in 2009, and motor fuel by 13 percent owing to lower throughput. Currently we are in the process of setting up our own solar power station and we had hoped to cover 4 percent of our electricity consumption in 2009 by the power produced by the solar station, however, due to changed economic conditions, completion date of the project has been postponed until 2010-2011.

Waste management

We support environmental awareness by separate collection of waste and recycling of waste. We are very proud of our achievements as 85 percent of all waste in the port is collected separately, which is 10 percent above the plan.
EACI Agency granted European Funds to our subsidiary TOC, d.o.o. for the CAPT project – processing of waste from paper industry to a highly efficient absorption substance used in clearing water surfaces.

Sea protection

In accordance with the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure at Koper Port Terminal, we conducted services related to the prevention and elimination of marine pollution. In the port aquatorium we noted 32 incidents and our sea protection services carried out 18 interventions. In 15 cases pollution was caused by oil spills whereas the other three incidents were caused by non-purified sewage as well as a variety of deposits and drift wood washed down by the Rižana river into the port basin. All those responsible for pollution refunded the costs of cleaning to the Company.
Since the middle of 2009, Luka Koper's Ecological fleet has had three vessels. A new special boat "Galeb", acquired for the cleaning of the water surface was added to the existing "Kormoran" and "Vodomec".
In addition to improving our plan of action and communication in the event of sea pollution, we have organised a number of practical drills and trainings, and 10 of our members of staff obtained a certificate issued by the International maritime organization for intervention in the event of sea pollution.

»A new special boat "Galeb", acquired for the cleaning of the water surface was added to the existing "Kormoran" and "Vodomec".«

The main criteria of the success and efficiency of interventions is the speed. None of the pollutions which originated in the port aquatorium have spread outside the port's boundaries. All pollutions were detected, confined and cleaned within the Luka Koper port.

Impact of illumination

At the end of 2009, 75 percent of search lighting illumination required for uninterrupted performance of work process, complied with the requirements of the decree on limits for light pollution. We have designed a plan under which the complete external lighting will be adjusted to comply with the requirements concerning light pollution.

Environmental objectives set for 2010

In order to realise the following environmental objectives in 2010, we will:

- Acquire environmental certificate EMAS,
- Reduce emissions of total amount of dust at dry cargo terminal to 470 mg/m^2/dan,
- Maintain PM_{10} values within the port to under 30 µg/m^3,
- Maintain the noise level at night in

the direction of the town of Koper to below 55 dBA,
- Reduce our own consumption of drinking water used in the performance of the port activities to 5.8 l/t,
- Reduce electricity consumption for the performance of the port activities to 1.30 kWh/t,
- Solar power to cover 8 percent of our own requirements,
- Reduce fossil fuel used in the performance of the port activity to 0.20 l/t,
- Maintain the high level of separate waste collection (excluding ship garbage) to above 80 percent,
- Connect half of all septic tanks and small purifying plants to the public sewage system or replace septic tanks with modern small purifying plants,
- Design a concept for the provision of energy self-sufficiency of the port, and
- Adjust 80 percent of search lighting illumination to the requirements for reduction of light pollution.

THE SOCIAL ENVIRONMENT

WIDE COMMUNITY SUPPORT

Sponsorships and donations

In 2009 we spent EUR 1.51 million for donations and sponsorship, an increase of 8 percent over the previous year. One fifth of total funds were granted as donations, while the rest was used for various sponsorships including stakeholders and individuals who work and live in close proximity to the port.

Distribution of funds for sponsorships and donations by area

Donations were granted to the following:

- Charities and associations that care for persons with special needs and to Slovenian Red Cross that provides holiday accommodation for youth and children "Mladinsko zdravilišče in letovišče Rdečega križa Slovenije",
- For the acquisition of a mammogram at the general hospital in Izola, and call system for the old people's home in Koper,
- Fire associations in our vicinity and to the Voluntary Fire Association of Luka Koper, which ensures fire safety in the port and takes part in fire interventions outside the port.

Supporting individual and team sports

Majority of funds are devoted to the development of sports. We have supported a large number of amateur and professional sports persons. We have sponsored Špela Ponomarenko, Matjaž Markič and Primož Kozmus. We are the main sponsor of sports clubs in Koper who bear our name and we continue to be sponsors of the Slovene Olympic Committee.

»In 2009 we spent EUR 1.51 million for donations and sponsorship, an increase of 8 percent over the previous year.«

Supporting cultural activities

We are the main sponsors of the Koper brass band. We support associations that conserve cultural heritage and provide financial support for the organisation of a number of cultural events.

During summer months we organised an exhibition of works of arts which we have over the years been purchased from well known Slovene artists, and issued a catalogue "The port through artistic expression". The exhibition was organised in memory of Zvest Apollonij.

Since quality of knowledge matters

We support development of educational and scientific institutions and in 2009 we supported the University of Primorska, EMUNI University, Faculty of Economics in Maribor, Maritime College in Portorož, and a number of primary schools in our vicinity. Under the agreement signed with the University of Primorska, we have committed to provide further support and cooperation to the university. In order to support development of maritime activity, we have supported local and international conferences.

COOPERATION WITH THE WIDER AND NARROWER SOCIAL ENVIRONMENT

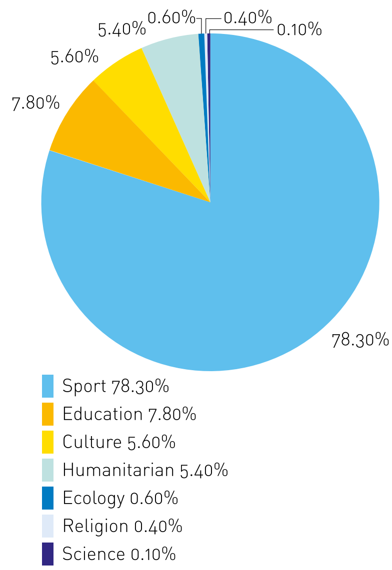
Contributing to the economical development

As the only Slovene port and one of leading ports used by the Central and South-eastern European countries we generate wide multiplicative economic effects, which are most clearly visible in maritime and forwarding activities, in the field of rail and road transport as well as in other activities such as trade, banking and tourism.
We have participated in the Passenger terminal project in Koper from the very start as this will give considerable boost to the development of tourism in the locality as well as in other places of natural beauty or tourist sites in Slovenia and we will continue to support the project in the future.

Cooperation with the local environment

We strive to limit the impact of our activity on the local environment and to this effect we are engaged in a number of environmental activities as described in chapter Natural environment.
We support the preservation of biodiversity and the nature reserve at Škocjanski zatok, which encompasses 122 hectares of Mediterranean wetland bordering on the port and which is of exceptional importance due to its rich fauna and flora. 14 varieties of endangered species of birds which are on the national Red list of nesting birds nest here.
By relocating cargo entrance of the port to Sermin, we will redirect some of the traffic which would otherwise flow through the Koper town centre. The entrance with external and internal truck terminal will be accessible from the new road network constructed between Bertoki and Ankaran.
We presented to the public results of a four-year study of the effect of Luka Koper's activity in terms of pollution and other environmental issues in the bay of Koper, prepared by Leo Šešerko, DSc., associate professor at the Environmental Protection College and Jože Štirn, DSc., a renowned expert for marine biology. Professional measurements and observations, completed in 2009 showed that the largest sea pollutant is the central purifying plant, that air quality in Koper is as good as that in the rural environment in Slovenia, and that higher ozone concentrations during summer months are primarily the effect of traffic.
For several years we have carried out public opinion poll with regards

Distribution of funds for sponsorships and donations by area



to how local inhabitants feel about Luka Koper. In 2009 our research, carried out by an independent agency on a sample of 750 people was widened to include seven instead of four locations of the Municipality of Koper (Ankaran, Hrvatini, Škofije, Bertoki, Žusterna and Markovec). The results showed that nearly two thirds of participants rated Luka Koper's contribution to the economic development of the Municipality as high or very high, which is similar to the results from the previous year. Environmental results of the survey were not as good primarily due to the fact that the survey was carried out at the same time as the discussion on the national spatial plan and good third of participants stated that environmental pollution is caused primarily by the port, while two thirds feel that Luka Koper's investment in the environment in the form of donations and sponsorships is high or medium high.

State spatial planning document in the making

Following the unveiling of the National spatial plan for the complete spatial regulation of the port in October 2009, there Ministry is currently accepting proposals and comments of the public and communities. This will be followed by supplementation of professional basis, reconciliation by all engaged in its realisation and adoption of the regulation by the Government of the Republic of Slovenia.
According to the information provided by the Ministry of Transport, preparatory work is expected to be underway in 2010 for the construction of two-rail line Divača-Koper. Work is expected to begin in 2011 and should be completed by 2016.

»Our socially responsible projects and projects for the preservation of natural environment are presented on our redesigned website www.zivetispristaniscem.si«

Building close ties with our neighbours

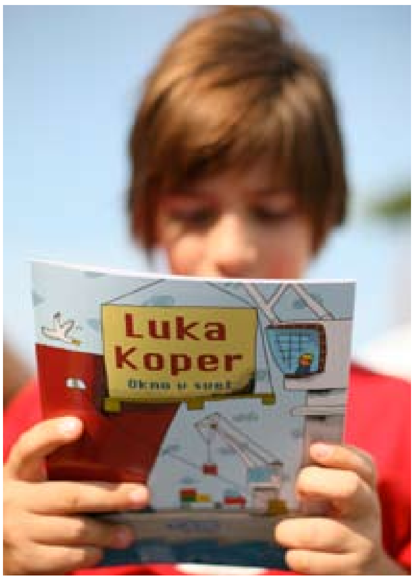
In order to increase the market potential of the North Adriatic port system we signed a letter of intent of future cooperation with the ports of Venice, Trieste and Ravenna. This was made possible with the establishment of NAPA (North Adriatic Ports Association), whose first chairman for the first six month mandate is Gregor Veselko,,DSc., Chairman of the Management Board of Luka Koper, d.d.. One of a large number of initiatives is joint presentation at the Transport & Logistic 2010 fair in Shanghai. In June a new container line was established to the Far East by the CMA CGM and Maersk Line shipping companies. Since November, our port is linked with Mediterranean ports through a regular container line Adriatic Levant Express, provided by the Maersk Line shipping company.
As part of the Marco Polo 2 programme, the European Commission adopted a decision to co-finance the project of establishing a shipping link between Koper and Barcelona.

Comprehensive information about sustainable development issues.

Our Sustainable development report for 2008 was named by the newspaper Finance as the best report in the category and we received a special commendation. Slovene Association of United Nations for sustainable development expressed »high level of commitment by Luka Koper for integration of economical, social and environmental issues in the general business strategy«. Our socially responsible projects and projects for the preservation of natural environment are presented on our redesigned website www.zivetispristaniscem.si, where we publish results of dust particles emission measurements and noise pollution levels.

Open doors for visitors to the port

From Monday to Saturday we organise free-of-charge visits to the port for organised groups. In 2009 we recorded more than 17,600 visitors to the port (inclusive of visitors during the open day). An informational booklet Luka Koper – a window to the world« was printed for our youngest visitors – children up to the age of 11, which includes description of the activities and a map of the port .



Cooperation with media
We continue to be open to the wider public. Media questions are addressed promptly and we provide media with up-to-date information of the Company's operations and developments. Information is also published on our two web sites www.luka-kp.si and www.zivetispristaniscem.si.
We prepare notifications for media, organise press conferences and invite press representatives to attend important events and visits of dignitaries. In 2009, media attention was focused on changes in the Company's Management Board, impact of the global economic crisis and the National spatial planning document for the port of Koper.

SUPPLIERS AND CUSTOMERS

In the framework of EFQM business excellence model we strive to maintain and build long-term partnerships with our suppliers. In addition to everyday contacts we have for several years been selecting only the best suppliers and to show our appreciation, every year we organise a special event where we reward the best suppliers. At the end of 2009 we selected best suppliers from four categories: investments, products, technical services and port and transport services. In their deliberations the judges considered a number of criteria such as quality, timely deliveries, prices, fast resolution of complaints, payment terms and environmental policy. The judges awarded high marks which proves the established high quality of our supplier partnerships. The best were awarded public recognition, a sculpture and benefit in the form of a shorter payment terms for 2010. Our best suppliers in 2009 are:
- Luka Koper INPO, d.o.o., for investments,
- Prototip CC, d.o.o., for technical services
- Metalna – SRM, d.o.o. for products, and
- NEDJO, d.o.o., for port services.

Our partnerships with customers are also based on the principles of excellence. Every year we check customer satisfaction by conducting a survey of key customers, and we also monitor their satisfaction at various gatherings or meetings. High level of satisfaction is achieved also

»Every year we check customer satisfaction by conducting a survey of key customers.«

through the use and development of various tools such as subpage Port manual and applications E-container and Lunaris.

BUSINESS EXCELLENCE AND QUALITY MANAGEMENT SYSTEMS

For nearly a decade we have been operating in accordance with the principles of excellence. The following requirements were integrated in our management system:
- Quality system management in accordance with ISO 9001:2008,
- Environmental management system in accordance with ISO 14001:2004,
- Assuring safety of foodstuffs in accordance with ISO 22000:2005,
- The health and safety at work system management in accordance with BS OHSAS 18001:2007,
- NON GMO certificate for handling and warehousing non-generically modified soy,
- SEVESO II Directive on environmental protection, and
- Business excellence models.

Our activities are aimed at the recognition of the needs and requirements of the new standards, obtaining suitable certificates and managing and upgrading the existing ones. In 2009 we applied for the EFQM European award and by being awarded 550 – 600 interval points, we confirmed our position among the best European companies
Adria Terminali, d.o.o. obtained ISO 9001:2008 quality standard related to the management system, whereas at the end of the year TOC, d.o.o. was in the process of implementing the management system under the ISO 17025 standard.
Our ambitious goal of achieving 5 improvements per 10 employees was in 2009 surpassed by 14 percent as we successfully implemented 462 enhancements.

Contacts

Through reporting on sustainable development in Luka Koper, d.d., and the Luka Koper Group, we provide data and information to all groups and individuals who are integrated with us in our everyday operations. More up-to-date news and information is available on our web sites www.zivetispristaniscem.si and www.luka-kp.si

Information is available from our web site or contacts with those responsible for individual departments.

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FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP AND LUKA KOPER, D.D. FOR THE YEAR 2009

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INTRODUCTION TO THE PREPARATION OF THE FINANCIAL STATEMENT

The consolidated financial statements and notes to the financial statements of the Luka Koper Group and non-consolidated financial statements and notes to the financial statements of Luka Koper, d.d., have been dealt with in two separate reports. The financial statements have been compiled in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU.

The auditing firm Ernst & Young d.o.o., Ljubljana have audited the consolidated and non-consolidated financial statements and the notes thereto and prepared an auditor's report, which has been included in the individual reports.

CONSOLIDATED FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP

1. INCOME STATEMENT – audited and consolidated

(In EUR)	Notes	2009	2008
Operating revenue	**1**	**116,124,640**	**137,228,249**
Net sales	1	113,809,418	133,331,964
Other operating revenue	1	2,315,222	3,896,285
Operating costs		**-124,303,340**	**-113,624,198**
Costs of goods, materials and services	2	-40,721,974	-48,210,565
Labour costs	3	-37,012,329	-38,039,884
Write-downs	4	-35,499,113	-19,644,631
Other operating expenses and provisions	5,6	-11,069,924	-7,729,117
Operating profit or loss		**-8,178,700**	**23,604,051**
Total finance income	**7**	**4,414,543**	**9,677,894**
Of that share in the operating result of joint ventures		959,032	3,425,746
Total finance expenses	**8**	**-68,408,058**	**-16,900,197**
Finance profit or loss		**-63,993,515**	**-7,222,303**
Total profit or loss	**9**	**-72,172,215**	**16,381,748**
Income tax	10	-410,990	-654,180
Deferred tax	11	5,980,691	1,512,497
Net profit or loss	**12**	**-66,602,514**	**17,240,065**
Profit or loss of the majority shareholder	12	-66,303,732	16,921,333
Profit or loss of the minority shareholder	12	-298,782	318,732
Earnings per share (basic and diluted)	25	-4,73	1,21

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

2. STATEMENT OF COMPREHENSIVE INCOME OF LUKA KOPER GROUP – audited and consolidated

(In EUR)	1-12 2009	1-12 2008
Profit for the period	**-66,602,514**	**17,240,065**
Other comprehensive income for the period		
Change in fair value of available-for-sale FA	7,189,128	-49,132,071
Deferred tax	-1,437,826	9,826,414
Total	**5,751,302**	**-39,305,657**
Total comprehensive income for the period	-60,851,212	-22,065,592
Of that:		
- Majority shareholders' equity	-60,552,430	-22,384,324
- Minority shareholders' equity	-298,782	318,732

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

3. BALANCE SHEET – audited and consolidated

(In EUR)	Notes	31.12.2009	31.12.2008
Assets		**531,672,019**	**556,610,483**
Non-current assets		**505,003,934**	**509,161,405**
Intangible assets	13	7,024,047	5,895,817
Property, plant and equipment	14	387,867,394	361,067,090
Investment property	15	18,438,868	3,554,139
Non-current investments	16	82,826,382	135,768,400
Non-current operating receivables	17	220,307	217,865
Deferred tax assets	18	8,626,936	2,658,092
Current assets		**25,964,736**	**44,730,979**
Assets (disposal groups) held for sale	19	1,382,987	126,483
Inventories	20	13,752	20,248
Current investments	21	3,228,597	10,700,203
Current operating receivables	22	20,482,935	23,767,700
Deferred tax assets	22	302,131	2,199,125
Cash	23	554,334	7,917,220
Deferred costs and accrued revenue	**24**	**703,350**	**2,718,100**
Equity and liabilities		**531,672,019**	**556,610,483**
Equity	**25**	**247,410,497**	**311,059,034**
Equity- majority shareholder		**247,043,315**	**307,596,678**
Share capital	25	58,420,965	58,420,965
Capital surplus	25	89,562,703	89,562,703
Legal reserves	25	18,876,842	18,877,775
Other revenue reserves	25	60,544,410	100,333,557
Revaluation surplus	25	11,044,595	5,293,292
Retained earnings		15,706,530	25,058,917
Net profit or loss for the year	12	-7,112,730	10,049,468
Capital- minority shareholder		**367,181**	**3,462,356**
Provisions	**26**	**13,884,933**	**11,141,234**
Non-current liabilities		**47,972,817**	**105,334,648**
Non-current financial liabilities	27	45,032,490	103,836,807
Non-current operating liabilities	27	179,178	174,518
Deferred tax liabilities	27	2,761,149	1,323,323
Current liabilities		**220,912,556**	**127,822,833**
Current financial liabilities	28	189,506,103	97,521,399
Current operating liabilities	28	31,406,453	30,151,946
Short term income tax liabilities	28	0	149,487
Accrued costs and deferred revenue	**29**	**1,491,218**	**1,252,734**

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

4. STATEMENT OF CHANGES IN EQUITY OF THE GROUP– audited and consolidated

(In EUR)	Called-up capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Net profit for the year	Revaluation surplus	Total	Minority shareholders' equity	Total equity
As at 1 January 2008										**340,663,798**
Net profit or loss for the year						16,921,333		16,921,333	318,732	17,240,065
Other comprehensive income for the year							-39,305,657	-39,305,657		-39,305,657
Total comprehensive profit or loss for the year						16,921,333	-39,305,657	-22,384,324	318,732	-22,065,592
Comprehensive income for the period						**16,921,333**	**-39,305,657**	**-22,384,324**	**318,732**	**-22,065,592**
Formation of other revenue reserves based on a decision of the management and supervisory board				6,867,662		-6,867,662		0	0	0
Transfer to other revenue reserves based on a decision of the general meeting				5,209,210	-5,209,210			0	0	0
Transfer of the net profit for the previous year to retained earnings					17,586,058	-17,586,058		0	0	0
Payment of dividends				-7,472,274	-227,726			-7,700,000		-7,700,000
Transfer from capital					-110,790			-110,790	271,617	160,827
Other			4,203			-4,203		0		0
As at 31 December 2008	**58,420,965**	**89,562,704**	**18,877,775**	**100,333,556**	**25,058,918**	**10,049,468**	**5,293,292**	**307,596,678**	**3,462,356**	**311,059,034**
Net profit or loss for the year						-66,303,732		-66,303,732	-298,782	-66,602,514
Other comprehensive income for the year							5,751,302	5,751,302		5,751,302
Total comprehensive profit or loss for the year						-66,303,732	5,751,302	-60,552,430	-298,782	-60,851,212
Comprehensive income for the period						-66,303,732	**5,751,302**	**-60,552,430**	**-298,782**	**-60,851,212**
Formation of other revenue reserves based on a decision of the management and supervisory board				-59,191,003		59,191,003		0		0
Transfer to other revenue reserves based on a decision of the general meeting				19,401,856	-19,401,856			0		0
Transfer of the net profit for the previous year to retained earnings					10,049,468	-10,049,468		0		0
Payment of dividends								0		0
Transfer from capital									-2,796,393	-2,796,393
Other			-934					-934		-934
As at 31 December 2009	**58,420,965**	**89,562,704**	**18,876,841**	**60,544,410**	**15,706,530**	**-7,112,730**	**11,044,595**	**247,043,313**	**367,181**	**247,410,495**

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

5. CASH FLOW STATEMENT – audited and consolidated

	(In EUR)	31.12.2009	31.12.2008
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**		
	Profit or loss before tax	-72,172,215	16,381,748
	Income tax and other taxes not included in operating expenses	-410,990	-654,180
		-72,583,205	**15,727,568**
b)	**Adjustments for**		
	Depreciation and amortisation, and provisions (+)	25,075,239	19,072,531
	Revaluation operating revenue associated with investing and financing (-)	-52,184	-303,794
	Revaluation operating expenses associated with investing and financing (+)	13,379,056	427,546
	Finance income less finance income from operating receivables (-)	-4,159,585	-8,836,143
	Finance expense less finance expense from operating liabilities (+)	67,303,080	16,351,299
		101,545,606	**26,711,439**
b)	**Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)**		
	Opening less closing operating receivables	5,220,173	2,819,401
	Opening less closing deferred costs and accrued revenue	2,014,750	-2,518,962
	Opening less closing deferred tax assets	0	0
	Opening less closing assets of disposal groups held for sale	-1,256,504	-22,618
	Opening less closing inventories	6,496	-10,560
	Closing less opening operating liabilities	1,068,822	-8,151,307
	Closing less opening accrued costs and deferred revenue, and provisions	5,270	312,787
	Closing less opening deferred tax liabilities	0	0
		7,059,007	**-7,571,259**
c)	**Net cash from operating activities**	**36,021,408**	**34,867,748**
B.	**Cash flows from investing activities**		
a)	**Receipts from investing activities**		
	Interest and profit shares from investing activity	4,159,585	7,325,744
	Receipts from disposal of intangible assets	0	0
	Receipts from disposal of property, plant and equipment	34,399,921	4,319,536
	Receipts from disposal of investment property	0	0
	Receipts from disposal of non-current investments	4,564,224	6,912,820
	Receipts from disposal of current investments	22,943,035	9,981,858
		66,066,765	**28,539,958**
b)	**Disbursements from investing activities**		
	Disbursements to acquire intangible assets	-1,433,631	-4,989,458
	Disbursements to acquire property, plant and equipment	-106,146,485	-141,944,912
	Disbursements to acquire investment property	-5,009,410	-37,652
	Disbursements to acquire non-current investments	-6,383,802	-32,311,167
	Disbursements to acquire current investments	-16,766,305	-6,106,427
		-135,739,633	**-185,389,616**
c)	Net cash from investing activities	**-69,672,868**	**-156,849,658**
C.	**Cash flows from financing activities**		
a)	Receipts from financing activities		
	Proceeds from increase in non-current financial liabilities	84,958,900	192,716,269
	Proceeds from increase in current financial liabilities	219,978,916	130,176,042
		304,937,816	**322,892,311**
b)	Disbursements from financing activities		
	Interest paid on financing activities	-8,248,765	-7,024,031
	Cash repayments of non-current financial liabilities	-2,328,217	-32,860,000
	Cash repayments of current financial liabilities	-268,020,775	-147,380,436
	Dividends and other profit shares paid	-51,486	-7,741,607
		-278,649,243	**-195,006,074**
c)	Net cash from financing activities	**26,288,573**	**127,886,237**
Č.	**Closing balance of cash**	**554,334**	**7,917,220**
x)	Net cash for the period (sum total of net cash A.c, B.c and C.c)	**-7,362,886**	**5,904,327**
y)	Opening balance of cash	**7,917,220**	**2,012,893**

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

6. COMPOSITION OF THE LUKA KOPER GROUP

The consolidated financial statements of the Luka Koper Group for the year ended 31 December 2009 include the financial statements of the parent company Luka Koper, d.d., the financial statements of its subsidiaries, and profits or losses of associates and jointly controlled companies.

The Luka Koper Group consisted of 11 subsidiaries, 6 associates and 4 jointly controlled companies as at 31 December 2009

Basic information about the parent company Luka Koper d.d.

Luka Koper is the only Slovenian international cargo port, and it is controlled by a public limited company located in Koper which has the same name. Its geographical position provides the closest connection between the Central and Eastern Europe with Mediterranean. The port was established in 1957. Today the harbour has a direct connection to the European railway and motorway system and has a status of EU border entry point. The whole port has a status of a free-trade zone. Luka Koper represents the intermodal trade connection between various means of transport and throughput systems.
The Company's share capital of EUR 58,420,964.78 is represented by 14,000,000 ordinary shares. The company's headquarters are located in Koper, Vojkovo nabrežje 38.

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

		31.12.2009		31.12.2008	
Subsidiary	Country	Ownership in %	Share capital in EUR	Ownership in %	Share capital in EUR
Luka Koper Pristan d.o.o.	Slovenia	100.00	1,894,746.00	100.00	1,894,746.00
Luka Koper INPO, d.o.o.	Slovenia	100.00	240,878.00	100.00	240,878.00
Adria Terminali, d.o.o.	Slovenia	51.00	2,000,000.00	51.00	1,200,000.00
Adria Investicije, d.o.o.	Slovenia	100.00	52,138.70	100.00	52,138.70
Eco-morje d.o.o.*	Slovenia	100.00	10,000.00	100.00	10,000.00
Luka Koper Beograd, d.o.o.*	Serbia	90.00	48,698.05	90.00	48,698.05
Luka Koper Deutschland GmbH, Munich*	Germany	74.80	18,700.00	74.80	18,700.00
Ecopark, d.o.o.*	Slovenia	70.00	10,000.00	70.00	10,000.00
Ecoporto Koper, d.o.o.	Slovenia	98.00	1,437,912.00	24.90	10,000.00
Adriasole d.o.o.	Slovenia	98.00	2,865,097.00	24.90	10,000.00

* Luka Kopar Beograd and Luka Koper Deutschland Munich, are in the process of liquidation; Eco-morje d.o.o. and Ecopark, d.o.o. are in the process of a summary winding-up, therefore they are not included in the consolidation. In 2009 none of these companies were operating.

Activities of subsidiaries

Luka Koper INPO, d.o.o. is a company whose line of business is construction, production and other services and activities provided by disabled persons. The company was established in 1995, and in 1996 it gained a status of a company employing disabled staff. As at 31 December 2009 it employs a total of 220 employees of which 137 are disabled.

Luka Koper Pristan, d.o.o. is a wholly owned subsidiary of Luka Koper, d.d.. According to standard classification of activities, the company is registered for trading activities, hotel services and similar, student dorm, mountain huts and holiday accommodations, restaurants and pubs. It was established in July 1996. As at 31 December 2009 the company employed 12 employees.

Adria Terminali, d.o.o. was registered at the court on 14 February 2007. The company's main activity is warehousing. On 31 December 2009 Luka Koper d.d. held a 51 percent share in the company and in March 2010 it became the sole shareholder of Adria Terminali d.o.o. The company has 35 employees.

Adria Investicije, d.o.o. is a fully owned subsidiary of Luka Koper, d.d.. The company was registered on 22 January 2008. Its main activity is organising realisations of building projects. The company has no employees.

Ecoporto Koper, d.o.o. was established on 7 March 2008. The company's activity is reclamation of secondary raw materials from waste. Luka Koper d.d. holds a 97.83 percent interest of Ecoporto Koper d.o.o. The company has no employees.

Adriasole, d.o.o. was established on 14 February 2008. Its main activity is production of electricity. Luka Koper d.d. holds a 97.91 percent interest in the company, which has no employees.

Changes concerning associates and jointly controlled companies

Changes in the composition of the Luka Koper Group for period from January – December 2009:

In January 2009 the Management Board of Luka Koper d.d. adopted a resolution of loan conversion into shareholdings of affiliates Adriasole d.o.o. and Ecoporto Koper d.o.o. By doing so, the ownership share of Luka Koper d.d. in the share capital of both companies increased to 98 percent.

In December 2008, the General Meeting of TOC, d.o.o., adopted a resolution of the share capital increase by the payment of in-kind contribution by the associate Insol d.o.o.. By the actual transfer of the in-kind contribution, and following the court order of 2 February 2009, the ownership of Luka Koper d.d. in the share capital of the company decreased from 68.13 percent to 50.81 percent. At the General Meeting of the company held in March 2009, TOC,Tehnološko-okoljski center (technologic-environmental center), assumed a new name of TOC, Tehnološko-okoljski in logistični center (Technologic-environmental and logistics center). At the same General Meeting Luka Koper d.d. disposed of a 3 percent of its share of TOC d.o.o., and as a result, TOC d.o.o. became an associated entity of the Luka Koper Group. On 4 June 2009 the Management Board as a sole shareholder of the subsidiary Luka Koper Inpo d.o.o. adopted a resolution to, in accordance with Article 359 of the Companies Act, transform other revenue reserves in the amount of EUR 2,759,122 into share capital thus increasing the registered share capital of the company from EUR 240,878 to EUR 3,000,000. The change has so far not been implemented.

Liquidation of companies:

At their 7th regular session held on 9 October 2009, the Management Board adopted a resolution on a summary winding-up of Ecopark d.o.o. and Eco-morje, Ekološke storitve d.o.o..

Associates and companies under common control of the Luka Koper Group

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

	31.12.2009 Percent of ownership	31.12.2008 Percent of ownership	2009 Change in ownership %
Associates			
Intereuropa, d.d.	24.809	24.809	0.00
Avtoservis, d.o.o.	49.00	49.00	0.00
Golf Istra, d.o.o.	20.00	20.00	0.00
TOC, d.o.o.	47.81	50.81	-3.00
Railport Arad s.r.l. (Romania)	33.3	40.49	-7.19
Jointly controlled			
Adriafin, d.o.o.	50.00	50.00	0.00
Kopinvest Netherlands B.V. (Netherlands)	50.00	50.00	0.00
Adria Transport, d.o.o.	50.00	50.00	0.00
Adria-Tow, d.o.o.	50.00	50.00	0.00

Changes in associated and jointly controlled companies.

In January 2009, the Management Board approved capital increase of Railport Arad, in the amount of EUR 1,500,000 and capital increase of the company TTT Arad in the amount of EUR 1,300,000. As the planned share capital increase of TTT Arad never took place, the ownership of this associated company fell from 26 percent to 17.09 percent. Therefore, the company is no longer included among associated companies.

Winding–up of companies:

At its 7th regular meeting on 9 October 2009, the Management Board proposed to institute proceedings for the liquidation of the company Kopinvest Netherlands B.V.

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

Luka Koper, d.d., port and logistics system, located at Vojkovo nabrežje 38 6001 Koper, established in the Republic of Slovenia, is the controlling entity of the Luka Koper Group. The complete consolidated financial statements of the Luka Koper Group for the reporting period 2009 include:

- balance sheet,
- income statement,
- cash flow statement,
- statement of changes in equity
- statement of comprehensive income, and
- notes, which include a review of all important accounting policies and other explanatory notes.

For the purpose of consolidation, separate financial statements of all the companies in the Group were added up. On consolidation, all the transactions, balances and unrealised gains on transactions between related enterprises, have been eliminated. The financial statements of the Group companies were prepared on the same reporting date, using the standard accounting policies for similar transactions and other events occurring in similar circumstances. The financial statements were prepared on a going concern basis. The Group is considered as a going concern that prepares its financial statements using the accrual basis of accounting and the consistency principle.

Basis of the preparation of consolidated financial statements.

Statement of compliance

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

As at the balance sheet date, due to the endorsement process of the EU, there is no difference in the policies applied by Luka Koper d.d. between International Financial Reporting Standards and IFRS adopted by the EU.

The Management Board of Luka Koper, d.d. approved these financial statements on 13 April 2010.

Functional and presentation currency

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

Fair value

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

Transactions in foreign currency

Transactions in foreign currency are translated into euros at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities in foreign currency are translated at the reference exchange rate of the ECB at the balance sheet date. All differences resulting from foreign currency translation are recognized in the income statement.

Estimates and judgements

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

Deferred tax

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

- Provisions for jubilee benefits and termination benefits upon retirement
- Provisions for claims and damages
- Impairment of investments
- Unused tax losses

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

Deferred tax assets were recognised in the relevant amount of impairment loss on investments as impairment losses are not recognised as tax expenditure until the investments' derecognition. Deferred tax assets will be utilised on derecognition of these investments.

Deferred tax assets on account of unused tax losses were made on the basis of statutory applicable corporate income tax rate for the financial year 2010 and subsequently. Pursuant to criteria stated in IAS 12 (36) and our business plan for the forthcoming period we assess that in the next year taxable profit will be available against which unused tax losses may be utilised.

Deferred tax liabilities were made for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss). They will be utilised on derecognition of these financial assets.

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

Provisions

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

- actuarial calculation of provisions for jubilee benefits and termination benefits
- assessment of the amount of potential claims prepared by the legal services or another external lawyer considering existing lawsuits and claims.

The amount of provisions is the best estimate of future expenditures.

We have assessed the application of IFRIC 12 – Service Concessions Agreements and concluded that in terms of the concession agreement and its substance (as detailed below), the interpretation does not apply to the Company.

In September 2008, Luka Koper d.d. concluded a concession agreement with the Republic of Slovenia. The agreement covers a multitude of relationship between Luka Koper d.d. and the Republic of Slovenia: rental of land, right of superficies, water rights and concession for the performance of commercial public services. The Company pays annual concession fee equal to 3.5 percent of the annual operating income. For the performance of commercial public services of maintaining port infrastructure, the Company is entitled to the income from port dues which comprise the Company's dedicated revenue for routine maintenance as well as major maintenance and repair of the port infrastructure. Port dues account for 4 percent of the Company's operating income and in terms of substance, they are an integral part of the Company's operating income. The amount of port dues is set by Luka Koper d.d. in agreement with the government. The remaining 96 percent of the operating revenue is generated through the provision of services of transhipment and warehousing, for which prices are determined by the laws of the market. Development and overhaul of the port infrastructure is carried out by the Company in its own name and for its own account. After the concession agreement expires, the concessionaire is entitled to a refund of non-amortised portion of the investments. During the term of the agreement, the concessionaire has no say on the capacity utilisation. Under consideration of the concession agreement specifics provided above we believe that the provisions of IFRIC 12 – Concession Agreements do not apply to our agreement. In the Company's books of accounts, the entire port infrastructure is reported as property, plant and equipment, allocated to the relevant profit centre to ensure separate monitoring of the activity.

Profit from operations

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

8. SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

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

The accounting policies used are consistent with those applied in the previous years, except for the adoption of new standards and interpretations, set out below.
The adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Group.

IAS 1 – Revised presentation of financial statements
The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Group has elected to present two statements.

IAS 23 – Borrowing costs
The Standard has been revised to require capitalisation of borrowing costs on qualifying assets and the Group has amended its accounting policy accordingly. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

IFRS 2 – Share-Based Payment (amended) – Vesting Conditions and Cancellations
The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.

IFRS 7 – Financial Instruments: Disclosures
The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instruments. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and the liquidity risk disclosures are impacted by the amendments.

IFRS 8 – Operating segments
The new Standard requires an entity to adopt "management approach" to reporting on the financial performance of its operating segments. As such it replaces the requirement for determining and reporting by business and regional segments. The Company has identified the company as a whole as its reporting and operating segment. Accordingly, no operating segment information has been disclosed.

Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments
The amendment to IAS 32 requires entities to classify certain items of puttable financial instruments and liabilities arising from liquidation as equity if they fulfil a number of specified criteria. Amendments to IAS 1 require disclosure of certain information regarding puttable financial instruments that are classified as equity.

IFRIC 9 – Reassessment of Embedded Derivative Financial Instruments and IAS 39 – Financial Instruments: Recognition and Measurement
These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

IFRIC 12 – Service Concession Agreements
This interpretation outlines the approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for infrastructure as property, plant and equipment, but rather recognize a financial asset and/or intangible asset.

IFRIC 13 – Customer Loyalty Programmes
This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. The Group has no customer loyalty programmes.

IFRIC 15 – Agreement for the Construction of Real Estate
The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Group.

IAS 1 – Presentation of Financial Statements

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Group has amended its accounting policy accordingly and examined whether the management's expectations over the period in which assets and liabilities are capitalised differ from the classification of the financial instrument This amendment did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

IAS 16 – Property, Plant and Equipment

Replace the term "net selling price" with "fair value less costs to sell". Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 23 – Borrowing Costs

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method in accordance with IAS 39. The Group has amended its accounting policy accordingly.

IAS 38 – Intangible Assets

Expenditure on advertising and promotional activities is recognised as an expense when the Company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Group has reassessed the useful lives of intangible assets and found that the use of the straight-line method of amortisation is appropriate.

The following amendments had no impact on the accounting policies of the Company, its financial position or operations:
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7 – Financial Instruments: Disclosures
IAS 8 - Accounting Policies, Change in Accounting Estimates and Errors
IAS 10 – Events after the Reporting period
IAS 18 - Revenue
IAS 19 – Employee Benefits
IAS 20 - Accounting for Government Grants and Disclosures of Government Assistance
IAS 27 - Consolidated and Separate Financial Statements
IAS 28 – Investments in Associates
IAS 29 - Financial Reporting in Hyperinflationary Economies
IAS 31 – Interests in Joint Ventures
IAS 34 – Interim Financial Reporting
IAS 36 – Impairment of Assets
IAS 39 – Financial Instruments: Recognition and Measurement
IAS 40 – Investment Property

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 assets«.

Parts of real estate, machinery and equipment that have different useful life, are accounted for as individual assets. Land is accounted for separately and is not depreciated.

The cost of an item of property, plant and equipment is equal to its monetary price on the day the asset is recognised.

Finance lease

At the inception of a lease, finance lease is recognised in the balance sheet as an asset and liability in the amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments, whereby both values are determined upon inception of the lease. In deriving to the present value of the minimum lease payments, the discount rate is the related interest rate, or if it is not determinable, the lease's incremental borrowing rate which the leasee would incur, is used. All direct costs of a lessee are added to the amount recognised as the asset.

Subsequent expenditure

Subsequent expenditure incurred on a replacement of an individual part of an item of property, plant and equipment increases its cost, while other subsequent expenditure increases the cost of the asset only if it is probable that the economic benefits of the asset will increase over its originally estimated value. All other expenditure is expensed when incurred.

Interest capitalisation

Interest is capitalised in accordance with the provisions of International Accounting Standard IAS 23 – Costs of borrowing. According to this standard, the costs of rent that are not directly attributable to the acquisition, constructing or production of an asset, are included in the purchase value or the cost of the asset. Such costs are capitalised as part of the value of the asset. Capitalisation of the costs of rent as part of the purchase value of the asset under construction begins, when expenditures for the asset are incurred, borrowing costs are incurred and the activities necessary to make the asset available for its use or disposal have begun.

Government grants for acquisition of property, plant and equipment are recognized in the balance sheet as deferred income and are intended to cover depreciation costs of these assets.
The amount of government grants is recognised as income in the income statement over the expected useful life of the asset in equal annual instalments.

Depreciation

Depreciation charge is recognised in an individual period in the statement of 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 over estimated useful life of individual assets. 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 and works of art are not depreciated.

When the cost of an item of property, plant and equipment is significant, it is divided into individual parts. If these parts have different useful life, we treat every part individually.

Annual depreciation rates used are described below.

	2009	2008
Buildings	1.5% - 6%	1.5% - 6%
Transport equipment	4.0% - 20%	5.0% - 20%
Computer hardware	20.0% - 33.3%	20.0% - 33.3%
Other equipment	10.0% - 33.3%	10.0% - 33.3%

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.

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, that is to say when the asset is on the location and in the condition necessary for it to operate as the management intended.
The net carrying amount of an item of intangible assets is reduced under the straight-line amortisation method over the period of its useful life.

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.

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. Estimated useful life of other intangible assets is 10 years.

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 and those owned by the Company are divided into individual parts with different useful lives of between 20 and 50 years. Only those buildings and land that are leased to unrelated parties, are included in this category.

Investments in related parties

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

Financial instruments

Financial instruments are classified into the following categories:

1. Financial instruments at fair value through profit or loss;
2. Held-to-maturity investments;
3. Loans and receivables;
4. Available-for-sale financial assets;
5. All other investments for which no active market exists and whose fair value cannot be determined reliably, are measured at cost.

1. Financial instruments at fair value through profit or loss

The first category comprises financial instruments recognised on trading date, which are measured at fair value through profit or loss , and which are held for active trading. For the first time, due to its nature, a single financial instrument was classified into this group in 2009.

2. Held-to-maturity investments

The second category comprises investments which are, on their recognition, designated as held to maturity. They are recognised on the settlement date and measured at amortised cost using the effective interest rate method. So far none of the Company's investments have been classified into this category.

3. Loans and receivables

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

- Trade receivables

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

The amounts of individual trade receivables are determined at the end of the accounting period considering justified evidence regarding doubtful settlement. Bad debt allowance is recognised for receivables past due for over 12 months and for doubtful or disputed receivables.

- Loans

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

- Borrowings

On initial recognition, borrowings are carried at their amortised cost using the effective interest rate method. Major amount of borrowings represent bank loans with repayment of principal when the loan contract matures. In terms of their maturity, borrowings are classified into long-term and short-term financial liabilities. On the last day of the year, all financial liabilities in respect of which debt covenants were not met primarily due to impairment, were transferred to short-term financial liabilities. Interest-bearing borrowings are insured with bills of exchange and certain loan covenants.
On the last day of the year 2009, principal amounts of long-term financial liabilities in respect of which certain loan covenants were not met, primarily due to investment impairment, were reclassified to short-term financial liabilities. Loans are secured with blank bills and certain loan covenants.

4. Available-for-sale financial assets

Available-for-sale financial assets comprise all of the investments in equity securities. On initial recognition they are measured at fair value, increased by the cost of transaction relating to the acquisition of individual financial assets. Fair value is considered market value based on the market value of securities or published daily value of a unit of a mutual fund's assets. Fair value changes are recognised directly in the statement of comprehensive income on a quarterly basis. 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.

Cash

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

Derivative financial instruments

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

Equity

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

Dividends

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

Earnings per share

Luka Koper Group shows only basic earnings per share. Basic earnings per share are calculated by dividing net profit with the weighted average number of ordinary shares.

Financial liabilities

On initial recognition loans are carried at their fair value less attributable transaction costs. The difference between historical cost and amortised cost is stated in the income statement over the loan repayment period, using the effective interest rate method.

Operating liabilities

Long-term operating liabilities include security instruments received for leased business premises. Trade liabilities and payables to the state and employees are shown separately. Operating liabilities also include interest liabilities and liabilities for participation in the profits. Operating liabilities denominated in foreign currencies are converted into the national currency at the reference rate of the ECB on the last day of the financial year. Short-term liabilities are disclosed in connection with the following groups of people: members of the Management Board, Supervisory Board members and employees with individual contracts.

Provisions

Provisions for lawsuits

The Group made provisions for claims and damages related to alleged business offences. The amount of the provisions is determined based on the amount of compensation claims or an estimate if the amount of the claim is not yet known. The amount of provisions made is verified on a regular basis.

Provisions for termination and jubilee benefits

In accordance with the statutory requirements and the collective agreement, the companies in the Group are obligated to pay jubilee benefits and termination benefits upon retirement. These payments are measured using the simplified 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 calculations, which are the basis for determining the amount of provisions, are performed every two years. Actuarial gains or losses of the current year are recognised in the income statement.

Provisions for anticipated costs of maintenance of the port infrastructure

In accordance with the concession agreement concluded with the government of the Republic of Slovenia, the Company creates provisions for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs.

Income tax

Income tax is provided for in accordance with the Corporate Income Tax Act and, as we have the status of an Economic Zone user, also in accordance with the Economic Zones Act. This allows the Company to claim tax relief for investments in fixed assets located within the economic zone. Due to certain offence procedures that are currently in progress, in 2009 the Company did not receive tax authorities' decision which provides the basis for claiming tax relief. The basis for the income tax calculation is gross amount of profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. In 2009, income tax liability was calculated at the rate of 21 percent of the tax basis.

Deferred tax

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. The differences were identified as permanent or temporary, while the latter were further divided into taxable and deductible. Taxable deductible differences increase the taxable amounts and deferred tax liabilities, while deductible temporary differences reduce taxable amounts and deferred tax assets.

Revenue

Revenue from services rendered

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

Revenue from services rendered is recognised using the stage of completion method on the balance sheet date. Under the method, revenue is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in the local and foreign markets.

Rental income

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

Other revenue

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

Finance income and expenses

Finance income comprises interest income from loans, income from dividends, 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. Income from dividends 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 the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method.

Expenses – costs

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

Impairment of assets

Impairment of property, plant and equipment

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed. 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 the income statement.

Impairment of intangible assets

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

When the recoverable amount of an asset is less than its carrying amount, the asset's carrying amount is reduced to its recoverable amount. The decrease is disclosed as an impairment loss and recorded as a revaluation operating expense.

Impairment of financial assets

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

When the 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 the income statement. 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 the income statement.

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

Impairment loss on available-for sale financial assets is recognised in the income statement as the difference between the investment's carrying amount and market or fair value on the balance sheet date. Available-for-sale financial assets are impaired when the fair value falls more than 40 percent below their cost on the balance sheet date. The amount of impairment loss is the difference between the cost and fair value of the investment.

Judgements and sources of uncertainty

Risk Management

The companies in the Group monitor and strive to manage risks at all levels of business. In the assessment of risks, the Group considers various risk factors and compares costs with the related benefits. Appropriate risk management is ensured by their timely identification and management, by the relevant guidelines and policies, which are laid down in documents of the overall management system.

The Group's operations are exposed to strategic, operational and financial risks, which are largely dependent on market laws, and which requires their active monitoring. Procedures for risk identification, level of exposure and probability of damage occurring are described in the chapter Risk management. In addition to strategic and operational risks, the Group also encounters financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 31: Financial Risk Management.

Segments

IFRS 8 – Operating segments
The standard requires an entity to adopt management approach to reporting on the financial performance of its operating segments. As such it replaces the requirement for determining and reporting by business and regional segments.

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

(In EUR)

Year 2009	Slovenia	Foreign markets	Total
Income			
Sales to customers	38,870,684	74,938,734	**113,809,418**
Total segment income	**38,870,684**	**74,938,734**	**113,809,418**

(In EUR)

Year 2008	Slovenia	Foreign markets	Total
Income			
Sales to customers	41,535,906	91,796,058	**133,331,964**
Total segment income	**41,535,906**	**91,796,058**	**133,331,964**

(In EUR)

31.12.2009	Slovenia	Foreign markets	Total
Intangible assets and long-term deferred costs	7,024,047	0	**7,024,047**
Property, plant and equipment	387,867,394	0	**387,867,394**
Investment property	18,438,868	0	**18,438,868**
Total	**413,330,309**	**0**	**413,330,309**

(In EUR)

31.12.2008	Slovenia	Foreign markets	Total
Intangible assets and long-term deferred costs	5,895,817	0	**5,895,817**
Property, plant and equipment	361,067,090	0	**361,067,090**
Investment property	3,554,140	0	**3,554,140**
Total	**370,517,047**	**0**	**370,517,047**

9. ADDITIONAL NOTES TO THE INCOME STATEMENT

Note 1: Net sales

(In EUR)	2009	2008
Net sales	**116.124.640**	**137.228.249**
Sales on the local market	**38.870.684**	**41.535.906**
Revenue from the sale of services on the local market	36.830.980	38.639.894
Revenue from the sale of goods on the local market	247.646	1.186.094
Rental income on the local market	1.792.058	1.709.918
Sales on foreign markets	**74.938.734**	**91.796.058**
Revenue from the sale of services on foreign markets	74.932.418	91.793.610
Rental income on foreign markets	6.316	2.448
Other operating revenue	**2.315.222**	**3.896.285**
Revaluation operating revenue	52.184	303.794
Other	2.263.038	3.592.491

In 2009, the Group achieved operating income of EUR 3,714,66 (2008: EUR 4,144,153).

Note 2: Costs of goods, materials and services

Costs of goods and materials

(In EUR)	2009	2008
Costs of materials	**7,982,595**	**9,952,276**
Costs of materials	178,336	0
Costs of auxiliary materials	2,406,514	3,142,528
Costs of power supply	4,821,340	6,136,419
Costs of office supplies and professional literature	179,048	268,920
Other costs of materials	397,357	404,409
Costs of goods	**90,964**	**1,177,482**
Cost of goods sold	90,964	1,177,482

Costs of services

(In EUR)	2009	2008
Costs of services	**32.648.415**	**37.080.807**
Costs of physical services	11,410,691	15,768,228
Costs of transport services	374,825	1,946,496
Costs of maintenance services	4,573,987	5,590,494
Lease payments	2,091,833	2,919,873
Reimbursements of work-related costs to employees	426,518	655,398
Costs of payment processing and insurance premiums	486,513	641,712
Costs of professional and personal services	1,418,849	1,254,170
Costs of advertising, trade fairs and hospitality	1,693,866	1,847,810
Costs of services rendered by natural persons	114,030	275,687
Costs of other services	10,057,303	6,180,935

The costs of professional and personal services include also audit fees. Total audit fee for the audit of the financial statements for the year 2009 reached EUR 43,000, whereas additional audit services in 2009 amounted to EUR 367,892. The major amount of costs of other services represent costs of IT support of EUR 3,431,898 (in 2008: EUR 3,296,676). The costs of the concession fee amounted to EUR 3,553,460 (EUR 916.999 in the period from October 2008 until the end of 2008).

Note 3: Labour costs

(In EUR)	2009	2008
Labour costs	**37,012,329**	**38,039,884**
Salaries	23,212,871	24,230,440
Salary compensation	4,445,676	4,480,476
Costs of supplementary pension insurance	1,172,881	1,007,554
Annual leave allowance, reimbursements and other costs	3,706,477	4,430,573
Employer's contributions on salaries	4,474,425	3,302,813
Other charges on salaries payable by the employee	0	588,028

In 2009 the number of employees in the group fell to 1032 as at 31 December 2009. The average number of employees was 1052.5. On 31 December 2008 the Luka Koper Group employed 1076 workers, the average number of employees in 2008 was 1065.5. Educational level of employees as at 31 December 2009 is presented below.

Average number of employees of the Luka Koper Group by educational level in 2009 and 2008

	Average in 2009		Average in 2008	
Educational level	**Luka Koper, d.d.**	**Luka Koper Group**	**Luka Koper ,d.d.**	**Luka Koper Group**
8/2	1.5	1.5	1	1
8/1	16	17.5	15	17
7	94	101	94	100
6/2	111	117.5	104	111
6/1	46	55.5	45	53,5
5	241.5	276.5	247,5	282
4	188	270	193	271,5
3	22.5	32	25	36
1-2	57	181	61,5	193,5

In 2009, the annual leave allowance amounted to EUR 940 per employee, compared to EUR 870 in 2008. All the employees received an additional salary (13th salary) equal to 60 percent of employee's average salary. Other benefits awarded to employees include the payment of supplementary pension insurance premium by the employer which has been funding the pension scheme for the ninth consecutive year.

Remuneration by employee group in 2009

(In EUR)

Surname and Name	Gross salary - Fixed portion	Gross salary Variable portion (bonuses and performance pay for 2008)	Annual leave allowance and jubilee benefits	Benefits and other receipts	Total remuneration
Management Board					
Časar Robert - Chairman until 07.07.2009	144,408	0	910	2,072	147,390
Veselko Gregor - Chairman since 16.06.2009	63,070			1,770	64,840
Babič Aldo - Deputy chairman until 15.07.2009	141,757	0	910	5,830	148,497
Jamnik Tomaž Martin - Deputy Chairman since 11.09.2009	25,387			1,166	26,553
Babič Marjan - Member until 11.09.2009	140,425	0	910	7,603	148,938
Marzi Boris - Member until 11.09.2009	137,434	0	910	4,606	142,950
Pavšič Mirko - INPO d.o.o. Director	103,334	7,929	990	0	112,253
Grgič Darko - Pristan d.o.o. Director	64,355	0	850	0	65,205
Orel Viktor - Adria terminali d.o.o. - Director until 01/2009	5,820	0	0	342	6,162
Pučko Milan - Adira terminali d.o.o. - Director until 9/2009	7,239	0	0	940	8,179
Total	**833,229**	**7,929**	**5,480**	**24,329**	**870,967**

(In EUR)

Members of Supervisory Board	Meeting fees	Travel and daily allowance	Incentives for 2006/07	Total
Ban Orjano - member 27.7.2008-8.4.2009	1,980	0	0	1,980
Bradač Boris - member 27.7.2008-8.4.2009	1,320	0	0	1,320
Topič Nebojša - member since 27.7.2008	5,610	0	0	5,610
Popovič Boris - member since 26.7.2004	3,333	37	11,000	14,369
Valenčič Marko - member 7.7.2005-7.7.2009	2,970	599	11,000	14,569
Mezek Metod - member 7.7.2005-7.7.2009	2,970	73	11,000	14,043
Zadel Bojan - member 7.7.2005-7.7.2009	3,300	42	11,000	14,342
Franca Olga - member 20.7.2007-7.7.2009	3,597	58	0	3,655
Požar Janez - member since 14.7.2009	2,145	867	0	3,012
Može Tomaž - member since 14.7.2009	1,650	10	0	1,660
Brank Bojan - member since 14.7.2009	2,508	862	0	3,370
Kocjančič Jordan - member since 14.7.2009	1,650	673	0	2,323
Simoneti Marko - member since 14.7.2009	1,320	430	0	1,750
Čepar Stojan - member since 8.4.2009	2,970	181	0	3,151
Jovičič Mladen - member since 8.4.2009	2,970	0	0	2,970
Jazbec Tatjana - member 26.4.2004-26.7.2008	0	0	11,000	11,000
Jerman Robert - member 26.4.2004-26.7.2008	0	0	11,000	11,000
Pavletič Alverino - member 26.4.2004-26.7.2008	0	0	11,000	11,000
Verlič Peter - member 7.7.2005-19.7.2007	0	0	11,000	11,000
Starman Marko - member 7.7.2005-19.7.2007	0	0	16,500	16,500
Total	**40,293**	**3,832**	**104,500**	**148,624**

(In EUR)

Employee group	Gross salary fixed and variable portion	Annual leave allowance and jubilee benefits	Benefits and other receipts	Total remuneration
Employees with individual employment contracts	3,760,219	41,740	214,877	**4,016,836**
Employees under enterprise collective agreement	24,267,730	960,653	314,172	**25,542,555**

Loans approved to employees with individual employment agreement

(In EUR)

	Total outstanding		Repayment of principal	
	31.12.2009	31.12.2008	**2009**	2008
Members of the Management Board and managers of subsidiary companies	0	0	0	0
Members of the Supervisory Board	0	0	0	0
Employees with individual employment contracts	11,930	25,084	4,847	7,248

All approved loans to employees with individual employment contract are housing loans. All housing loans bear interest at a 6-percent nominal annual interest rate and are repaid according to an amortisation schedule. In accordance with internal regulations, loans are secured with prescribed security instruments, most frequently assignment statements (wage assignments) and blank bills of exchange accompanied with a signed settlement and realisation authorisation. In the case of significant amounts, a mortgage has to be taken on the property that is the subject of the loan agreement. The reduction of the outstanding amount of loans is the result of regular repayments and employee turnover.

Note 4: Write-downs

(In EUR)	2009	2008
Write-downs	**35,499,113**	**19,644,631**
Amortisation of intangible assets	150,263	171,663
Depreciation of buildings	10,107,395	8,477,997
Depreciation of equipment and small tools	11,838,875	10,207,928
Depreciation of investment property	1,792	214,943
Revaluation operating expenses for property, plant and equipment	13,379,056	427,546
Revaluation operating expenses for current assets	21,731	144,554

Depreciation and amortisation rates were not changed in 2009.

Revaluation operating expenses for property, plant and equipment of EUR 13,4 million represent write-offs of some of the investments which, under the strategic guidelines for future development of the Group, will not bring any economic benefits in the long-term, and as a result of a discrepancy between the carrying amount of investment property and their fair value valuation.

Note 5: Provisions

(In EUR)	2009	2008
Provisions	**2,775,426**	**183,448**
Provisions for damages	309,122	183,448
Provisions for ordinary maintenance (LLP)	2,466,304	0

Provisions include a liability amounting to the present value of expected future expenses. Provisions for ordinary maintenance (LLP) are disclosed in the annual report of Luka Koper d.d. in Note 26. The movement of provisions is described in Note 26.

Note 6: Other operating expenses

(In EUR)	2009	2008
Other expenses	**8,294,499**	**7,545,669**
Charges unrelated to labour costs or other costs	7,432,188	5,297,775
Environment protection expenditure	274,671	1,029,004
Awards and scholarship to students	5,958	9,774
Other costs	581,682	1,209,116

Charges unrelated to labour costs include in particular the fee for the building land, which amounted to EUR 4,679,946 (in 2008: EUR 4,658,214).

Note 7: Finance income

(In EUR)	2009	2008
Total finance income	**4,414,543**	**9,677,894**
Finance income from interests	**3,673,759**	**7,325,743**
Finance income from interests in associates	959,032	3,425,746
Finance income (dividends) from other companies	2,714,727	3,899,997
Finance income from loans	**485,826**	**1,510,400**
Finance income from loans to others	485,826	1,510,400
Finance income from operating receivables	**254,958**	**841,751**
Finance income from operating receivables due from others	226,191	218,410
Foreign exchange gains	28,767	623,341

Note 8: Finance expenses

(In EUR)	2009	2008
Total finance expenses	**68,408,058**	**16,900,197**
Finance expenses for impairment and write-off of investments	**59,054,315**	**9,327,540**
Finance expenses relating to associates	36,622,020	180,337
Finance expenses relating to others	22,432,295	9,147,203
Finance expenses for financial liabilities	**8,248,765**	**7,023,758**
Finance expenses for borrowings from associates	34,554	27,223
Finance expenses for borrowings from banks	8,193,497	6,626,872
Finance expenses for other financial liabilities	20,714	369,663
Finance expenses for operating liabilities	**1,104,978**	**548,899**
Finance expenses for supplier payables and bills payable	7,210	22,744
Finance expenses for other operating liabilities	1,097,768	3,197
Foreign exchange losses	0	522,958

Finance expenses mainly consist of expenses arising from the impairment of investments, in the amount of EUR 52.6 million, which have shown signs of impairment in accordance with our adopted method and policies.

The interest rates and financial liabilities are disclosed in Notes 27 and 28: Long-term and short-term financial liabilities.

Note 9: Total profit or loss

In 2009, the Luka Koper Group incurred a loss of total EUR 72,172,215, whereas in 2008, the Group generated profit of EUR 16,381,748. The loss is mainly the result of disposals of certain assets, higher finance expenses, impairment of investments of the parent company, and lower profits of associates and jointly controlled companies accounted for under the equity method.

Note 10: Corporate income tax

All Group companies calculate corporate income tax in accordance with the Corporate Income Tax Act. As the Luka Koper Group does not prepare tax assessment for the whole Group, the corporate income tax of EUR 410,990 represents the sum of taxes payable by individual Group companies. Income tax for the year 2008 stood at EUR 654,180.

(In EUR)	2009	2008
Profit/loss before tax	**-72,172,215**	**16,381,748**
Income tax (21% in 2009; 22% in 2008)	15,156,165	-3,603,985
Tax relief for employment of disabled persons	895,728	917,784
Other tax relief	1,170,289	10,069,159
Expenditure not recognised for tax and other increases in tax basis	-449,702	-131,647
Tax base increase – investment impairment	-14,089,750	-8,402,000
Non-taxable income	2,886,971	2,009,006
Income tax	**5,569,701**	**858,317**
Effective tax rate	**0**	**5,24**

Note 11: Deferred tax

As a means of accounting recognition of tax effects of accounting and taxable profit, deferred tax reduces the amount of net loss by EUR 5,980,691 (in 2008: EUR 1,512,497). Deferred tax assets were made on account of investment impairment, provisions for jubilee benefits, termination benefits, damages, and unutilised tax losses of the current year. On the other hand deferred tax was reduced due to utilisation of provisions for jubilee benefits and termination benefits and as a result of disposal of previously impaired investments.

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

(In EUR)	31.12.2009	31.12.2008
Deferred tax recognised in the profit or loss	**5,980,691**	**1,512,497**
Provisions for damages, jubilee and termination benefits	-250,192	-276,610
Unutilised tax losses	2,545,211	-52,066
Provisions for regular maintenance	493,261	0
Bad debt allowance	25,829	12,928
Non-current investments	3,166,582	1,828,245

Deferred tax assets and liabilities recognised in the comprehensive income are presented below:

(In EUR)	31.12.2009	31.12.2008
Deferred tax on changes from available-for-sale FA	1,437,826	9,826,414

Note 12: Net profit or loss for the period

The Group's (majority shareholder's) net profit or loss totalled EUR 66,303,732 EUR (in 2008: EUR 16,921,333).

Net profit or loss of subsidiaries

(In EUR)	31.12.2009	31.12.2008
Subsidiaries	**Net profit/loss**	**Net profit/loss**
Luka Koper Pristan d.o.o.,	80,854	84,056
Luka Koper INPO, d.o.o.	1,271,859	2,098,664
Adria Terminali, d.o.o.	-234,129	-365,209
Adria Investicije, d.o.o.	11,314	3,172
Ecoporto Koper, d.o.o	-90,227	-9,728
Adriasole, d.o.o.	-89,443	-12,208
Total	**950,228**	**1,798,747**

Attributable profits/losses of associates and jointly controlled companies

(In EUR)	31.12.2009	31.12.2008
Associates (In EUR)		
Group Intereuropa	**-13,444,741**	**-327,109**
Profit attributed under the equity method	-13,444,741	2,855,607
Dividends paid	0	-1,137,098
Avtoservis, d.o.o.	**145,963**	
Profit attributed under the equity method	475,952	280,898
Interest repaid	-329,989	
Golf Istra, d.o.o.		
Loss attributed under the equity method	-28,336	-26,139
TOC, d.o.o.		
Loss attributed under the equity method	-101,624	-138,823
Railport Arad s.r.l.		
Profit attributed under the equity method	26,966	20,174
Jointly controlled companies (In EUR)		
Adriafin, d.o.o.	**-631,178**	**-502,020**
Profit attributed under the equity method	7,486	38,616
Interest repaid	-638,664	-540,636
Adria Transport, d.o.o.		
Profit attributed under the equity method	73,076	11,070
Adria-Tow, d.o.o.	**275,551**	
Profit attributed under the equity method	375,551	1,083,852
Interest repaid	100,000	

10. ADDITIONAL NOTES TO THE BALANCE SHEET

Note 13: Intangible assets

(In EUR)	31.12.2009	31.12.2008
Intangible assets	**7,024,047**	**5,895,817**
Long-term property rights	7,024,047	5,895,817

Intangible assets carried in the books of account have finite useful lives and were not impaired in 2009. The changes in the related adjustments are shown in the attached table for the year 2009, with the 2008 figures provided for comparison. No intangible assets were pledged as security as at 31 December 2009.

Note 14: Property, plant and equipment

(In EUR)	31.12.2009	31.12.2008
Property, plant and equipment	**387,867,394**	**361,067,090**
Land	12,072,877	31,353,965
Buildings	226,583,888	158,652,984
Plant and machinery	98,533,530	63,235,123
Other plant and equipment	148,952	148,952
Fixed assets being acquired	47,420,088	77,325,372
Advances for fixed assets	**3,108,058**	**30,350,695**
Advances for acquisition of fixed assets	3,108,058	30,350,695

In its books of account, the Luka Koper Group discloses the items of property, plant and equipment at cost less any accumulated depreciation and impairments. Depreciation rates remained unchanged in 2009. In the year 2009 certain Group fixed assets were classified into short-term assets held for sale and into the category of investment property, which is detailed in the attached tables of changes in fixed assets.

Major decrease in advances in the year 2009 is due to completion of investments in progress, a large part of the remaining advances for property, plant and equipment were granted by 2 subsidiaries.

The subsidiary Adria-Tow, d.o.o. pledged one of its fixed assets (a tugboat) with Luka Koper, d.d., with an estimated value of EUR 4,600,000, as collateral for loan liabilities. No other fixed assets were pledged by the Group. As at 31 December 2009, outstanding trade liabilities relating to fixed assets amounted to EUR 18,681,569.

Changes in the value of fixed assets are detailed in the attached tables of changes in fixed assets in Note 15.

Note 15: Investment property

(In EUR)	31.12.2009	31.12.2008
Investment property	**18.438.868**	**3.554.139**

Investment property consists of buildings and land that are leased out to unrelated companies under an operating lease and land, which is held in order to increase its value in the long-term. The equity interest in the assets is checked every quarter.

The fair value of investment property was estimated by a qualified independent expert as at 31 December 2009. According to the valuation report, there is a difference between fair value and the book value of EUR 5,643,985. The difference was recognised as an impairment of investment property.

Changes in property, plant and equipment, investment property, intangible assets as well as in adjustments to their values are presented in the tables below for the year 2009 and comparatively for 2008.

Table of changes in property, plant and equipment and intangible assets in 2009 in the Luka Koper Group

(In EUR)	Land	Buildings	Plant and equipment	FA being acquired	Total	Intangible assets	Intangible assets being acquired	Total
Cost								
As at 1.1.2009	**31,353,966**	**285,688,294**	**185,045,486**	**77,325,371**	**579,413,117**	**11,825,570**	**5,291,663**	**17,117,233**
Decreases in the initial balance – disposal		-33,373	-12,283,391		-12,316,764	-2,474		-2,474
Additions		408,910	2,711,276	111,072,329	113,594,987	11,376	1,342,675	1,354,051
Transfer to use	3,422,400	70,892,497	52,350,425	-131,466,257	-4,800,935	79,580		79,580
Disposals		-535,597	-3,173,992	-7,561,355	-11,270,944	-5,049	-149,839	-154,888
Transfer to investment property	-23,633,768	-31,607			-23,665,375			
Transfer to the sales account			-217,987	-1,950,000	-2,167,987			
Transfer from investments	930,279	10,968,483			11,898,762			
As at 31.12.2009	**12,072,877**	**367,357,607**	**224,431,817**	**47,420,088**	**650,684,861**	**11,909,003**	**6,484,499**	**18,393,502**
Accumulated depreciation								
As at 1.1.2009		**127,035,310**	**121,661,412**		**248,696,722**	**11,221,417**		**11,221,417**
Decrease in the initial balance - disposal		-667	-4,726,704		-4,727,371	-2,225		-2,225
Depreciation		10,107,396	11,838,874		21,946,270	150,262		150,262
Disposals		-118,788	-2,836,581		-2,955,369			
Transfer to investment property		-12,625			-12,625			
Transfer to the sales account			-187,665		-187,665			
Transfer from investment		3,763,093			3,763,093			
As at 31.12.2009		**140,773,719**	**125,749,336**		**266,523,055**	**11,369,454**		**11,369,454**
Advances given				3,108,058				
Carrying amount								
As at 1.1.2009	**31,353,966**	**158,652,984**	**63,384,074**	**77,325,371**	**330,716,395**	**604,153**	**5,291,663**	**5,895,816**
As at 31.12.2009	**12,072,877**	**226,583,888**	**98,682,481**	**50,528,146**	**387,867,394**	**539,549**	**6,484,499**	**7,024,048**

Table of changes in investment property 2009

(In EUR)	Investment property	Investment property being acquired	Total investment property
Cost			
As at 1.1.2009	**7,354,206**		**7,354,206**
Impairment of the opening balance	4,015		4,015
Additions	246,922		246,922
Transfer to use		4,762,488	4,762,488
Transfer to investment property	23,665,375		23,665,375
Transfer from investments to land and buildings	-11,898,762		-11,898,762
Impairment	-5,643,985		-5,643,985
As at 31.12.2009	**13,727,771**	**4,762,488**	**18,490,259**
Accumulated depreciation			
As at 1.1.2009	**3,800,067**		**3,800,067**
Depreciation	1,792		1,792
Transfer to investment property	12,625		12,625
Transfer from investments to land and buildings	-3,763,093		-3,763,093
As at 31.12.2009	**51,391**		**51,391**
Carrying amount			
As at 1.1.2009	**3,554,139**		
As at 31.12.2009	**13,676,380**	**4,762,488**	**18,438,868**

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

(In EUR)	Land	Buildings	Plant and equipment	FA being acquired	Total
Cost					
As at 1.1.2008	**25,542,200**	**237,991,480**	**172,821,324**	**41,649,873**	**478,013,948**
Additions	5,811,765	50,894,264	19,038,915	100,805,908	174,578,843
Transfer to use		275,494	-270,322	-64,878,654	-64,873,482
Disposals		-202,922	-4,641,082	-251,756	-5,095,760
Transfer to the sales account		-10,549	-1,903,349		-1,913,898
Transfer to investment property		9,071			
Transfer to ongoing investments		-3,268,544			-3,268,544
As at 31.12.2008	**31,353,966**	**285,688,294**	**185,045,486**	**77,325,371**	**579,413,116**
Accumulated depreciation					
As at 1.1.2008		**118,686,105**	**117,076,450**		**235,762,555**
Additions					
Depreciation for the current year		8,477,997	10,207,927		18,685,924
Disposals		-23,775	-3,977,533		-4,001,308
Transfer to equipment		456	-456		0
Transfer to the sales account		-9,975	-1,644,976		-1,654,951
Transfer to ongoing investments		-95,498			-95,498
As at 31.12.2008		**127,035,310**	**121,661,412**		**248,696,722**
Advances				30,350,696	30,350,696
Carrying amount					
As at 1.1.2008	**25,542,200**	**119,314,410**	**55,744,874**	**41,649,873**	**242,250,357**
As at 31.12.2008	**31,353,965**	**158,652,984**	**63,384,074**	**107,676,067**	**361,067,090**

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

(In EUR)	Investment property	Intangible assets	Intangible assets being acquired	Total intangible assets
Cost				
As at 1.1.2008	**7,325,625**	**11,187,086**	**940,689**	**12,127,775**
Additions	37,652	638,484	4,401,067	5,039,551
Transfer to use			-50,093	-50,093
Transfer to investment property	-9,071			
As at 31.12.2008	**7,354,206**	**11,825,570**	**5,291,663**	**17,117,233**
Accumulated depreciation				
As at 1.1.2008	**3,593,159**	**11,049,754**		**11,049,754**
Additions				
Depreciation for the year	214,943	171,663		171,663
Transfer to investment property	-8,035			
As at 31.12.2008	**3,800,067**	**11,221,417**		**11,221,417**
Carrying amount				
As at 1.1.2008	**3,732,466**	**137,332**	**940,689**	**1,078,021**
As at 31.12.2008	**3,554,139**	**604,153**	**5,291,663**	**5,895,816**

Note 16: Long-term investments

(In EUR)	31.12.2009	31.12.2008
Long-term investments	**82,826,382**	**135,768,400**
Long-term investments except loans	**80,072,885**	**129,981,589**
Interest in associates	32,248,124	66,799,508
Other shares and interests	47,824,762	63,182,080
a. Other shares and interests at fair value	37,750,453	34,597,851
b. Other shares and interests at cost	10,074,308	28,584,229
Long-term loans	**2,753,497**	**5,786,812**

Long-term investments

On the last day of the financial year 2009, the Group's long-term investments totalled EUR 82.8 million and accounted for 15.4% of its total assets. The investments mostly consist of the parent company's investments in associates and jointly controlled companies, and of other investments in securities and interests. Their decrease in 2009 can be almost entirely attributed to a decrease in the value of 2 investments.

Investments in associates and jointly controlled companies are carried under the equity method.

Based on valuation of investments in the year 2009, impairment loss was recognised for 2 investments, namely in Intereuropa d.d. Koper in the amount of EUR 28.7 million and for Trade Trans Invest, a.s. Bratislava in the amount of EUR 21.8 million.

Valuation of Intereuropa d.d. was made based on calculating the value with the use of 5-year cash flow projections, considering 9.96 percent discount rate, and cash flow over 5 years was extrapolated with 3.10 percent growth rate.

Valuation of Trans Trade Invest, was made based on market value with the use of adjusted book value.

The value of investments, carried at fair value, which is based on stock market prices, amounted to EUR 37,750,453 as at 31 December 2009.

All other long-term investments carried at cost in the amount of EUR 90.147.193 include non-market securities and interests, whose value has decreased in 2009 as a result of an impairment of a 10-percent interest in the Slovak company Trade Trans Invest in the amount of EUR 21.7 million.

Long-term loans

As at 31 December 2009, long-term loans amounted to EUR 2,753,497. Of that, 16.5 percent represent housing loans approved to employees, while 83.5 percent accounts for investments in bank deposits, certificates of deposits and bonds issued by commercial banks. Housing loans were initially granted to employees on the basis of the Housing Act of 1991, and later on the basis of the internal housing rules. The longest repayment term is 20 years. All housing loans are secured using an instrument of collateral specified in the internal rules.

Among investments in securities with a fixed rate of return, the largest share represent investments in bonds issued by Slovene commercial banks with maturities through 2020. As at 31 December 2009, the amortised cost of these investments of EUR 2.3 million (in 2008: EUR 4.7 million) is a result of a portion of the principal maturing with redeemed coupons and transfer of an investment in a certificate of deposit of a Slovene bank to short-term loans as the loan matures in 2010. The interest rate spread for investments classified as loans ranges between the nominal amount of 2.4 percent and 6.0 percent.

Note 17: Long-term operating receivables

(In EUR)	31.12.2009	31.12.2008
Long-term operating receivables	**220,307**	**217,865**
Long-term operating receivables due from others	220,307	217,865

Note 18: Deferred tax assets

(In EUR)	31.12.2009	31.12.2008
Deferred tax assets	**8,626,936**	**2,658,092**

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

Deferred tax assets relate to the following:

(In EUR)	31.12.2009	31.12.2008
Provisions	746,151	260,744
Unused tax losses	2,542,211	0
Long term investments and receivables	5,338,574	2,397,348
Total	**8,626,936**	**2,658,092**

Note 19: Assets of disposal groups held for sale

This category includes the fixed assets of the Luka Koper Group that are earmarked for disposal according to a decision of the Management Board. The carrying amount of the assets stood at EUR 1,382,987 as at 31 December 2009 (in 2008: EUR 126,483).

Note 20: Inventories

Inventories are held by the subsidiary Luka Koper Pristan, d.o.o. which carries out restaurant and hotel management activities. The company did not pledge any inventories as collateral for liabilities and neither were any inventories written-off. As at 31 December 2009, the value of inventories stood at EUR 13,751 (in 2008: EUR 20,24).

Note 21: Short-term investments

(In EUR)	31.12.2009	31.12.2008
Short-term investments	**3,228,597**	**10,700,203**
Short-term loans to others	531,575	2,903,681
Short-term loans to associates	0	4,191,285
Deposits with banks	2,697,022	3,605,237

Short-term investments of Luka Koper Group amounted to EUR 3,228,596 as at 31 December 2009.

The major decrease in the amount of loans to associates resulted from the conversion of loans approved to two associated companies into an equity stake.

The value of short-term loans has decreased due to the fact that they have matured and been repaid in 2009.

Note 22: Short-term operating receivables

(In EUR)	31.12.2009	31.12.2008
Short-term operating receivables	**20,785,066**	**25,966,825**
Short-term domestic trade receivables	6,007,078	5,960,428
Bad debt allowance	-121,090	-416,977
Short-term foreign trade receivables	3,434,275	5,817,915
Advances for current assets	14,999	0
Short-term operating receivables from exports	5,177,311	5,631,296
Bad debt allowance	-30,742	-37,901
Short-term interest receivable	163,726	151,352
Bad debt allowance	-18,992	-12,498
Input VAT receivables	1,061,162	2,118,895
Other short-term receivables	560,741	1,214,097
Income tax receivables	302,131	2,199,125
Receivables for taxes and excise duties	4,234,467	3,341,093

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

(In EUR)

Maturity	31.12.2009	31.12.2008
Outstanding trade receivables not past due, not impaired	**11,706,338**	**14,526,008**
Up to 30 days	1,486,992	2,236,911
31 to 60 days overdue	586,248	489,339
61 to 90 days overdue	196,425	493,521
91 to180 days	191,378	449,648
181 to 365 days	256,347	84,762
More than 365 days	187,838	477,681
Total outstanding and not impaired	**2,734,405**	**4,231,863**
Past due, and partly impaired	**170,823**	**467,376**
Total trade receivables	**14,611,567**	**18,757,208**

NB : the amount also includes interest receivable, but not foreign exchange rate differences or advances.

(In EUR)	2009	2008
Changes in bad debt allowance of Luka Koper Group		
Bad debt allowance at 1 January 2009	**457,316**	**365,827**
- write-downs during the year	288,477	24,673
- payments during the year	42,188	18,332
+ additional increase in bad debt allowance	44,172	144,553
Closing balance at 31 December 2009	**170,823**	**467,376**

Note 23: Cash

Cash, which amounted to EUR 554,334 as at 31 December 2009, represents deposit money and short-term bank deposits with the maturity of up to 3 months. The Company has not agreed any automatic overdraft facilities on its current accounts with banks. For daily cash surpluses on transaction accounts the Company has agreed framework contracts with a commercial bank and a contract for transfer of any surplus cash, thus ensuring optimum liquidity.

Note 24: Deferred costs and accrued revenue

(In EUR)	31.12.2009	31.12.2008
Short-term deferred costs and accrued revenue	**703.350**	**2.718.100**
Insurance premiums	58,210	91,318
Short-term deferred costs	151,755	2,573,312
Transitionally accrued revenue	493,385	53,470

Note 25: Equity

(In EUR)	31.12.2009	31.12.2008
Equity	**247,410,497**	**311,059,034**
Majority shareholders' equity	**247,043,315**	**307,596,678**
Called-up capital	**58,420,965**	**58,420,965**
Share capital	58,420,965	58,420,965
Capital surplus	**89,562,703**	**89,562,703**
Revenue reserves	**79,421,252**	**119,211,332**
Legal reserves	18,876,842	18,877,775
Other revenue reserves	60,544,410	100,333,557
Revaluation surplus	**11,044,594**	**5,293,292**
Retained earnings	**15,706,530**	**25,058,917**
Net profit or loss for the period	**-7,112,730**	**10,049,468**
Minority shareholders' equity –	**367,181**	**3,462,356**
Share capital	1,066,060	827,898
Capital surplus	0	25,651
Legal reserves	0	4,980
Other revenue reserves	0	1,763,831
Retained earnings	-400,097	521,263
Net profit or loss for the period	-298,782	318,732

The share capital consists of 14,000,000 registered ordinary no-par value shares of the controlling company Luka Koper, d.d. that are freely transferable.

For complete information about ownership structure, changes in the share's price, and dividend distribution policy, see chapter "Shareholders Value".

Revaluation surplus

Equity revaluation surplus relates to the revaluation of investments measured at fair value which are held exclusively by the parent company. Due to a slight increase in the SBI index equity revaluation surplus increased by EUR 9,264,916 in 2009 from EUR 6,616,615 reported at the end of 2008. Some of the investments in the Group were disposed off in 2009 resulting in a decrease of revaluation surplus by EUR 2,075,788 and thus, as at the last day of 2009, revaluation surplus amounted to EUR 13,805,743. Deferred tax liability amounted to EUR 2,761,149.

Capital surplus

Capital surplus is carried at amounts incurred by eliminating the general capital revaluation adjustment.

Revenue reserves

Revenue reserves comprise legal reserve and other revenue reserves.

Equity of minority owners

Equity of minority owners comprises the minority interests of EUR 286,549 in the subsidiary Adria-Terminali, d.o.o., minority interests of EUR 54,480 in the subsidiary Adriasole, d.o.o., and minority interests of EUR 26,152 in the subsidiary Ecoporto Koper, d.o.o.

Consolidated equity of the Luka Koper Group

The Group's consolidated equity is the sum of the majority owner's and minority owners' equity after offsetting the long-term investments of the parent company against the equity of subsidiaries in proportion to the parent company's interest in these companies. Consolidated equity of the Group thus equals EUR 247,410,497.

Equity is thus composed of the following items:
1. Majority shareholder: EUR 247,043,315
2. Minority shareholders: EUR 367.181

Earnings per share

(In EUR)	2009	2008
Net profit or loss of majority shareholder	-66,303,732	16,921,333
Weighted average number of ordinary shares	14,000,000	14,000,000
Basic and diluted earnings/loss per share	**-4,73**	**1,21**

Due to difficult conditions in global economy, completion of investments cycle and losses incurred in 2009, the Management Board will not propose any dividend payment.

Note 26: Provisions

(In EUR)	31.12.2009	31.12.2008
Provisions	**13,884,933**	**11,141,234**
Provisions for termination and jubilee benefits	1,692,691	1,758,367
Provisions for damages and compensation	4,859,049	2,624,370
Long-term accrued costs and deferred revenue	7,333,193	6,758,497

Overview of changes in provisions

(In EUR)	Provisions for damages and compensation	Provisions for termination benefits on retirement	Provisions for jubilee benefits	Long-term accrued costs and deferred revenue	Provisions for ordinary maintenance	Total
Opening balance at 1 January 2009	**2,083,624**	**1,307,947**	**450,419**	**7,299,244**	**0**	**11,141,234**
Created in 2009	1,654,530	181,975	19,513	2,972,402	2,466,304	7,294,724
Reversed in 2008	-1,345,410	-219,887	-47,275	-2,938,453		-4,551,025
Closing balance at 31.12.2009	**2,392,744**	**1,270,035**	**422,657**	**7,333,193**	**2,466,304**	**13,884,933**

Provisions for termination benefits upon retirement and jubilee benefits were formed in the amount of present value of expected future expenditure. Provisions were reduced by the amount of jubilee benefits and termination benefits paid during the year, and increased by the new provisions made on the basis of the most recent actuarial calculation.

Provisions for damages of total EUR 2,392,745 were made based on estimated amount of potential damages provided by internal legal services or other external attorneys at law considering the existing lawsuits and claims for damages and potential new lawsuits and claims for damages.

In 2009, the Group made additional provisions of EUR 2,466,304 for ordinary maintenance of the port infrastructure. In accordance with the Concession agreement, Luka Koper d.d. has obtained the right and obligation to collect port dues which represent income intended to cover costs of the provision of commercial public services. Any surplus of revenue over costs is retained as a provision for costs of ordinary maintenance of port infrastructure in future years.

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

Note 27: Long-term liabilities

(In EUR)	31.12.2009	31.12.2008
Financial and operating liabilities	**47,972,817**	**105,334,649**
Long-term financial liabilities	**45,032,490**	**103,836,807**
Long-term borrowings from banks	45,032,490	103,836,807
Long-term operating liabilities	**179,178**	**174,519**
Long-term operating liabilities	179,178	174,519
Deferred tax liabilities	**2,761,149**	**1,323,323**

Long-term financial liabilities

Due to the fact that in 2009, the Company could not comply with certain loan covenants, primarily due to investment impairment, the total amount of financial liabilities from these contracts of EUR 105,079,000 was, in accordance with the provisions of IAS 1.65, transferred from long-term to short-term financial liabilities. Commercial banks could, based on the contractual terms, demand repayment of these loans however, as a result of regular repayments of all the Company's financial liabilities and its stable operations, the Company does not expect the banks to take such measures. Should commercial banks decide to demand repayment of loans, this would affect the amount of long-term liabilities repayable in 2010 as is presented in the table below.

Until the end of March 2010 the Company

In 2010, the Group has made regular repayments of its financial obligations in accordance with the amortisation plan.

(In EUR)

Principal balance of long-term borrowings as at 31 December 2009 and their maturity should the banks withdraw from the contracts	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Period 2015 - 2019
200.235.000	154,985,000	10,000,000	5,250,000	4,000,000	4,000,000	22,000,000

The principals include all the contractually agreed amounts, whereas only the amounts withdrawn are reported in the balance sheet. The difference of EUR 20,235 relates to the principle amounts not yet withdrawn as at 31 December 2009.

(In EUR)

Principal balance of long-term borrowings as at 31 December 2008 and their maturity should the banks withdraw from the contracts	Year 2009	Year 2010	Year 2011	Year 2012	Year 2013	Period 2014 - 2018
110.000.000	5,965,000	23,100,000	12,100,000	11,100,000	33,735,000	24,000,000

Long-term operating liabilities

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

Note 28: Short-term liabilities

(In EUR)	31.12.2009	31.12.2008
Short-term financial liabilities	**189,506,103**	**97,521,399**
Short-term financial liabilities to associates	983,019	1,116,242
Short-term financial liabilities to banks	188,410,000	95,511,941
Short-term financial liabilities to others	113,083	893,216
Short-term operating liabilities	**31,406,453**	**30,301,433**
Short-term operating liabilities to associates	51,464	43,470
Short-term operating liabilities from advances	26,933	56,175
Short-term supplier payables	26,317,296	22,239,540
Short-term operating liabilities to others	5,010,759	7,962,249

Short-term financial liabilities

Long-term and short-term financial liabilities mainly comprise liabilities with a variable interest rate. Variable interest rates as restated to a single nominal annual interest rate on the last day of the financial year 2009 ranged from 1.92 percent to 6.2 percent. Calculated using the effective interest rate method, total finance expenses arising from the Group's financial liabilities stood at EUR 8,248,764 in 2009 (up from EUR 7,023,758 in 2008). All financial liabilities are denominated in the national currency.

Due to some unfulfilled loan covenants, EUR 105,079,000 was reclassified from long-term financial liabilities to short-term liabilities.

Short-term operating liabilities

The Group had no outstanding liabilities to suppliers as at 31 December 2009.

Contingencies

As at the balance sheet date, there are 28 major lawsuits pending with total amount claimed of EUR 2.5 million (2008: EUR 2.2 million). Based on legal opinion the Management Board estimate the amount of contingencies to reach EUR 2.4 million (refer to Note 26).

Note 29: Accrued costs and deferred revenue

(In EUR)	31.12.2009	31.12.2008
Accrued costs and deferred revenue	**1,491,218**	**1,252,734**
Foreign commercial discounts	325,350	309,192
Accrued costs	1,165,868	943,541

Note 30: Off balance sheet records

Off-balance sheet accounts include items that do not qualify for balance sheet recognition:

(In EUR)	31.12.2009	31.12.2008
Total off-balance sheet assets and liabilities	**10,997,403**	**47,633,783**
Liability for a loan guarantee issued to the subsidiary Adria-Tow, d.o.o.	808,500	1,356,952
Joint collateral for a guarantee granted by the subsidiary Adria Terminali, d.o.o.	250,000	250,000
Liabilities for a guarantee issued to the Ministry of Finance	1,260,000	728,647
Liability for outstanding letters of credit to suppliers	0	3,290,000
Centroprom liabilities	0	831,206
Subsidiary collateral for leasing and related party's borrowings	8,678,903	12,044,400

Subsidiary collateral consist of the following amounts:
- EUR 2,800,000 guaranteed to Inženiring Graj for the acquisition of land in the vicinity of Murska Sobota;
- EUR 5,119,903 guaranteed to Adria Transport d.o.o. in respect of finance lease of train engines;
- EUR 750,000 guaranteed for a loan raised by Railport Arad s.r.l..

Note 31: Risk management of the Luka Koper Group

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

The management of financial risks has been organised within the parent company's finance department. The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of variability and, consequently, higher level of risk. The Luka Koper Group has consequently tightened the control of individual financial categories.

- **The risk of changes in fair value**

Luka Koper, d.d., has invested 7.1 percent of its assets (6.2 percent in the previous year) in investments measured at fair value (through profit or loss) and investments in the fourth group (at fair value through equity). 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 managed investments, market securities of successful Slovene companies and investments in Slovene mutual funds. Specific risks were managed primarily through the diversification of the portfolio. In 2009 stock market prices recorded a slight increase primarily due to uncertainty regarding economic recovery, and this impacted the value of our portfolio of market securities which rose by 90.1 percent compared to the value recorded at the end of 2008. As at the last day of the year, the value of investments at fair value amounted to EUR 37,750,453.

In given conditions on capital markets it is difficult to forecast any future changes. Nevertheless the Group estimates that the stock market prices have reached their lowest levels and that most likely, in a few years the value of all investments carried at fair value will stabilise at higher levels.

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

Table A: Sensitivity analysis of investments to the changes in fair values

	Balance at the end of the year (In EUR)	Increase in comparable class (in %)	Envisaged increase in value (In EUR)	Decrease in comparable class (in %)	Envisaged decrease in value (In EUR)
2009					
Shares and interests at fair value	37,750,453	9.59%	3,618,741	-6.64%	-2,505,441
Shares and interests at fair value (10% change)	37,750,453	10.00%	3,775,045	-10.00%	-3,775,045
Shares and interests at fair value (annualised maximum change over the last five years)	37,750,453	78.13%	29,492,564	-67.49%	-25,479,542
2008					
Shares and interests at fair value	34,597,851	9.94%	3,440,311	-6.45%	-2,230,701
Shares and interests at fair value (10% change)	34,597,851	10.00%	3,459,785	-10.00%	-3,459,785
Shares and interests at fair value (annualised maximum change over the last five years)	34,597,851	78.13%	27,029,591	-67.49%	-23,351,704

The sensitivity analysis of investments at fair value is made under the assumption that past fair value changes (the SBI or SBI20 is used) will be reflected in future periods. The average variability of the class was assessed fort eh period of past five years by calculating the average deviation of daily values (both in terms of increases and decreases) from the annual trend of the SBI[1] index. According to the above analysis we can assume that in 2010, the fair value of investment portfolio carried at fair value could decrease by 6.64 percent or increase by 9.59 percent. When considering the highest annual increase in the level of the index in the past five-year period, in 2010 we can expect the risk item to increase by 78.13 percent or dec-

1 For the purpose of sensitivity analysis, for all types of risks the Company used a method to calculate variability of individual class of assets in the past five-year period prior to the year to which the sensitivity analysis refers (i.e. for the year 2010 data for the five-year period 2005 – 2009 was used). The method of variability calculation of individual class of assets considers the following: calculation of the annual trend based on daily data for the selected class for each individual financial year included in the period under review; calculation of linear deviations of daily data from the annual trends; average annual deviation of the class from the annual trend was calculated by adding up all positive deviations on one hand and all the negative deviations on the other and divided these by total data for individual positive or negative deviation; lastly, we calculated the five-year average based on individual annual averages. The maximum absolute increase or decrease in the stock market index in each individual year of the past five-year period is then eliminated to determine financial impact of such changes in fair value to the value of investments measured at fair value.

rease by 67.49 percent. If we further simplify our expectations by assuming a 10 percent increase in the value of the index, such growth would result in an increase in the fair value of the market securities portfolio by EUR 3,775,045. 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 were the case, EUR 3,436,035 would be recognised as either an increase or decrease of equity, while EUR 339,011 as a 10 percent increase or decrease in the fair value of the first class of investments, would be recognised as an increase or decrease in the income statement.

Hierarchy of fair value

(In EUR)

Fair value hierarchy – FA at fair value	31.12.2009	Level1	Level 2	Level 3
Available-for-sale financial assets	37,750,453	37,750,453		
Securities and FA	37,750,453	37,750,453		

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

With the increased volume of foreign financing sources, the risk of changes in interest rates is increasingly more important as unexpected growth in variable interest rates can jeopardize the planned results.

As a result of continued investment cycle, in 2009 the Group's financial liabilities increased by 16.5 percent compared to the previous financial year, reaching EUR 234,538,592 as at the last day of the financial year 2009. The share of financial liabilities in the overall structure of liabilities rose from 36.2 percent in 2008, to 43.9 percent in 2009. In terms of financial liability structure, in the financial year 2009 the Group significantly improved its maturity structure of its financial liabilities (up 12.4 percent) in favour of long-term liabilities. Regardless of tight situation on financial markets, the Group succeeded in financing its development with long-term liabilities, which brings an aspect of additional security and long-term stability. Detailed information concerning long-term financial liabilities is provided in Note XY and in chapters Analysis of operations of the Luka Koper Group and Financial management.

In the medium term Luka Koper Group will continue to finance its organic growth by increasing the share of financial liabilities in its resources. This way it could complete its investment projects in the set deadlines and schedule operating revenue inflow, thus achieving higher return on equity.

No special collateral was granted for the Group's financial liabilities linked to variable interest rates (with the exception of partially offsetting changes in variable interest rate on investments in the bonds of commercial banks). The main reason for this is in a relatively low share of borrowings in total liabilities in the prior years, and persisting low level of variable interest rates in 2009. In spite of this, in the current financial year the parent company, whose financial liabilities also include all financial liabilities linked to a variable interest rate, will introduce instruments of interest hedging.

The impact of potential changes in variable interest rates on future income is described in table B.

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

Balance of liabilities linked to a variable interest rate	31.12.2009	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
	Amount of liabilities (In EUR)	Amount (In EUR)	Amount (In EUR)	Amount (In EUR)
1M EURIBOR	8,000,000	5,436	18,120	36,240
3M EURIBOR	121,960,000	128,058	426,860	853,720
6M EURIBOR	84,600,000	126,139	420,462	840,924
Total effect	**214,560,000**	**259,633**	**865,442**	**1,730,884**

Balance of liabilities linked to a variable interest rate	31.12.2008	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
	Amount of liabilities (In EUR)	Amount (In EUR)	Amount (In EUR)	Amount (In EUR)
1M EURIBOR	73,923,950	288,636	962,120	1,924,240
3M EURIBOR	60,557,453	262,698	875,661	1,751,322
6M EURIBOR	65,000,000	289,673	965,575	1,931,150
Total effect	**199,481,403**	**841,007**	**2,803,356**	**5,606,712**

The analysis of financial liabilities' sensitivity to changes in variable interest rates is based on assumption of potential growth in interest rates of 15, 50 and 100 percent (no further fall in interest rates is expected due current conditions on the market).

If variable interest rates increase in 2010 by 15 percent, the Group would incur a negative effect on interest expenses of EUR 259,633 (taking into account the level of financial liabilities as at 31 December 2009). If variable interest rates rose by 50 percent or 100 percent, the negative effect of the increase in variable interest rates would result in an increase in interest expense by EUR 865,442 or EUR 1,730,884 respectively.

Regardless of the sensitivity analysis the Group assesses that no significant rise in variable interest rates will occur in 2010 and expect to significantly decrease the risk of changes in variable interest rates in 2010 by means of strategic timing of long-term interest risk hedges.

- **Management of liquidity risk**

The Luka Koper Group manages liquidity risk by regular planning of cash flows with different maturities. By careful planning of all liabilities the group ensures consistent compliance with the agreed deadlines. Our preventive measures of regular monitoring and responding to delayed payments of receivables ensure effective management of receivable collection. Additional measures for preventing delays in receivable collection include charging penalty interest in accordance with our uniform policy of receivable management.

In 2010, the parent company intends to continue its process of converting short-term financial liabilities to long-term liabilities, which will additionally reduce its exposure to liquidity risk.

Luka Koper Group manages the liquidity risk by regularly planning cash flows for the various

The Management Board estimates that the Group's exposure to liquidity risk is low, and due to the risk management mechanisms put in place, there is a low likelihood of damages.

(In 000 EUR)

Maturity of financial liabilities based on contractual, undiscounted payments	Past due	On demand	Up to 3 months	3- 12 months	1 to 5 years	Over 5 years	Total
2009							
Borrowings			3,295	67,252	132,279	31,600	234,426
Interest			1,883	5,651	15,279	8,880	31,693
Other financial liabilities	113						113
Supplier payables			23,395				23,395

(In 000 EUR)

Maturity of financial liabilities based on contractual, undiscounted payments	Past due	On demand	Up to 3 months	3- 12 months	1 to 5 years	Over 5 years	Total
2008							
Borrowings			11,200	93,768	80,035	24,000	209,003
Interest			2,537	8,195	45685	26,494	82,911
Other financial liabilities	165			1,137			1302
Supplier payables			23,169				23,169

Long-term and short-term liabilities of EUR 234,538,593 are insured with a security in re as described in Note 14.

- **Management of currency risk**

The risk of changes in foreign exchange rates arises predominantly from trade receivables denominated in US dollars. In recent years the amount of receivables denominated in US dollars has been decreasing and with it, also the Group's exposure to the currency risk. The average monthly invoiced sales had decreased further in 2009, and ranged from USD 0.3 million to USD 0.6 million with the average monthly invoiced sales in US dollars of EUR 0.5 million.

As at 31 December 2009, outstanding receivables denominated in US dollars amount to only 2.64 percent (in 2008: 4.62 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 continue hedging the risk item by internal hedging methods.

- **Management of credit risk**

In view of the global recession, the management of counterparty risk, i.e. credit risk has gained in importance. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduced the assessed probability of inflows and additional costs of financing the operation. The accelerated debt collection contributes to minimising negative effects of wide-spread insolvency.

Regular settlement of supplier payables means additional raising of funds and thus additional financing costs. The specific structure of our customers (the Group predominantly does business with a limited number of major companies i.e. freight forwarders and agents), has a positive effect in terms of credit risk as it considerably reduces exposure to credit risk and the Group has a relatively limited scope of receivables arising from direct business dealings with end-users of services. Another distinctive feature of the Group's business is the use of liens on stored goods, which may be exercised in order to collect debt or receive payment for obligations that are not settled by customers.

Some receivables have been secured with collaterals which are returned to the customers once all obligations have been settled. Investments include loans which are secured with blank bills of exchange and other movable and immovable property.

The credit risk management policy as outlined above is reflected in a relatively low share of bad debt impairment which in 2009 reached 0.09 percent. This is a result of a comprehensive approach to the management of trade receivables. The Group has devoted considerably more attention to this area and has adapted its internal procedures to the situation of insufficient liquidity in the wider economic area.

The Group estimate that the credit quality of other receivables that have not matured or been impaired, is good.

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

The capital structure, expressed as a ratio between equity and all sources of liabilities has a significant impact on the performance of an economic entity. Equity is the most expensive source of financing, therefore it is vital for successful companies to identify optimal capital structure and align their existing capital structure with it.

In the last five years, the share of equity in liabilities decreased from 81.82 percent on the last day of 2005, to 46.97 percent in 2009. Such a change in the capital structure is the result of increased indebtedness (more in Note 27), through which the parent company funded its own investments.

The Company has identified a risk of excessive indebtedness, especially in the situation of the present global crisis. To combat this, the Company will, in line with its long-term policy, increase its share of total liabilities to a maximum of 60 percent. In addition the Company has already taken certain measures to reduce the time required for the construction of ongoing investments and thus begin generating operating revenue from new investments sooner.

11. DISCLOSURES RELATING TO THE CASH FLOW STATEMENT

Cash flow from operating activities are presented under the indirect method. Material increases or decreases in individual items that affected the cash flows of the Company are disclosed in the income statement, balance sheet and the statement of changes in equity.

The cash flow statement shows that the Group generated EUR 36,021,408 in cash flows from operating activities and EUR 66,066,765 in cash flows from investing activities (dividends, disposal of investments and fixed assets), which were used to cover expenses incurred on increased investing activities, primarily investments in fixed assets and long-term investments, of total EUR 135,739,633. The difference was covered by taking out additional long-term loans. Net cash from financing activities reached EUR 26,288,573.

The net cash outflow for the period amounted to EUR 554,334.

The Group has compiled its annual cash flow plan as it is faced with uncertainty regarding forecasts. The following was considered in planning cash flows for the 2010 financial year:

- The share of credit sales,
- Timing of credit repayment by customers,
- The method of payment of overhead costs,
- Expenses for capital investments, and
- Timing of tax payments.

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

12. DISCLOSURES TO THE STATEMENT OF CHANGES IN EQUITY

Movements to equity

Equity was decreased by the majority owner's net loss of the year in the amount of EUR 66,303,732. Revaluation surplus increased by EUR 5,751,302 on account of valuation of investments at fair value classified as available for sale.

Equity of the minority owner decreased by the amount of the net loss of the fiscal year of EUR 298,782.

Movements within equity

Following the resolution of the Supervisory Board, the parent company's loss of EUR 59,191,003 was covered while compiling the annual report from other revenue reserves formed in prior years.

Following the resolution of the General Meeting, a portion of the net profit of 2008 and undistributed profit in total amount of EUR 19,401,856 was allocated to other revenue reserves.

we allocated part of

Movements from equity

Other equity components were decreased by EUR 934.

13. RELATED PARTY TRANSACTIONS

Transactions with the government of the Republic of Slovenia

No significant transactions were undertaken with the government outside the framework of the Concession Agreement. All transactions relating to the Concession Agreement are disclosed in the appendix to the annual report.

Transactions with associated and jointly controlled companies

(In EUR)	2009	2008	2009	2008	2009	2008
Key financial data - associates	**Intereuropa Group**	**Intereuropa, d.d.**		**Avtoservis, d.o.o.**		**Golf Istra, d.o.o.**
Revenue	193,938,000	164,898,000	5,387,813	4,843,454	0	5,719
Assets	489,270,000	359,850,000	3,664,830	3,232,126	812,044	930,580
Liabilities	300,467,000	205,562,000	806,585	671,951	75,889	105,343
Profit or loss	-54,193,000	3,265,000	971,331	573,261	-141,680	-130,693

(In EUR)	2009	2008	2009	2008
Key financial data - associates		**TOC, d.o.o.**		**Railport Arad, s.r.l.**
Revenue	183,214	145,657	640,855	342,281
Assets	708,672	477,016	10,011,801	8,679,007
Liabilities	62,704	29,037	1,922,155	5,145,308
Profit or loss	-212,516	-139,824	80,979	77,591

(In EUR)	2009	2008	2009	2008	2009	2008
Key financial data – jointly controlled companies		**Adriafin, d.o.o.**		**Adria-Tow, d.o.o.**		**Adria Transport, d.o.o.**
Revenue	103,115	287,327	4,012,936	5,560,143	3,798,210	1,806,668
Assets	12,105,699	13,290,667	8,592,983	8,676,486	13,866,070	14,263,461
Liabilities	255,056	175,313	1,240,714	1,812,956	12,798,815	13,342,859
Profit or loss	14,972	77,232	751,103	1,083,853	146,152	22,140

Transactions between the parent and its associated and jointly controlled companies

Title of related party	Turnover in 2009	Balance at 31.12.2009	Transaction type and other terms and conditions **
Receivables from:			
Luka Koper Pristan, d.o.o.	132,688.37	114.51	services rent
Luka Koper INPO, d.o.o.	1,108,919.37	69,893.88	services rent
Adria Terminali, d.o.o.	1,698,342.83	433,123.08	services rent loan
Adria Investicije, d.o.o.	1,728.00	144.00	services
Luka Koper Beograd, d.o.o.		500.00	loan
TOC, d.o.o.	19,584.00	1,632.00	services
Ecoporto Koper, d.o.o.	14,077.71		investment interest
Adriasole, d.o.o.	626,480.73	597,528.00	investment interest
Intereuropa, d.d.	10,708.407.54	1,530,916.62	services
Autoservis, d.o.o.	413,934.50	34,910.59	services rent
Adriafin, d.o.o.	16,128.00		services
Adria Transport, d.o.o.	366,240.33	74,586.20	services
Adria-Tow, d.o.o.	335,364.78	17,021.20	services rent
Payables to:			
Luka Koper Pristan, d.o.o.	81.362.14	6,563.74	services
Luka Koper INPO, d.o.o.	7,436,429.52	869,824.75	services
Adria Terminali, d.o.o.	4,016.92	30.60	services
Adria Investicije, d.o.o.	44,819.01	3,409.48	services rent
TOC, d.o.o. Koper	12,475.20		services
Intereuropa, d.d.	470,720.03	44,649.66	services rent
Autoservis, d.o.o.	21,302.56	5,729.28	services
Adriafin, d.o.o.	22,510.92	1,085.42	services interes loan
Kopinvest Netherlands B.V.			
Adria Transport, d.o.o.	14,328.00		services equipment-wagons loan
Adria–Tow, d.o.o.	11,097.91		services

14. EVENTS AFTER THE BALANCE SHEET DATE

- Pursuant to the notarised records of 28 January 2010, Eco-morje, d.o.o. has ceased its operations by summarised procedure without winding up the company.
- Pursuant to the notarised records of 28 January 2010, Ecopark, d.o.o. has ceased its operations by summarised procedure without winding up the company.
- As of 8 March 2010, Luka Koper, d.d. disposed of its 17.09 percent share in SC Trade Trans Terminal s.r.l..
- As of 12 March 2010, the change in the ownership share in Adria Terminali d.o.o. was registered at the court. By acquisition of additional 49 percent of the stake, Luka Koper, d.d. has become the sole owner of the company.
- At its 17th regular meeting held on 26 March 2010, the General Meeting addressed the special audit report on the audit conducted in Luka Koper, d.d., by the auditors Pricewaterhouse Coopers, d.o.o. Ljubljana.

ERNST & YOUNG

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Luka Koper d.d.

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of Group Luka Koper, which comprise the consolidated balance sheet as at December 31, 2009, and the consolidated income statement, consolidated statement of other comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The consolidated financial statements for the year ended December 31, 2008 were audited by another auditor, who issued an unqualified opinion on March 31, 2009.

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

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

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

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

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Group Luka Koper, as of December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited consolidated financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated financial statements.

Ljubljana, 14th April 2010

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Lidija Šinkovec
Certified Auditor

NON- CONSOLIDATED FINANCIAL STATEMENTS OF LUKA KOPER, D.D.

1. INCOME STATEMENT – audited and non-consolidated

(In EUR)	Notes	2009	2008
Operating revenue		**108,462,449**	**122,744,761**
Net sales	1	107,281,669	121,521,319
Other operating revenue	2	1,180,780	1,223,442
Operating costs		**-117,057,139**	**-102,285,236**
Costs of goods, materials and services	3	-41,176,854	-46,109,675
Labour costs	4	-30,156,242	-30,697,827
Write-downs	5	-34,465,495	-17,751,821
Other operating expenses and provisions	6	-11,258,548	-7,725,913
Operating profit or loss		**-8,594,690**	**20,459,525**
Total finance income	**7**	**5,116,895**	**8,308,638**
Finance income from shares and interests		4,483,029	6,406,379
Finance income from loans		434,995	1,098,847
Finance income from operating receivables		198,871	803,412
Total finance expenses	**8**	**-62,191,536**	**-16,668,034**
Impairment and write-offs of investments		-52,591,845	-9,147,203
Finance expenses from financial liabilities		-8,494,883	-6,990,726
Finance expenses from operating liabilities		-1,104,808	-530,105
Total profit or loss	**9**	**-65,669,331**	**12,100,128**
Income tax	10	-282,122	0
Deferred tax	11	6,760,450	1,635,196
Net profit or loss		**-59,191,003**	**13,735,324**
Earnings/loss per share:			
- **Basic**		**-4.23**	**0.98**
- **Diluted**	12	**-4.23**	**0.98**

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

2. STATEMENT OF COMPREHENSIVE INCOME OF LUKA KOPER D.D. – audited and non-consolidated

(In EUR)	1-12 2009	1-12 2008
Profit or loss for the period	**-59,191,003**	**13,735,324**
Other comprehensive income for the period:		
Changes in fair value of AFS financial assets	7,189,128	-49,132,072
Deferred tax	-1,437,825	9,826,414
Total other comprehensive income	**5,751,303**	**-39,305,658**
Total comprehensive income for the period	-53,439,700	-25,570,334

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

3. BALANCE SHEET – audited and non-consolidated

(In EUR)	Notes	31.12.2009	31.12.2008
Assets		**521,534,016**	**534,709,567**
Non-current assets		**496,479,516**	**490,179,850**
Intangible assets	**13**	**7,024,047**	**5,895,567**
Property, plant and equipment	**14**	**352,506,587**	**329,837,644**
Land and buildings		213,904,856	171,039,469
Manufacturing plant and equipment		94,015,714	52,390,866
Other plant and equipment		138,696	138,696
Property, plant and equipment being acquired		44,447,321	106,268,613
Investment property	**15**	**37,449,118**	**17,087,083**
Non-current investments	**16**	**89,988,457**	**134,611,141**
Non-current investments, except loans		87,234,960	129,477,892
Non-current loans		2,753,497	5,133,249
Non-current operating receivables	**17**	**220,307**	**217,865**
Deferred tax assets	**18**	**9,291,000**	**2,530,550**
Current assets		**24,365,362**	**41,885,700**
Assets (disposal groups) held for sale	19	1,382,987	126,483
Current investments	20	2,564,111	9,305,990
Current operating receivables	21	19,929,684	22,811,661
Deferred tax assets	21	0	2,095,477
Cash	22	488,580	7,546,089
Deferred costs and accrued revenue	**23**	**689,138**	**2,644,017**

Equity and liabilities		**521,534,016**	**534,709,567**
EQUITY	**24**	**238,337,787**	**291,777,487**
Share capital	24	58,420,965	58,420,965
Capital surplus	24	89,562,703	89,562,703
Revenue reserves	24	79,309,524	119,098,671
Revaluation surplus	24	11,044,595	5,293,292
Retained earnings	24	0	12,534,194
Net profit or loss for the year		0	6,867,662
Provisions and accrued costs and deferred revenue	**25**	**6,032,940**	**3,286,229**
Non-current liabilities	**26**	**47,874,671**	**105,237,194**
Non-current financial liabilities	26	45,032,490	103,836,807
Non-current operating liabilities	26	81,032	77,064
Deferred tax liabilities	26	2,761,149	1,323,323
Current liabilities	**27**	**228,104,650**	**133,173,216**
Current financial liabilities	27	199,625,466	105,196,557
Current operating liabilities	27	28,479,184	27,976,659
Accrued costs and deferred revenue	**27**	**1,183,967**	**1,235,441**

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

4. CASH FLOW STATEMENT OF LUKA KOPER, D.D. – audited and non-consolidated

	(In EUR)	2009	2008
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**		
	Profit or loss before tax	-65,669,332	12,100,128
	Income tax and other taxes not included in operating expenses	-282,122	0
		65,951,451	**12,100,128**
b)	**Adjustments for**		
	Depreciation and amortisation and provisions (+)	24,021,804	17,212,727
	Revaluation operating revenue associated with investing and financing (-)	-52,001	-249,584
	Revaluation operating expenses associated with investing and financing (+)	13,330,236	424,376
	Finance income less finance income from operating receivables (-)	-4,918,025	-7,505,226
	Finance expense less finance expense from operating liabilities (+)	61,086,729	16,137,929
		93,468,743	**26,020,222**
c)	**Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities**		
	Opening less closing operating receivables	5,015,876	-2,027,760
	Opening less closing deferred costs and accrued revenue	1,954,879	-2,486,465
	Opening less closing deferred tax assets	-	-
	Opening less closing assets of disposal groups held for sale	-1,256,503	-22,619
	Closing less opening operating liabilities	465,629	-2,669,998
	Closing less opening accrued costs and deferred revenue, and provisions	-191,311	21,365
	Closing less opening deferred tax liabilities	-	-
		8,875,116	**-7,185,476**
d)	**Net cash from operating activities (a + b + c)**	**33,505,862**	**30,934,874**
B.	**Cash flows from investing activities**		
a)	**Receipts from investing activities**		
	Interest and profit shares from investing activity	4,918,025	6,776,578
	Receipts from disposal of intangible assets	-	249,584
	Receipts from disposal of property, plant and equipment	29,876,998	4,872,306
	Receipts from disposal of non-current investments	7,988,969	6,540,210
	Receipts from disposal of current investments	19,803,163	1,600,722
		62,587,154	**20,039,400**
b)	**Disbursements from investing activities**		
	Disbursements to acquire intangible assets	-1,433,631	-4,989,458
	Disbursements to acquire property, plant and equipment	-102,006,911	-129,978,774
	Disbursements to acquire investment property	-5,009,410	-3,326,116
	Disbursements to acquire non-current investments	-6,799,877	-32,586,838
	Disbursements to acquire current investments	-15,030,410	-5,297,023
		-130,280,239	**-176,178,209**
c)	**Net cash from investing activities (a + b)**	**-67,693,082**	**-156,138,809**
C.	**Cash flows from financing activities**		
a)	**Receipts from financing activities**		
	Proceeds from increase in non-current financial liabilities	84,958,900	192,716,269
	Proceeds from increase in current financial liabilities	210,218,688	136,007,731
		295,177,588	**328,724,000**
b)	**Disbursements from financing activities**		
	Interest paid on financing activities	-8,494,883	-6,990,726
	Cash repayments of non-current financial liabilities	-2,328,217	-32,860,000
	Cash repayments of current financial liabilities	-257,173,293	-149,680,232
	Dividends and other profit shares paid	-51,485	-7,741,607
		-268,047,878	**-197,272,565**
c)	**Net cash from financing activities (a + b)**	**27,129,710**	**131,451,435**
Č.	**Closing balance of cash**	**488,580**	**7,546,088**
x)	Net cash for the period (sum total of net cash A.c, B.c and C.c)	**-7,057,510**	**6,247,500**
y)	Opening balance of cash	**7,546,089**	**1,298,589**

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

5. STATEMENT OF CHANGES IN EQUITY OF LUKA KOPER, D.D. - audited and non-consolidated

(In EUR)	Called-up capital	Capital surplus	Legal reserves	Other revenue reserves	Retained earnings	Net profit/loss for the year	Revaluation surplus	Total
As at 1 January 2008	**58,420,965**	**89,562,703**	**18,765,115**	**95,728,958**	**5,547,726**	**12,534,194**	**44,598,949**	**325,158,610**
Net profit or loss for the year						13,735,324		13,735,324
Total comprehensive income for the year							-39,305,657	-39,305,657
Comprehensive income for the period						**13,735,324**	**-39,305,657**	**-25,570,333**
Formation of other revenue reserves based on a decision of the management and supervisory board				6,867,662		-6,867,662		**0**
Transfer to other revenue reserves based on a decision of the general meeting				5,209,210	-5,209,210			**0**
Transfer of the net profit for the previous year to retained earnings					12,534,194	-12,534,194		**0**
Payment of dividends				-7,472,274	-227,726			-7,700,000
Other					-110,790			-110,790
As at 31 December 2008	**58,420,965**	**89,562,703**	**18,765,115**	**100,333,556**	**12,534,193**	**6,867,662**	**5,293,292**	**291,777,487**
Net profit or loss for the year						-59,191,003		-59,191,003
Other comprehensive income for the year							5,751,303	5,751,303
Total comprehensive income for the year						**-59,191,003**	**5,751,303**	**-53,439,700**
Comprehensive income for the period				-59,191,003		59,191,003		**0**
Release of other revenue reserves based on a decision of the management and supervisory board				19,401,856	-12,534,194	-6,867,662		0
Transfer to other revenue reserves based on a decision of the general meeting	**58,420,965**	**89,562,703**	**18,765,115**	**60,544,409**	**0**	**0**	**11,044,595**	**238,337,787**
As at 31 December 2009								

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

6. NOTES TO THE FINANCIAL STATEMENTS

Luka Koper, d.d., pristaniški in logistični sistem, established in the Republic of Slovenia, is the controlling entity of the Luka Koper Group. The financial statements of the Company are prepared for the year ended 31 December 2009.

A list and information about entities in which Luka Koper d.d. holds a minimum of a 20 percent interest is disclosed in Chapter 6 of the Annual Report of the Luka Koper Group: Composition of the Luka Koper Group.

6.1 Statement of compliance

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

As at the balance sheet date, due to the endorsement process of the EU, there is no difference in the policies applied by Luka Koper d.d. between International Financial Reporting Standards and IFRS adopted by the EU.

The Management Board of Luka Koper, d.d. approved these financial statements on 13 April 2010.

6.2 Basis of preparation

The financial statements are expressed in euros without cents.

Fair value

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

Accounting policies used

UThe accounting policies used are consistent with those applied in the previous years, except for the adoption of new standards and interpretations, set out below.

The adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Company.

IAS 1 – Revised presentation of financial statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the Standard introduces the statement of comprehensive income; it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Company has elected to present two statements.

IAS 23 – Borrowing costs

The Standard has been revised to require capitalisation of borrowing costs on qualifying assets and the Company has amended its accounting policy accordingly. In accordance with the transitional requirements of the Standard this has been adopted as a prospective change. Therefore, borrowing costs have been capitalised on qualifying assets with a commencement date on or after 1 January 2009. No changes have been made for borrowing costs incurred prior to this date that have been expensed.

IFRS 2 – Share-Based Payment (amended) – Vesting Conditions and Cancellations

The Standard has been amended to clarify the definition of vesting conditions and to prescribe the accounting treatment of an award that is effectively cancelled because a non-vesting condition is not satisfied.

IFRS 7 – Financial Instruments: Disclosures

The amended standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements are to be disclosed by source of inputs using a three level hierarchy for each class of financial instruments. In addition, reconciliation between the beginning and ending balance for Level 3 fair value measurements is now required, as well as significant transfers between Level 1 and Level 2 fair value measurements. The amendments also clarify the requirements for liquidity risk disclosures. The fair value measurement disclosures and the liquidity risk disclosures are impacted by the amendments.

IFRS 8 – Operating segments

The new Standard requires an entity to adopt "management approach" to reporting on the financial performance of its operating segments. As such it replaces the requirement for determining and reporting by business and regional segments. The Company has identified the company as a whole as its reporting and operating segment. Accordingly, no operating segment information has been disclosed.

Amendments to IAS 32 and IAS 1 – Puttable Financial Instruments

The amendment to IAS 32 requires entities to classify certain items of puttable financial instruments and liabilities arising from liquidation as equity if they fulfil a number of specified criteria. Amendments to IAS 1 require disclosure of certain information regarding puttable financial instruments that are classified as equity.

IFRIC 9 – Reassessment of Embedded Derivative Financial Instruments and IAS 39 – Financial Instruments: Recognition and Measurement

These amendments to IFRIC 9 require an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. IAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

IFRIC 12 – Service Concession Agreements

This interpretation outlines the approach to account for contractual arrangements arising from entities providing public services. It provides that the operator should not account for infrastructure as property, plant and equipment, but rather recognize a financial asset and/or intangible asset. Further details concerning the application of IFRIC 12 are presented in Note 6.2.5 Significant Judgements and Assessments.

IFRIC 13 – Customer Loyalty Programmes

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed.

IFRIC 15 – Agreement for the Construction of Real Estate

The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

IFRIC 16 – Hedges of a Net Investment in a Foreign Operation

The interpretation is to be applied prospectively. IFRIC 16 provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment.

Improvements to IFRSs

In May 2008 the Board issued its first omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard.

The adoption of the following amendments resulted in changes to accounting policies but did not have any impact on the financial position or performance of the Company.

IAS 1 – Presentation of Financial Statements

Assets and liabilities classified as held for trading in accordance with IAS 39 Financial Instruments: Recognition and Measurement are not automatically classified as current in the statement of financial position. The Company has amended its accounting policy accordingly and examined whether the management's expectations over the period in which assets and liabilities are capitalised differ from the classification of the financial instrument This amendment did not result in any re-classification of financial instruments between current and non-current in the statement of financial position.

IAS 16 – Property, Plant and Equipment

Replace the term "net selling price" with "fair value less costs to sell". Items of property, plant and equipment held for rental that are routinely sold in the ordinary course of business after rental, are transferred to inventory when rental ceases and they are held for sale.

IAS 23 – Borrowing Costs

The definition of borrowing costs is revised to consolidate the two types of items that are considered components of 'borrowing costs' into one - the interest expense calculated using the effective interest rate method in accordance with IAS 39. The Company has amended its accounting policy accordingly.

IAS 38 – Intangible Assets

Expenditure on advertising and promotional activities is recognised as an expense when the Company either has the right to access the goods or has received the service. The reference to there being rarely, if ever, persuasive evidence to support an amortisation method of intangible assets other than a straight-line method has been removed. The Company has reassessed the useful lives of intangible assets and found that the use of the straight-line method of amortisation is appropriate.

The following amendments had no impact on the accounting policies of the Company, its financial position or operations:
IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations
IFRS 7 – Financial Instruments: Disclosures
IAS 8 - Accounting Policies, Change in Accounting Estimates and Errors
IAS 10 – Events after the Reporting period
IAS 18 - Revenue
IAS 19 – Employee Benefits
IAS 20 - Accounting for Government Grants and Disclosures of Government Assistance
IAS 27 - Consolidated and Separate Financial Statements
IAS 28 – Investments in Associates
IAS 29 – Financial Reporting in Hyperinflationary Economies
IAS 31 – Interests in Joint Ventures
IAS 34 – Interim Financial Reporting
IAS 36 – Impairment of Assets
IAS 39 – Financial Instruments: Recognition and Measurement
IAS 40 – Investment Property

Foreign currency transactions

Transactions in foreign currency are translated into euros at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities in foreign currency are translated at the reference exchange rate of the ECB at the balance sheet date. All differences resulting from foreign currency translation are recognized in the income statement.

Profit from operations

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

Significant accounting estimates and judgements

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

Deferred tax

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

- Provisions for jubilee benefits and termination benefits upon retirement
- Provisions for claims and damages
- Impairment of investments
- Unused tax losses

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

Deferred tax assets were recognised in the relevant amount of impairment loss on investments as impairment losses are not recognised as tax expenditure until the investments' derecognition. Deferred tax assets will be utilised on derecognition of these investments.

Deferred tax assets on account of unused tax losses were made on the basis of statutory applicable corporate income tax rate for the financial year 2010 and subsequently. Pursuant to criteria stated in IAS 12 (36) and our business plan for the forthcoming period we assess that in the next year taxable profit will be available against which unused tax losses may be utilised.

Deferred tax liabilities were made for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss). They will be utilised on derecognition of these financial assets.

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

Provisions

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

- actuarial calculation of provisions for jubilee benefits and termination benefits
- assessment of the amount of potential claims prepared by the legal services or another external lawyer considering existing lawsuits and claims.

The amount of provisions is the best estimate of future expenditures.

We have assessed the application of IFRIC 12 – Service Concessions Agreements and concluded that in terms of the concession agreement and its substance (as detailed below), the interpretation does not apply to the Company.

In September 2008, Luka Koper d.d. concluded a concession agreement with the Republic of Slovenia. The agreement covers a multitude of relationship between Luka Koper d.d. and the Republic of Slovenia: rental of land, right of superficies, water rights and concession for the performance of commercial public services. The Company pays annual concession fee equal to 3.5 percent of the annual operating income. For the performance of commercial public services of maintaining port infrastructure, the Company is entitled to the income from port dues which comprise the Company's dedicated revenue for routine maintenance as well as major maintenance and repair of the port infrastructure. Port dues account for 4 percent of the Company's operating income and in terms of substance, they are an integral part of the Company's operating income. The amount of port dues is set by Luka Koper d.d. in agreement with the government. The remaining 96 percent of the operating revenue is generated through the provision of services of transhipment and warehousing, for which prices are determined by the laws of the market. Development and overhaul of the port infrastructure is carried out by the Company in its own name and for its own account. After the concession agreement expires, the concessionaire is entitled to a refund of non-amortised portion of the investments. During the term of the agreement, the concessionaire has no say on the capacity utilisation. Under consideration of the concession agreement specifics provided above we believe that the provisions of IFRIC 12 – Concession Agreements do not apply to our agreement. In the Company's books of accounts, the entire port infrastructure is reported as property, plant and equipment, allocated to the relevant profit centre to ensure separate monitoring of the activity.

6.3 Summary of significant accounting policies and disclosures

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

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 assets«.

If the cost of an item of property, plant and equipment is significant, it can be divided to its separate parts if they have different useful lives. Each individual part is accounted for separately. Land is accounted for separately and is not depreciated.

The cost of an item of property, plant and equipment is equal to its monetary price on the day the asset is recognised.

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.

Finance lease

At the inception of a lease, finance lease is recognised in the balance sheet as an asset and liability in the amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments, whereby both values are determined upon inception of the lease. In deriving to the present value of the minimum lease payments, the discount rate is the related interest rate, or if it is not determinable, the lease's incremental borrowing rate which the leasee would incur, is used. All direct costs of a lessee are added to the amount recognised as the asset.

In 2009, the Company did not acquire any items of property, plant and equipment under finance lease.

Subsequent expenditure

Subsequent expenditure incurred on a replacemet of an individual part of an item of property, plant and equipment increases its cost, while other subsequent expenditure increases the cost of the asset only if it is probble that the economic benefits of the asset will increase over its originally estimated value. All other expenditure is expensed when incurred.

Depreciation

Depreciation charge is recognised in an individual period in the statement of 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 over estimated useful life of individual assets. 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 and works of art are not depreciated.

Estimated depreciation rates for the current and comparable period

Assets	2009	2008
Buildings	3% - 6%	3% - 6%
Transport and transhipment equipment	5.6% - 25%	5.6% - 25%
Computer hardware	20% - 25%	20% - 25%
Other equipment	10% - 25%	10% - 25%

Derecognition

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

- Upon its disposal or
- When no future economic benefits are expected from the asset's use or disposal.

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, that is to say when the asset is on the location and in the condition necessary for it to operate as the management intended.

The net carrying amount of an item of intangible assets is reduced under the straight-line amortisation method over the period of its useful life.

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.

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. Estimated useful life of other intangible assets s 10 years.

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 and those owned by the Company are divided into individual parts with different useful lives of between 16 and 33 years.

Investments in related parties

Investments in subsidiaries, associates, entities under joint control and other entities are measured at cost.

Financial instruments

Financial instruments are classified into the following categories:
1. Financial instruments at fair value through profit or loss;
2. Held to maturity investments;
3. Loans and receivables;
4. Available-for-sale financial assets;
5. All other investments for which no active market exists and whose fair value cannot be determined reliably, are measured at cost.

1. Financial instruments at fair value through profit or loss

The first category comprises financial instruments recognised on trading date, which are measured at fair value through profit or loss , and which are intended for active trading. For the first time, due to its nature, a single financial instrument was classified into this group in 2009.

2. Held-to-maturity investments

The second category comprises investments whish are, on their recognition, designated as held to maturity. They are recognised on the settlement date and measured at amortised cost using the effective interest rate method. So far none of the Company's investments have been classified into this category.

3. Loans and receivables

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

- Trade receivables

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

The amounts of individual trade receivables are determined at the end of the accounting period considering justified evidence regarding doubtful settlement. Bad debt allowance is recognised for receivables past due for over 12 months and for doubtful or disputed receivables.

- Loans

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

- Borrowings

On initial recognition, borrowings are carried at their amortised cost using the effective interest rate method. Major amount of borrowings represent bank loans with repayment of principal when the loan contract matures. In terms of their maturity, borrowings are classified into long-term and short-term financial liabilities. On the last day of the year, all financial liabilities in respect of which debt conventants were not met primarily due to impairment, were transferred to short-term financial liabilities. Interest-bearing borrowings are insured with bills of exchange and certain loan covenants.

4. Available-for-sale financial assets

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

Cash

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

Derivative financial instruments

The Company does not issue derivative financial instruments for trading purposes. Should decision be taken to hedge against financial risks, the Company will select the relevant derivative financial instruments and recognise them jointly with the hedged item as a hedge relationship.

Equity

Share capital

Share capital of Luka Koper, d.d. is represented by 14,000,000 ordinary, freely transferable nominal non-par value shares.

Dividends

Dividends are recognised in the financial statements when the Shareholders Meeting's decision on the payment of dividends has been approved. s dividend payment. The dividend policy is defined in the Company's rules.

Redemption of treasury shares

In 2009, the Company did not set up a reserve for treasury shares nor did it trade in treasury shares.

Authorised capital

As at 31 December 2009, the Company had not authorised capital.

Provisions

Provisions for lawsuits

The Company made provisions for claims and damages related to alleged business offences. The amount of the provisions is determined based on the amount of compensation claims or an estimate if the amount of the claim is not yet known. The amount of provisions made is verified on a regular basis.

Provisions for termination and jubilee benefits

In accordance with the statutory requirements and the collective agreement, the Company is obligated to pay jubilee benefits and termination benefits upon retirement. These payments are measured using the simplified 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 calculations, which are the basis for determining the amount of provisions, are performed every two years. Actuarial gains or losses of the current year are recognised in the income statement.

Provisions for anticipated costs of maintenance of the port infrastructure

In accordance with the concession agreement concluded with the government of the Republic of Slovenia, the Company creates provisions for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs.

Operating liabilities

Long-term operating liabilities include collateral received for rented business premises. Liabilities to suppliers, the state and employees are presented separately. Operating liabilities are inclusive of interest and dividends payable. Operating liabilities denominated in foreign currency are converted into the local currency at the reference rate of the ECB on the balance sheet date.

Income tax

Income tax is provided for in accordance with the Corporate Income Tax Act and, as we have the status of an Economic Zone user, also in accordance with the Economic Zones Act. This allows the Company to claim tax relief for investments in fixed assets located within the economic zone. Due to certain offence procedures that are currently in progress, in 2009 the Company did not receive tax authorities' decision which provides the basis for claiming tax relief. The basis for the income tax calculation is gross amount of profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. In 2009, income tax liability was calculated at the rate of 21 percent of the tax basis.

Deferred tax

With a view of reporting the relevant profit or loss for the period, the Company also accounted for deferred tax. Deferred tax includes deferred tax assets and deferred tax liabilities. Deferred tax was provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The differences were identified as permanent or temporary, while the latter were further divided into taxable and deductible. Taxable deductible differences increase the taxable amounts and deferred tax liabilities, while deductible temporary differences reduce taxable amounts and deferred tax assets.

Earnings per share

The basic earnings per share was calculated by dividing the net profit for the financial year 2009 by weighted average number of ordinary shares in issue.

Revenue

Revenue from services rendered

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

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

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

Other revenue
Other revenue includes grants, premiums and revaluation revenue from disposal of fixed assets and from reversal of the net amount of provisions.

Finance income and expenses
Finance income comprises interest income from loans, income from dividends, 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. Income from dividends 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 the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method. In 2009, the Company began to capitalise the cost of borrowings from banks, which were raised in 2009 for all major investments carried out in that same accounting period.

Expenses – costs

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

Impairment of assets

Oslabitev opredmetenih osnovnih sredstev
If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed. 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 the income statement.

Impairment of intangible assets
On the reporting date, intangible assets are tested for impairment.

When the recoverable amount of an asset is less than its carrying amount, the asset's carrying amount is reduced to its recoverable amount. The decrease is disclosed as an impairment loss and recorded as a revaluation operating expense.

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

When the Company determines that investments carried at amortised cost should be impaired, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The amount of impairment loss is recognised in the income statement. 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 the income statement.

When the Company determines that investments in subsidiaries, associates jointly controlled entities and other companies carried at cost should be impaired, the impairment loss is recognised as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in the income statement as a revaluation financial expense.

Impairment loss on available-for sale financial assets is recognised in the income statement as the difference between the investment's carrying amount and market or fair value on the balance sheet date. Available-for-sale financial assets are impaired when the fair value falls more than 40 percent below their cost on the balance sheet date. The amount of impairment loss is the difference between the cost and fair value of the investment.

Comprehensive income

In the statement of comprehensive income the Company reports revenue and expenses (inclusive of any adjustments due to reclassification) that are not included in the income statement in accordance with other IFRSs.

Cash flow statement

The cash flow statement is presented using an indirect method, on the basis of the balance sheet items as at 31 December 2009 and 31 December 2008, as well as the items in the income statement for the financial year then ended, inclusive of any necessary adjustments of the cash flows.

Statement of changes in equity

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

New standards and interpretations that are not yet effective

Early application of IFRSs and IFRICs not yet effective

Luka Koper d.d. has not early adopted any standards or interpretations that are not yet effective and which will come into force in the future.

The following new and amended interpretations will be adopted in future periods as required by International Financial Reporting Standards:

• IFRIC 15 - Agreement for the Construction of Real Estate
IFRIC 15 was issued in July 2008 and becomes effective for periods beginning on 1 January 2009. The interpretation is to be applied retrospectively. It clarifies when and how revenue and related expenses from the sale of a real estate unit should be recognised if an agreement between a developer and a buyer is reached before the construction of the real estate is completed. Furthermore, the interpretation provides guidance on how to determine whether an agreement is within the scope of IAS 11 or IAS 18.

• IFRIC 17 Distribution of Non-Cash Assets to Owners
IFRIC 17 becomes effective for annual periods beginning on 1 July 2009. The interpretation provides guidance on how to account for non-cash distribution of assets to owners. The interpretation clarifies when an entity should recognize the liability, how it should be measured, and how to recognize and measure the related assets, as well as when such assets and liabilities should be derecognised in books of accounts.

- IFRIC 18 Transfers of Assets from Customers; applicable to transfers from customers on or after 1 July 2009.

The interpretation provides guidance on how to account for property, plant and equipment transferred from customers or cash received for acquisition or construction of specified assets. This guidance applies only to assets used by an entity to connect the customer to a network or to provide the customer with an ongoing access to a supply of goods, services or, in some cases, to do both. The entity must identify the service or services rendered and allocate the received payment (the fair value of assets) to each identifiable service. Revenue should be recognised on delivery or performance of each individual service by the entity.

The following new and amended IFRSs will be adopted in future periods as required by International Financial Reporting Standards, if endorsed by the EU:

- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments

The interpretation becomes effective on 1 July 2010 and provides guidance on how to account for the extinguishment of a financial liability by the issue of equity instruments (a debt for equity exchange). The interpretation clarifies how to measure and recognise such exchanges.

The following new and amended IFRSs will be adopted in future periods as required by International Financial Reporting Standards and EU:

- IFRS 3R Business Combinations and IAS 27R Consolidated and Separate Financial Statements

The revised standards were issued in January 2008 and become effective for financial years beginning on or after 1 July 2009. IFRS 3R introduces a number of changes in the accounting for business combinations that will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results. IAS 27R requires that a change in the ownership interest of a subsidiary is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give raise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes introduced by IFRS 3R and IAS 27R must be applied prospectively and will affect future acquisitions and transactions with minority interests.

- IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items

These amendments to IAS 39 were issued in August 2008 and become effective for financial years beginning on or after 1 July 2009. The amendment addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. It clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as hedged item.

Luka Koper d.d. is reviewing the not yet effective standards and interpretations and at this stage cannot reasonably assess the impact of the new requirements. The Company will comply with new standards and interpretations as and when effective.

The following new and amended IFRSs will be adopted in future periods as required by International Financial Reporting Standards, if endorsed by the EU:

- IFRS 2 Group Cash Settled Share-Based Payment Transactions

Applicable for periods beginning on or after 1 January 2009. Amendments to IFRS 2 comprise three basic amendments: revised definition of share-based transactions and agreements, the scope of IFRS2, and additional clarification of how to account for cash-settled share-based payment transactions in the group.

- IAS 32 – Financial Instruments: Presentation Classification of Rights Issues Denominated in Foreign Currency

Applicable for periods beginning after 1 February 2010. Amendments to IAS 32 allow an entity issuing rights to purchase shares in foreign currency not to recognise the rights as derivatives and to recognise the effect in the profit or loss. These rights are now classified as equity instruments if they fulfil certain criteria.

- IAS 24 – Related party Disclosures

Applicable for periods beginning after 1 January 2011 Amendments to IAS 24 define in more detail and simplify definition of a related party. Furthermore the amended standard reduces the scope of disclosures of transactions of a government owned entity with the government and other government owned entities.

- IFRS 9 – Financial Instruments

The Standard replaces IAS 39 and is applicable for periods beginning on 1 January 2013. The first part of the standard introduces new requirements for classifying and measuring financial assets.

- Improvements to IFRS

In April 2009, the Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The amendments described below have so far not been endorsed by the European Union.

IFRS 2- Share-Based Payments – Defining when to apply IFRS 2 and IFRS 3
IFRS 5 – Non-Current Assets Held for Sale - Disclosures
IFRS 8- Operating Segments – Disclosure of Segment's Assets
IAS 1 – Presentation of Financial Statements – current/non-current liability for exchangeable instruments
IAS 7 – Statement of Cash Flows – Categorization of expenditure for non-recognised assets
IAS 17 – Leases – Categorization of land and buildings
IAS 18 Revenue - Designation whether an entity acts as a principal or an agent
IAS 36 – Impairment of Assets – The largest units to which goodwill may be attributed
IAS 38 – Intangible Assets – Amendments to standard due to the adoption of new IFRS 3 and changes in determination of fair value
IAS 39 – Financial Instruments – Assessment of liquidation damages for prepayment of a credit as an embedded derivative, cash flow hedges
IFRIC 9 – Re--assessment of Embedded Derivatives – impact of IFRS 3 and IFRIC 9
IFRIC 16 - Hedges of a Net investment in a Foreign Operation – Amendment of restriction to an entity allowed to have a hedge

Judgements and sources of uncertainty

Risk management

The Company monitors and strives to manage risks at all levels of business. In the assessment of risks, the Company considers various risk factors and compares costs with the related benefits. Appropriate risk management is ensured by their timely identification and management, by the relevant guidelines and policies, which are laid down in documents of the overall management system.

The Company's operations are exposed to strategic, operational and financial risks, which are largely dependent on market laws, and which requires their active monitoring. In addition to strategic and operational risks, the Company also encounters financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 29: Financial Risk Management.

7. ADDITIONAL NOTES TO THE INCOME STATEMENT

Note 1: Net sales

(In EUR)	2009	2008
Net sales	**107,281,669**	**121,521,319**
Sales on the local market	**35,525,635**	**33,824,677**
Revenue from the sale of services on the local market	33,800,821	32,159,563
Rental income on the local market	1,724,163	1,656,503
Revenue from the sale of goods and materials	651	8,611
Sales on foreign markets	**71,756,034**	**87,696,642**
Revenue from the sale of services on foreign markets	71,747,425	87,694,594
Rental income on foreign markets	6,316	2,048
Revenue from the sale of goods and materials	2,294	0

In 2009, the sales revenue includes also despatch revenue of total EUR 521,675. Accordingly, the revenue generated in 2008 was adjusted by addition of despatch revenue of total EUR 1,420,265, which was in 2008 included in the other revenue.

Note 2: Other operating revenue

(In EUR)	2009	2008
Other operating revenue	**1,180,780**	**1,223,442**
Revaluation operating revenue	52,025	249,584
Other	1,128,755	973,858

The largest share of other revenue includes compensation proceeds and contractual penalties charged due to delays in the investment schedule of EUR 501,750.

Note 3: Costs of materials and services

(In EUR)	2009	2008
Costs of materials	**7,395,992**	**8,708,754**
Costs of auxiliary materials	2,289,785	2,728,247
Costs of power supply	4,585,061	5,379,537
Costs of office supplies and professional literature	155,009	235,809
Other costs of materials	366,137	365,161

(In EUR)	2009	2008
Costs of services	**33,780,862**	**37,400,921**
Costs of physical services	11,839,849	16,195,973
Costs of transport services	313,840	1,714,110
Costs of maintenance services	5,496,797	6,387,505
Lease payments	1,928,628	2,450,467
Reimbursements of work-related costs to employees	376,190	589,976
Costs of payment processing and insurance premiums	415,627	459,589
Costs of professional and personal services	1,326,787	1,149,888
Costs of advertising, trade fairs and hospitality	1,743,116	1,853,292
Costs of services rendered by natural persons	113,710	236,278
Costs of other services	10,226,318	6,363,843

The costs of professional and personal services include also audit fees as follows: fee for the audit of the financial statements for the year 2009 of EUR 34,500, additional audit of the operations for the year 2008, which was carried out in the first quarter of 2009 which cost EUR 94,980, costs of the special audit of the operations carried out in 2009 encompassing the operations of the Company during the period from 2005 to the first quarter of 2009 at the cost of EUR 265,928, and other non-audit services carried out by auditing firms to the amount of EUR 6,984. In 2009, the costs of other services include concession fees of EUR 3,553,460 (EUR 916,999 for the period from October to the end of 2008); a significant item represent costs of information technology support of EUR 3,327,689 (in 2008: EUR 3,232,240).

Note 4: Labour costs

(In EUR)	2009	2008
Labour costs	**30,156,241**	**30,697,827**
Salaries	19,191,409	19,736,216
Salary compensation	3,540,062	3,621,251
Costs of supplementary pension insurance	957,709	800,049
Employer's contributions on salaries	3,707,029	3,581,047
Annual leave allowance, reimbursements and other costs	2,760,032	2,409,169
Other charges on salaries payable by the employer	0	550,094

Labour costs include also accrued costs of unutilised leave, which amount to EUR 167,674. On 31 December 2009, Luka Koper, d.d. had 768 of employees, while the average number of employees was 781.5. In terms of human resource management, the year 2009 was distinguished by employment restriction, a policy adopted as part of human resource measures taken in order to manage uncertain market conditions. This is clearly evident from the comparison with 786 of people which were employed at Luka Koper d.d. at 31 December 2008, or 783 on average.

Average number of employees by level of education in 2009 and 2008

Educational level	Average in 2009	Average in 2008
VIII/2	1,5	1
VIII/1	16	15
VII	94	94
VI/2	112	102
VI/1	46	45
V	242.5	247,5
IV	189	193
III	23,5	25
I - II	57	60,5
Total	**781.5**	**783**

Number of employees by level of education as at 31 December 2009 and 31 December 2008

Level of education	31.12.2009	31.12.2008
VIII/2	2	1
VIII/1	15	16
VII	94	94
VI/2	113	109
VI/1	47	45
V	234	249
IV	186	190
III	21	24
I - II	56	58
Total	**768**	**786**

In 2009, the annual leave allowance amounted to EUR 910 per employee, compared to EUR 870 in 2008. All the employees received an additional salary (13th salary) equal to 60 percent of employee's average salary. Other benefits awarded to employees include the payment of supplementary pension insurance premium by the employer which has been funding the pension scheme for the ninth consecutive year.

Remuneration of the Management Board in 2009

(In EUR)

Surname and name	Gross salary – Fixed portion	Gross salary Variable portion (bonuses and performance pay for 2008)	Annual leave allowance and jubilee benefits	Benefits and other receipts	Total remuneration
Časar Robert – Chairman until 07.07.2009	144,408	0	910	2,072	147,390
Veselko Gregor – Chairman since 16.06.2009	63,070			1,770	64,840
Babič Aldo – Deputy chairman until 15.07.2009	141,757	0	910	5,830	148,497
Jamnik Tomaž Martin – Deputy chairman since 11.09.2009	25,387			1,166	26,553
Babič Marjan – Member until 11.09.2009	140,425	0	910	7,603	148,938
Marzi Boris- Member until 11.09.2009	137,434	0	910	4,606	142,950
Total	**652,481**	**0**	**3,640**	**23,047**	**679,168**

Remuneration by employee group in 2009

(In EUR)

Employee group	Gross salary fixed and variable portion	Annual leave allowance and jubilee benefits	Benefits and other receipts	Total remuneration
Members of the Management Board (chairman , deputy chairman, two members and a procurator)	652.481	3.640	23.047	679.168
Members of the Supervisory Board (9 members)			148.624	148.624
Employees with individual employment contracts	3.682.129	40.040	212.919	3.935.088
Employees under enterprise collective agreement	19.580.074	686.664	253.872	20.520.610
Total remuneration	**23.914.684**	**730.344**	**638.462**	**25.283.490**

Receipts of members of the Supervisory Board in 2009

Surname and name	Meeting fees	Reimbursement of costs	Incentives for 2006 and 2007 paid from profits	Total
Ban Orjano - Member from 27.7.2008 until 8.4.2009	1.980	0	0	1.980
Bradač Boris - Member from 27.7.2008 until 8.4.2009	1.320			1.320
Topič Nebojša - Member since 27.7.2008	5.610			5.610
Jazbec Tatjana - Member from 26.4.2004 until 26.7.2008	0	0	11.000	11.000
Jerman Robert - Member from 26.4.2004 until 26.7.2008	0	0	11.000	11.000
Pavletič Alverino - Member from 26.4.2004 until 26.7.2008	0	0	11.000	11.000
Popovič Boris - Member since 26.7.2004	3.333	37	11.000	14.370
Starman Marko - Member from 7.7.2005 until 19.7.2007	0	0	16.500	16.500
Verlič Peter - Member from 07.07.2005 until 19.07.2007	0	0	11.000	11.000
Valentinčič Marko - Member from 07.07.2005 until 07.07.2009	2.970	590	11.000	14.569
Mezek Metod - Member from 07.07.2005 until 07.07.2009	2.970	73	11.000	14.043
Zadel Bojan - Member from 07.07.2005 until 07.07.2009	3.300	42	11.000	14.342
Franca Olga - Member from 20.07.2007 until 07.07.2009	3.597	58	0	3.655
Požar Janez - Member since 14.07.2009	2.145	867	0	3.012
Može Tomaž - Member since 14.07.2009	1.650	10	0	1.660
Brank Bojan - Member since 14.07.2009	2.508	862	0	3.370
Kocjančič Jordan - Member since 14.07.2009	1.650	673	0	2.323
Simoneti Marko - Member since 14.07.2009	1.320	430	0	1.750
Čepar Stojan - Member since 08.04.2009	2.970	181	0	3.151
Jovičič Mladen - Member since 8.4.2009	2.970	0	0	2.970
Total	**40.293**	**3.831**	**104.500**	**148.624**

Loans approved to employees with individual employment agreement:

(In EUR)	Total outstanding		Repayment of principal	
	31.12.2009	31.12.2008	2009	2008
Luka Koper, d.d.	11,930	20,577	4,847	5,720

In accordance with the internal rules and its business plan, Luka Koper, d.d. approves housing loans to its employees as means of resolving their housing problems. The balance of the outstanding amount and repayments made in 2009 and 2008 are presented in the table above.
No loans were approved to members of the Management and Supervisory Boards.

Note 5: Write-downs

(In EUR)	2009	2008
Write-downs	**34,465,495**	**17,751,821**
Depreciation of fixed assets	20,556,655	16,718,879
Depreciation of investment property	578,603	493,847
Revaluation operating expenses for property, plant and equipment	13,330,237	424,376
Revaluation operating expenses for current assets	0	114,719

Depreciation and amortisation rates were not changed in 2009. Depreciation and amortisation charges on intangible assets, property, plant and equipment, and investmernt property increased in 2009 as a consequence of new purchases and completion of some major investments.

Revaluation operating expenses for property, plant and equipment of EUR 13.3 million represent write-offs of some of the investments which, under the strategic guidelines for future development of the Company, will not bring any economic benefits in the long-term, and their reclassification to current assets held for sale, as well as a result of an discrepancy between the carrying amount of investment property and their fair value valutation.

Note 6: Other operating expenses and provisions

(In EUR)	2009	2008
Other expenses	**8,483,124**	**7,542,465**
Charges unrelated to labour costs or other costs	7,420,991	5,232,039
Environment protection expenditure	484,475	1,117,166
Awards and scholarship to students	5,750	8,002
Other costs – penalties, compensation paid and demurrage	571,908	1,185,258

A significant item of charges represents charge for the use of building land which in 2009 amounted to EUR 4,573,286 (in 2008: EUR 4,561,054). The Company spent EUR 296,000 (in 2008: EUR 354,537) for grants. A major share of other costs represents a cash fine of EUR 251,608 paid in 2009 in accordance with the decision of the Ministry of the Environment and Spatial Planning (in 2008: EUR 719,146).

(In EUR)	2009	2008
Provisions	**2,775,425**	**183,448**
Provisions for damages	309,121	183,448
Provisions for ordinary maintenance (LLP)	2,466,304	0

Provisions formation and movement are disclosed in Note 26: Provisions.

Note 7: Finance income

(In EUR)	2009	2008
TOTAL FINANCE INCOME	**5,116,895**	**8,308,638**
Finance income from interests	**4,483,029**	**6,406,379**
Finance income from interests in subsidiaries	800,000	828,648
Finance income (dividends) from associates	968,562	1,677,734
Finance income (dividends) from other companies	1,031,000	1,686,451
Finance income from disposal of securities	1,683,467	2,213,546
Finance income from loans	**434,995**	**1,098,847**
Finance income from loans to group companies	28,800	116,316
Finance income from loans to others	406,195	982,531
Finance income from operating receivables	**198,871**	**803,412**
Finance income from operating receivables due from others	168,156	205,129
Foreign exchange gains	30,715	598,283

In 2009, finance income decreased by 36 percent, particularly due to the loss of dividend income and a fall in prices of securities, which were sold during the year.

Note 8: Finance expenses

(In EUR)	2009	2008
Total finance expenses	**62,191,536**	**16,668,034**
Finance expenses for impairment of investments	**52,591,845**	**9,147,203**
Finance expenses for financial liabilities	**8,494,883**	**6,990,726**
Finance expenses for borrowings from group companies	269,798	336,630
Finance expenses for borrowings from associates	34,553	27,224
Finance expenses for borrowings from banks	8,190,532	6,626,872
Finance expenses for operating liabilities	**1,104,808**	**530,105**
Finance expenses for supplier payables and bills payable	7,144	22,602
Finance expenses for other operating liabilities	1,097,664	2,858
Foreign exchange losses	0	504,645

Compared with the previous year, in 2009 finance expenses increased on account of the cost of borrowings and interest on increased amount of long-term and short-term borrowings from banks.

The majority of finance expenses on account of investment impairment relate to the impairment of the investment in Intereuropa d.d. Koper of EUR 28.7 million, and impairment loss on investment in Trade Trans Invest, a.s. Bratislava of EUR 21.8 million, based on the valuation of these investments.

The valuation of the investment in Intereuropa d.d. was based on the calculation using 5-year cash flow projections, taking into account discount rate of 9.96 percent, whereas cash flows in excess of 5-year period were extrapolated using a 3.10 percent growth rate.

The valuation of the investment in Trans Trade Invest, a.s., was based on the market value using the adjusted book value method.

The interest rates and financial liabilities are disclosed in Notes 27 and 28: Long-term and short-term financial liabilities.

Note 9: Total profit or loss

In 2009, the Company incurred operating loss of EUR 8,594,690. In 2008 the operating profit or loss stood at EUR 20,459,524. Taking into account the financing loss of EUR 57,074,641 (in 2008: EUR 8,359,396), total loss amounted to EUR 65,669,331 (in 2008: EUR 12,100,128).

Note 10: Corporate income tax

(In EUR)	2009	2008
Corporate income tax	**(activity inside and outside the zone)**	**(activity inside the zone)**
Revenue determined for accounting purposes	114,026,785	130,066,737
Revenue adjustment to the level recognised for tax purposes – reduction	4,655,533	4,515,388
Revenue adjustment to the level recognised for tax purposes – increase	0	0
Tax recognised revenue	**109,371,252**	**125,551,349**
Expenses determined for accounting purposes	-179,696,116	117,776,308
Expense adjustment to the level of tax deductible expenditure – reduction	-64,044,320	11,793,331
Expense adjustment to the level of tax deductible expenditure – increase	6,854,458	21,453
Tax deductible expenditure	**-122,506,253**	**106,004,430**
Difference between tax recognised revenue and expenses	0	19,546,919
Difference between tax recognised expenses and revenue	-13,135,001	
Increase in tax basis	210,595	188,627
Tax basis	**-12,924,406**	**19,523,282**
Reduction in tax basis and tax relief	-100,066	19,523,282
Tax loss	**-13,024,472**	
Tax basis (22%,23%)	**0**	**0**
Corporate income tax	**0**	
Effective tax rate	0	0

In 2009, Luka Koper d.d. reported tax loss of EUR 13,024,472. Pursuant to the decision of the tax authorities following tax inspection of the period from 1 January 2006 to 31 December 2007, the tax authorities imposed additional corporate income tax of EUR 282,122, which increased the amount of net loss incurred in 2009.

Note 11: Deferred tax

As a means of accounting recognition of tax effects of accounting and taxable profit, deferred tax reduces the amount of net loss by EUR 6,760,450 (In 2008: EUR 1,635,196 EUR). Deferred tax assets were made on account of investment impairment, provisions for jubilee benefits, termination benefits, damages and unutilised tax losses of the current year. On the other hand they were reduced due to utilisation of provisions for jubilee benefits and termination benefits and as a result of disposal of previously impaired investments.

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

(In EUR)	31.12.2009	31.12.2008
Deferred tax recognised in the profit and loss	6,760,450	1,635,196
Unused tax losses	2,604,894	0
Long-term invesatments	3,912,410	1,848,440
Provisions	**243,146**	**-213,244**

Deferred tax assets and liabilities recognised in the comprehensive income are presented below:

(In EUR)	31.12.2009	31.12.2008
Deferred tax on changes from available-for-sale FA	-1.437.825	9.826.414

Note 12: Net earnings per share

The objective of the information is to provide a criterion for the cut of each ordinary share in the performance of the Company.

(In EUR)	2009	2008
Net profit/loss	-59,191,003	13,735,324
Weighted average number of ordinary shares	14,000,000	14,000,000
Basic net earnings per share	**-4.23**	**0.98**
Adjusted net earnings per share	**-4.23**	**0.98**

Net earnings per share for the year 2009 was calculated by dividing the net operating loss by the average number of ordinary shares in issue during the year. The calculation was based on the decision of the General Meeting of shareholders of conversion of all preference shares to ordinary share using the 1:1 ratio. The share capital and changes in the share capital are disclosed in Note 25: Equity and reserves.

Following the conversion of all preference shares into ordinary shares, adjusted net earnings per share is equal to the basic net earnings per share.

8. ADDITIONAL NOTES TO THE BALANCE SHEET

Note 13: Intangible assets

(In EUR)	31.12.2009	31.12.2008
Intangible assets	**7,024,047**	**5,895,567**
Long-term property rights	7,024,047	5,895,567

No impairment loss was recognised on intangible assets in 2009 as there were no indications of their impairment. Movements and accumulated amortisation of intangible assets in the year 2009 and comparable information for the year 2008 are presented in the attached table in Note 15. As at 31 December 2009, no items of intangible assets were pledges as collateral.

Note 14: Property, plant and equipment

(In EUR)	31.12.2009	31.12.2008
Property, plant and equipment	**352,506,587**	**329,837,644**
Land	6,261,659	24,391,476
Buildings	207,643,197	146,647,993
Plant and machinery	94,015,714	52,390,866
Other plant and equipment	138,696	138,696
Fixed assets being acquired	44,434,099	76,987,863
Advances for fixed assets	**13,222**	**29,280,750**
Advances for acquisition of fixed assets	13,222	29,280,750

No items of property, plant and equipment have been pledged as collateral for liabilities.
Changes in the value of fixed assets are detailed in the attached tables of movements in fixed assets in Note 15.
As at 31 December 2009, liabilities to suppliers of fixed assets amounted to EUR 17,962,897 (in 2008: EUR 14,508,732).

For the performance of its core activity, Luka Koper, d.d. also uses quay and land owned by the Republic of Slovenia. Lease arrangement are detailed in the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure at Koper Port Terminal, concluded with the Republic of Slovenia on 8 September 2008. The Concession Agreement is described in more detail in chapter 10.

Note 15: Investment property

(In EUR)	31.12.2009	31.12.2008
Investment property	**37,449,118**	**17,087,083**
Land	20,828,209	4,880,939
Buildings	16,620,909	12,206,144

Investment property includes facilities which are leased out under operating lease. Due to changes in future strategic development of the Company, the land which was held by the Company in order to increase its value in the long-term, was re-classified to the investment property. Total rental income in 2009 reached EUR 1.7 million (In 2008: EUR 1.6 million), while depreciation charges amounted to EUR 578,603 (In 2008: EUR 493,847).

As at 31 December 2009, land classified as investmet property at the cost of EUR 19.8 million, was assessed for signs of impairment. According to the valuation, based the comparable sales method, market value of land stands at EUR 16.6 million. In accordance with the provisions of IAS 16 and the fact that after initial recognition, investment property is recognised under the cost mode, the Company recognised impairment loss of EUR 5,6 million.

Movements in property, plant and equipment, investment property and intangible assets, as well as their accumulated depreciation and amortisation recorded in 2009 and 2008, are presented in the tables below.

Table of changes in property, plant and equipment in 2009

(In EUR)	Land	Buildings	Plant and equipment	FA being acquired	Total
Cost					
As at 1.1.2009	**24,391,475**	**270,109,355**	**166,747,172**	**76,987,863**	**538,235,865**
Additions		342,000	1,250,989	107,341,622	108,934,611
Transfer to use	3,422,400	70,479,225	51,685,899	-130,384,031	-4,796,507
Disposals		-535,597	-2,943,138	-7,561,355	-11,040,090
Transfer to investment property	-21,552,216	-31,607			-21,583,823
Advances for acquisition of FA				13,222	13,222
Transfer to the sales account			-162,010	-1,950,000	-2,112,010
As at 31.12.2009	**6,261,659**	**340,363,376**	**216,578,912**	**44,447,321**	**607,638,046**
Accumulated depreciation					
As at 1.1.2009		**123,461,361**	**114,217,610**		**237,678,971**
Additions					
Depreciation for the current year		9,390,232	11,016,161		20,406,393
Disposals		-118,788	-2,677,580		-2,796,368
Transfer to investment property		-12,625			-12,625
Transfer to the sales account			-131,688		-131,688
As at 31.12.2009		**132,720,180**	**122,424,503**		**255,144,683**
Carrying amount					
As at 1.1.2009	**24,391,475**	**146,647,994**	**52,529,562**	**76,987,863**	**300,556,894**
As at 31.12.2009	**6,261,659**	**207,643,196**	**94,154,409**	**44,447,321**	**352,506,587**

Table of changes in property, plant and equipment in 2008

(In EUR)	Land	Buildings	Plant and equipment	FA being acquired	Total
Cost					
As at 1.1.2008	**21,542,361**	**224,928,390**	**155,662,570**	**41,632,014**	**443,765,335**
Additions	3,730,214	48,196,838	17,382,047	100,237,150	169,546,249
Transfer to use		272,452	-272,452	-64,629,545	-64,629,545
Disposals		-5,059	-4,121,644	-251,756	-4,378,459
Transfer to investment property	-881,100	-4,173			-885,273
Transfer to the sales account		-10,549	-1,903,349		-1,913,898
Transfer to investments in progress		-3,268,544			-3,268,544
Advances for acquisition of FA				29,280,750	29,280,750
As at 31.12.2008	**24,391,475**	**270,109,355**	**166,747,172**	**106,268,613**	**538,235,865**
Accumulated depreciation					
As at 1.1.2008		**115,498,638**	**111,086,419**		**226,585,057**
Additions					
Depreciation for the current year		8,075,202	8,472,246		16,547,448
Disposals		-5,059	-3,696,079		-3,701,138
Transfer to investment property		-1,947			-1,947
Transfer to the sales account		-9,975	-1,644,976		-1,654,951
Transfer to investments in progress		-95,498			-95,498
As at 31.12.2008		**123,461,361**	**114,217,610**		**237,678,971**
Carrying amount					
As at 1.1.2008	**21,542,361**	**109,429,752**	**44,576,151**	**41,632,015**	**217,180,278**
As at 31.12.2008	**24,391,475**	**146,647,994**	**52,529,562**	**106,268,613**	**329,837,644**

Table of changes in intangible assets in 2009

(In EUR)	Intangible assets	Intangible assets being acquired	Total
Cost			
As at 1.1.2009	**11,823,096**	**5,291,663**	**17,114,759**
Additions	11,376	1,342,675	1,354,051
Transfer to use	79,580		79,580
Disposals	-5,049	-149,839	-154,888
As at 31.12.2009	**11,909,003**	**6,484,499**	**18,393,502**
Accumulated amortisation			
As at 1.1.2009	**11,219,192**		**11,219,192**
Additions			
Amortisation for the current year	150,262		150,262
As at 31.12.2009	**11,369,454**		**11,369,454**
Carrying amount			
As at 1.1.2009			
As at 31.12.2009	**539,549**	**6,484,499**	**7,024,048**

Changes in investment property in 2009

(In EUR)	Land	Buildings	Total
Cost			
As at 1.1.2009	**4,880,939**	**18,548,611**	**23,429,550**
Transfer of the impairment of the opening amount		4,015	4,015
Additions		246,922	246,922
Transfer to use	39,039	4,723,449	4,762,488
Disposals	-5,643,985		-5,643,985
Transfer to investment property	21,552,216	31,607	21,583,823
As at 31.12.2009	**20,828,209**	**23,554,604**	**44,382,813**
Accumulated depreciation			
As at 1.1.2009		**6,342,467**	**6,342,467**
Additions			
Depreciation charge for the current year		578,603	578,603
Disposals			
Transfer to investment property		12,625	12,625
As at 31.12.2009		**6,933,695**	**6,933,695**
Carrying amount			
As at 1.1.2009	**4,880,939**	**12,206,144**	**17,087,083**
As at 31.12.2009	**20,828,209**	**16,620,909**	**37,449,118**

Table of changes in investment property and intangible assets in 2008

(In EUR)	Investment property	Intangible assets	Intangible assets being acquired	Total intangible assets
Cost				
As at 1.1.2008	**20,119,525**	**11,184,612**	**940,689**	**12,125,301**
Additions	2,621,937	638,484	4,401,067	5,039,551
Transfer to use			-50,093	-50,093
Disposals	-197,185			
Transfer to investment property	885,273			
As at 31.12.2008	**23,429,550**	**11,823,096**	**5,291,663**	**17,114,759**
Accumulated depreciation				
As at 1.1.2008	**5,864,711**	**11,047,761**		**11,047,761**
Additions				
Depreciation charge for the current year	493,847	171,431		171,431
Disposals	-18,038			
Transfer to investment property	1,947			
As at 31.12.2008	**6,342,467**	**11,219,192**		**11,219,192**
Carrying amount				
As at 1.1.2008	**14,254,814**	**136,851**	**940,689**	**1,077,540**
As at 31.12.2008	**17,087,083**	**603,904**	**5,291,663**	**5,895,567**

Note 16 : Long-term investments

(In EUR)	31.12.2009	31.12.2008
Long-term investments	**89,988,457**	**134,611,141**
Long-term investments except loans	**87,234,960**	**129,477,892**
Interest in group companies – at cost	11,446,578	7,381,470
Impairment of interests in group companies	-727,623	-43,782
Interests in associates – at cost	58,185,749	58,976,919
Impairment of interests in associates	-29,494,505	-18,795
Other shares and interests	67,467,129	63,182,080
a. Other shares and interests – available for sale	34,360,346	34,597,851
b. Other shares and interests at cost	33,106,783	29,239,658
Impairment of shares and interests at cost	-23,032,475	-655,429
c. Other shares and interests – for trading	3,390,107	0
Long-term loans	**2,753,497**	**5,133,249**
Housing loans to employees	473,869	658,793
Impairment	-19,602	-45,778
Loans to others	8,373	8,867
Impairment	0	-144,469
Bonds and deposits	2,290,857	4,655,836

Other shares and interests held for trading are measured at fari value and represent quoted securities and investments in mutual funds.

Long-term investments, excluding loans

Related party transactions as well as shares, interests and profits or losses are disclosed in the consolidated financial statements in chapters 6 and 13 and in Note 12.

As laid down in the accounting manual, the long-term investments were tested for signs of impairment. The impairment losses recognised are described in Note 8.

In accordance with indications of impairment of the investment in Intereuropa, d.d. its value was reassessed and impairment loss of EUR 28,721,653 was recognised on the long-term investment.

The group of investments designated at fair value through statement of comprehensice income was as at the last day of the year 2009 valued at EUR 34,360,346 (In 2008: EUR 34,597,851). Shares which were disposed off during the year were derecognised with derecognition reported in the statement of comprehensive income. During the year market value of available-for-sale investments was increasing slightly and accordingly, as at 31 December 2009, revaluation reserve of EUR 13,805,743 was recognised.

The value of investments in other shares and interests carried at cost was reduced as a result of impairment of a 10 percent interest of the investment in Trade Trans Invest, a.s., whose value amounts to EUR 26,107,045, and impairment loss recognised on investment in Trade Trans Terminal, Rumania. Total impairment loss of both investments amounted to EUR 22,377,046.

In 2009, the measurement effect (revaluation surplus) of EUR 2,075,788 (in 2008: EUR 1,481,843.76) of investments carried at fair value through statement of comprehensive income was removed from the Company's equity and transferred into the statement of comprehensive income.

Long-term loans

As at 31 December 2009, long-term loans totalled EUR 2,753,497 (In 2008: EUR 5,133,249). Of that, 16.5 percent represents housing loans approved to employees, while 83.5 percent accounts for investments in bank deposits, certificates of deposits and bonds issued by commercial banks. Housing loans were initially granted to employees on the basis of the Housing Act of 1991, and later on the basis of the internal housing rules. The longest repayment term is 20 years. All housing loans are secured using an instrument of collateral specified in the internal rules.

Among investments in securities with a fixed rate of return, the largest share represent investments in bonds issued by Slovene commercial banks with maturities through 2020. As at 31 December 2009, the amortised cost of these investments of EUR 2.3 million (in 2008: EUR 4.7 million) is a result of a portion of the principal maturing with redeemed coupons and transfer of an investment in a certificate of deposit of a Slovene bank to short-term loans as the loan matures in 2010. The interest rate spread for investments classified as loans ranges between the nominal amount of 2.4 percent and 6.0 percent.

Note 17: Long-term operating receivables

(In EUR)	31.12.2009	31.12.2008
Long-term operating receivables	**220,307**	**217,865**
Long-term operating receivables due from others	220,307	217,865

Note 18: Deferred tax assets

(In EUR)	31.12.2009	31.12.2008
Deferred tax assets	**9,291,000**	**2,530,550**

Deferred tax assets are reported as temporary differences arising on account of provisions of EUR 199,031 (In 2008:EUR 209,039), impairment of long-term investments of EUR 6,487,075 (In 2008: EUR 2,321,511) and unutilised tax losses of EUR 2,604,894 (in 2008: EUR 0).

Note 19: Assets held for sale

(In EUR)	31.12.2009	31.12.2008
Assets (disposal groups) held for sale	**1,382,987**	**126,483**

This group includes a building, an investment in progress, which is to be sold in the next 12 months. The facility's value was reassessed with the difference up to the carrying amount recognised as a revaluation expenses of EUR 573,620. More detailed presentation is included in Note 5.

Note 20: Short-term investments

(In EUR)	31.12.2009	31.12.2008
Short-term investments	**2,564,111**	**9,305,990**
Short-term loans to Group companies	289,922	133,888
Short-term loans to associates	0	4,191,285
Deposits with banks	1,742,614	2,077,136
Short-term loans to others	1,235,084	3,467,031
Impairment of short-term loans	-703,509	-563,350

Short-term loans to the Group include a loan to the subsidiary Adria Terminali, d.o.o., which was approved at a tax deductible rate of interest applicable to related parties.

The decrease in the amount of loans to associates results from the conversion of loans approved to two associated companies into an equity stake.

Among short-term loans to others the major share represent two loans which have been submitted for recovery through court. In the previous years, both loans were impaired by the total amount outstanding. The bonds which mature in 2009 were also transferred to this group of investments.

Total interest income from long-term and short-term investments (using the effective interest rate method) decreased in 2009 due to a reduced amount of loans approved and deposits, amounting to EUR 434,995.54 (in 2008: EUR 1,098,847.12).

Note 21: Short-term operating receivables

(In EUR)	31.12.2009	31.12.2008
Short-term operating receivables	**19,929,684**	**24,907,137**
Short-term domestic trade receivables	5,042,718	4,300,983
Bad debt allowance	-70,484	-358,430
Short-term operating receivables from Group companies	812,089	102,350
Short-term operating receivables from associates	305,085	842,641
Short-term foreign trade receivables	3,381,440	5,569,120
Bad debt allowance	-3,276	-20,793
Advances	15,783	0
Short-term operating receivables from exports	3,599,329	4,803,615
Short-term operating receivables from associates	1,352,698	587,583
Bad debt allowance	-30,741	-37,901
Short-term interest receivable	149,656	139,708
Bad debt allowance	-18,566	-10,370
Input VAT receivables	641,270	562,630
Other short-term receivables	524,993	1,568,665
Income tax receivables	0	2,095,477
Receivables from taxes and excise duties	4,227,690	4,761,859

With most trade receivables, Luka Koper, d.d. has an option to enforce a legal lien over the stored goods in its possession, in accordance with Article 167 of the Law of Property Code.

Receivables from taxes include VAT receivables of EUR 4,202,865 (In 2008: EUR 4,738,477) relating to a period from October to December 2009, and excise duty calculated for November and December 2009 of EUR 24,825 (In 2008: EUR 23,382).

As at 31 December 2009, no receivables are due from members of the Management Board and the Supervisory Board.

(In EUR)

Maturity	31.12.2009	31.12.2008
Outstanding trade receivables not past due, not impaired	**12,001,857**	**12,607,500**
Up to 30 days	1,360,198	2,023,105
31 to 60 days	527,376	433,641
61 to 90 days	171,076	402,346
91 to180 days	166,073	421,007
181 to 365 days	229,693	61,052
More than 365 days	134,517	438,015
Total outstanding and not impaired	**2,465,865**	**3,351,671**
Outstanding and partly impaired	**123,068**	**427,495**
Total trade receivables	**14,590,790**	**16,386,666**

NB: the amount also includes interest receivable, but not foreign exchange rate differences or advances. Total revenue from interest charged on the receivables paid in arrears stood at EUR 166,474 in 2009 (EUR 141,893 in 2008).

Changes in bad debt allowance (in EUR)	2009	2008
Bad debt allowance at 1 January 2009	427,495	333,286
-write-downs during the year	288,477	3,074
-payments during the year	38,392	17,435
+additional increase in bad debt allowance	22,442	114,718
Closing balance at 31 December 2009	**123,068**	**427,495**

In 2009, bankruptcy procedure with no allocation of the estate funds to creditors was finalised for a customer in respect of whom the Company had made bad debt allowances in the period from 2003 through 2006. On the basis of the completed bankruptcy procedures, in 2009 a final write-off of receivables was carried out.

Operating lease receivables

Receivables from operating lease of EUR 650,500 are based on operating lease agreements which mature in contractually agreed notice periods.

Note 22: Cash

(In EUR)	31.12.2009	31.12.2008
Cash	**488,580**	**7,546,089**
Cash in bank accounts	386,463	237,776
Short-term deposits	102,117	7,308,313

Cash, which amounted to EUR 488,580 as at 31 December 2009, represents deposit money and short-term bank deposits with the maturity of up to 3 months. The Company has not agreed any automatic overdraft facilities on its current accounts with banks. For daily cash surpluses on transaction accounts the Company has agreed framework contracts with a commercial bank and a contract for transfer of any surplus cash, thus ensuring optimum liquidity.

Note 23: Deferred costs and accrued revenue

(In EUR)	31.12.2009	31.12.2008
Short-term deferred costs and accrued revenue	**689,138**	**2,644,017**
Short-term deferred costs	141,395	2,552,699
Insurance premiums	54,358	91,318
Transitionally accrued revenue	493,385	0

As at 31 December 2009, short-term accrued and deferred items included short-term deferred costs, insurance premiums relating to the next period and transitionally deferred revenue which was invoiced in 2010 although they refer to services rendered in 2009.

Note 24: Equity and reserves

(In EUR)	31.12.2009	31.12.2008
Equity	**238,337,787**	**291,777,487**
Called-up capital	**58,420,965**	**58,420,965**
Share capital – ordinary shares	58,420,965	58,420,965
Capital surplus	**89,562,703**	**89,562,703**
Revenue reserves	**79,309,524**	**119,098,671**
Legal reserves	18,765,115	18,765,115
Other revenue reserves	60,544,409	100,333,556
Retained earnings	**0**	**12,534,194**
Unappropriated profit for the year	**0**	**6,867,662**
Revaluation surplus	**11,044,595**	**5,293,292**
Adjustment to deferred tax surpluses	-2,761,149	-1,323,323
Surplus from the revaluation of investments	13,805,744	6,616,615

Share capital

The share capital of Luka Koper, d.d., consists of 14,000,000 ordinary no-par value shares that are freely transferable. More information is included in chapter Shareholders' Value.

Reserves

The Company has allocated 10 percent of legal reserve. Capital surplus and legal reserves are not distributable. Capital surplus is carried at amounts resulting from the reversal of the general capital revaluation adjustment. No statutory reserves have been set aside as they are not envisaged in the Articles of Association.

Revaluation surplus

Due to a slight increase in the SBI index equity revaluation surplus from valuation of investments at fair value increased by EUR 9,264,916 in 2009 from EUR 6,616,615 reported at the end of 2008. Some of the investments in the Group were disposed off in 2009 resulting in a decrease of revaluation surplus by EUR 2,075,788. Therefore, as at the last day of 2009, revaluation surplus amounted to EUR 13,805,743.

Retained earnings

Appropriation of retained earnings for the year 2008 and determination of retained earnings for the year 2009 are described in section 12 Statement of retained earnings /accumulated loss.

Due to difficult conditions in global economy, completion of investments made in the past and losses incurred in 2009, the Management Board will not propose any dividend payment.

Note 25: Provisions

(In EUR)	31.12.2009	31.12.2008
Provisions	**6,032,940**	**3,286,229**
Provisions for termination and jubilee benefits	1,163,842	1,163,842
Provisions for damages	2,392,745	2,083,624
Provisions for ordinary maintenance	2,466,304	0
Long-term accrued costs and deferred revenue	10,049	38,763

Provisions for termination benefits upon retirement and jubilee benefits were formed in the amount of present value of expected future expenditure. Provisions were reduced by the amount of jubilee benefits and termination benefits paid during the year, and increased by the new provisions made on the basis of the most recent actuarial calculation.

Provisions for damages of total EUR 2,392,745 (In 2008: EUR 2,083,624) were made based on estimated amount of potential damages provided by internal legal services or other external attorneys at law considering the existing lawsuits and claims and potential new lawsuits and claims.

In 2009, the Company made new provisions of EUR 2,466,304 for ordinary maintenance of the port infrastructure. In accordance with the Concession agreement, Luka Koper d.d. has obtained the right and obligation to collect port dues which represent income intended to cover costs of the provision of commercial public services. Any surplus of revenue over costs is retained as a provision for costs of ordinary maintenance of port infrastructure in future years.

Overview of changes in provisions

(In EUR)

Provisions	Provisions for damages and compensation	Provisions for termination benefits on retirement	Provisions for jubilee benefits	Provisions for ordinary maintenance	Long-term accrued costs and deferred revenue	Total
Opening balance at 1 January 2009	**2,083,624**	**868,239**	**295,603**	**0**	**38,763**	**3,286,229**
Created in 2009	1,654,530	100,066	11,055	2,466,304	6,210	4,238,165
Reversed in 2008	-1,345,410	-100,066	-11,055	0	-34,924	-1,491,455
Closing balance at 31 December 2009	**2,392,744**	**868,239**	**295,603**	**2,466,304**	**10,049**	**6,032,939**

Note 26: Long-term liabilities

(In EUR)	31.12.2009	31.12.2008
Financial and operating liabilities	**47,874,671**	**105,237,194**
Long-term financial liabilities	**45,032,490**	**103,836,807**
Long-term borrowings from domestic banks	112,190,592	53,933,199
Long-term borrowings from foreign banks	37,920,898	49,903,608
Transfer to short-term iabilities due to not meeting loan covenants	-105,079,000	0
Long-term operating liabilities	**2,842,181**	**1,400,387**
Deferred tax liabilities	2,761,149	1,323,323
Long-term advances and collateral received	81,032	77,064

Long-term financial liabilities

Long-term financial liabilities increased by EUR 46,274,683 in 2009. In a slightly improved conditions on the banking market, the Company was able to secure borrowings from local banks to fund its investment projects. All long-term borrowings are repaid according to a predetermined schedule. For some of the borrowings the Company was granted moratorium on the payment of the principal. All liabilities for long-term bank borrowings are insured with blank bills of exchange and the usual financial commitments. Scheduled payments of long-term borrowings from banks are presented in the table below, showing the balance of principals agreed in loan contracts although some of them were only partly withdrawn as at 31 December 2009. On the last day of the year EUR 36,356,000 of borrowings was transferred to short-term liabilities. Should the variable rate of interest remain unchanged over the period, interest costs on long-term financial liabilities disclosed in the table would total EUR 16,194,078.

(In EUR)

Principal balance of long-term borrowings as at 31 December 2009 and their maturity per year	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Period 2015 - 2019
200,235,000	36,356,000	62,324,000	22,574,000	39,159,000	8,222,000	31,600,000
Interest	5,814,767	3,658,897	2,349,575	1,546,609	840,650	1,983,581

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

Until the end of March 2010 the Company has met its financial obligation in accordance with the amortisation plan.

Due to the fact that in 2009, the Company could not comply with certain loan covenants, primarily due to investment impairment, the total amount of financial liabilities from these contracts of EUR 105,079,000 was, in accordance with the provisions of IAS 1.65, transferred from long-term to short-term financial liabilities. Commercial banks could, based on the contractual terms, demand repayment of these loans however, as a result of regular repayments of all the Company's financial liabilities and its stable operations, the Company does not expect the banks to take such measures. Should commercial banks decide to demand repayment of loans, this would affect the amount of long-term liabilities repayable in 2010 as is presentred in the table below.

Principle amount of long-term borrowings as at 31.12.2009 and their maturity should the banks withdraw from the contracts	Year 2010	Year 2011	Year 2012	Year 2013	Year 2014	Period 2015 - 2019
200,235,000	154,985,000	10,000,000	5,250,000	4,000,000	4,000,000	22,000,000

Long-term operating liabilities

Long-term operating liabilities include long-term collateral received for leased business premises. On termination of the lease, collateral is returned to the tenant providing he has settled all his liabilities to the Company. Otherwise, collateral is used to settle due and outstanding liabilities of tenants. Deferred tax liabilities which arose in the past from valuation of investments at fair value and which were reported as a special component of equity are not reported in 2009 as their amount is lower than the amount of deferred tax assets.

Note 27: Short-term liabilities

(In EUR)	31.12.2009	31.12.2008
Short-term financial liabilities	**199,625,466**	**105,196,557**
Short-term financial liabilities to banks	83,331,000	94,154,988
Short-term financial liabilities to Group companies	10,119,365	9,760,759
Reclassified long-term financial liabilities due to some unfulfilled loan convenants	105,079,000	0
Short-term financial liabilities to associates	983,019	1,116,242
Short-term financial liabilities to others	113,082	164,568
Short-term operating liabilities	**28,479,184**	**27,976,659**
Short-term operating liabilities from advances	24,395	28,118
Short-term supplier payables	23,345,234	19,862,757
Short-term operating liabilities to Group companies	879,829	1,062,384
Short-term operating liabilities to associates	51,464	43,470
Short-term operating liabilities to others	4,178,262	6,979,930

Short-term financial liabilities for borrowings from banks amounted to EUR 83,331,000 (in 2008: EUR 94,154,988)as at 31 December 2009. Long-term financial liabilities of EUR 36,356,000 (In 2008: EUR 56.320.000) which mature within 12 months were transferred to short-term financial liabilities. In accordance with its business plan, Luka Koper, d.d. intends to extend its short-term liabilities to banks into long-term liabilities. All short-term financial liabilities are secured with blank bills of exchange.
Due to the fact that in 2009, the Company could not comply with certain loan covenants, EUR 105,079,000 of long-term financial liabilities were reclassidfied to short-term financial liabilities.

Long-term and short-term financial liabilities primarily consist of liabilities with variable rate of interest which account for 87.7 percent of total financial liabilities. Variable interest rates restated to a single nominal annual rate of interest on the last day of the financial year 2009 ranged from 1.92 percent to 6.2 percent. Total amount of interest expense in 2009, using the effective rate of interest reached EUR 8,494,883 (in 2008: EUR 6,990,726).

As at 31 December 2009, none of liabilities to suppliers that have matured are outstanding.

Commitments

Luka Koper d.d. has not agreed any contracts for irrevocable operating leases. The Company reports EUR 492,184 of operating lease liabilities which mature within contractually agreed terms. The only exception to this is the contract for the lease of land which was entered into in 2007 and which cannot be terminated before a 5 year period expires and subsequently, a portion of this liability is reported as payable within a period of 1 year and 5 years in the amount of EUR 938,968.
Rental costs incurred in 2009 are described in Note 3.

Contingencies

As at the balance sheet date, there are 25 major lawsuits pending with total amount claimed of EUR 2,489,782. In 2008 there were 20 major lawsuits brought against the Company with total damages claimed of EUR 2,197,513. Based on legal opinion, the Management Board estimate the amount of contingencies to reach EUR 2.4 million.

Accrued costs and deferred revenue

(In EUR)	31.12.2009	31.12.2008
Accrued costs and deferred revenue	**1,183,967**	**1,235,441**
Accrued costs or expenses	1,183,967	1,097,427
Short-term deferred revenue	0	138,014

A significant item represents accrued cost of interest on borrowings and commercial discounts.

Note 28: Related party transactions

No receivables or liabilities are due from members of the Management Board or the Supervisory Board.

Transactions with the government of the Republic of Slovenia

No significant transactions were undertaken with the government outside the framework of the Concession Agreement. All transactions relating to the Concession Agreement are disclosed in the appendix to the annual report.

Transactions with the Group companies:

Key financial data - associates

(In EUR)	Intereuropa Group		Avtoservis, d.o.o.		Golf Istra, d.o.o.	
	2009	2008	2009	2008	2009	2008
Revenue	193,938,000	275,024,000	5,387,813	4,843,454	0	5,719
Assets	489,270,000	446,246,000	3,664,830	3,232,126	812,044	930,580
Liabilities	300,467,000	282,318,000	806,585	671,951	75,889	105,343
Profit or loss	-54,193,000	3,259,000	971,331	573,261	-141,680	-130,693

(In EUR)	TOC, d.o.o.		Railport Arad s.r.l.	
	2009	2008	2009	2008
Revenue	183,214	145,657	640,855	342,281
Assets	708,672	477,016	10,011,801	8,679,007
Liabilities	62,704	29,037	1,922,155	5,145,308
Profit or loss	-212,516	-139,824	80,979	77,591

Key financial data – jointly controlled enterprises

(In EUR)	Adriafin, d.o.o.		Adria-Tow, d.o.o.		Adria Transport, d.o.o.	
	2009	2008	2009	2008	2009	2008
Revenue	103,115	287,327	4,012,936	5,560,143	3,798,210	1,806,668
Assets	12,105,699	13,290,667	8,592,983	8,676,486	13,866,070	14,263,461
Liabilities	255,056	175,313	1,240,714	1,812,956	12,798,815	13,342,859
Profit or loss	14,972	77,232	751,103	1,083,853	146,152	22,140

Transactions between the parent and its subsidiaries

(In EUR)	2009	2008
Receivables from the Group	**2,759,795**	**6,051,445**
Luka Koper Pristan, d.o.o.	115	5,542
Luka Koper INPO, d.o.o.	69,894	67,067
Adria Terminali, d.o.o.	433,123	1,860
Adria Investicije, d.o.o.	144	144
Luka Koper Beograd, d.o.o.	0	0
TOC, d.o.o.	1,632	7,272
Ecoporto Koper, d.o.o.	0	1,399,744
Adriasole, d.o.o.	597,528	2,791,541
Intereuropa, d.d.	1,530,917	1,706,473
Autoservis, d.o.o.	34,835	12,815
Adriafin, d.o.o.	0	1,344
Adria Transport, d.o.o.	74,586	37,212
Adria-Tow, d.o.o.	17,021	20,431
Payables to the Group	**12,033,666**	**11,969,834**
Luka Koper Pristan, d.o.o.	771,326	511,871
Luka Koper INPO, d.o.o.	10,224,417	10,141,281
Adria Terminali, d.o.o.	31	360
Adria Investicije, d.o.o.	3,409	1,705
Luka Koper Beograd, d.o.o.	0	0
TOC, d.o.o.	0	167,926
Ecoporto Koper, d.o.o.	0	0
Adriasole, d.o.o.	0	0
Intereuropa, d.d.	44,650	26,752
Autoservis, d.o.o.	5,729	19,683
Adriafin, d.o.o.	401,085	703,256
Adria Transport, d.o.o.	583,019	397,000
Adria-Tow, d.o.o.	0	0
Sales to the Group	**11,096,850**	**17,134,036**
Luka Koper Pristan, d.o.o.	98,453	97,719
Luka Koper INPO, d.o.o.	291,809	304,842
Adria Terminali, d.o.o.	418,840	439,472
Adria Investicije, d.o.o.	1,440	960
Luka Koper Beograd, d.o.o.	0	0
TOC, d.o.o.	13,600	21,020
Ecoporto Koper, d.o.o.	0	29,744
Adriasole, d.o.o.	0	52,541
Intereuropa, d.d.	9,292,809	15,648,333
Autoservis, d.o.o.	362,669	259,976
Adriafin, d.o.o.	13,440	13,440
Adria Transport, d.o.o.	299,210	61,461
Adria-Tow, d.o.o.	304,580	204,528
Purchase of goods and services	**3,170,884**	**3,848,205**
Luka Koper Pristan, d.o.o.	67,316	131,929

Luka Koper INPO, d.o.o.	2,770,802	3,209,934
Adria Terminali, d.o.o.	2,772	16,703
Adria Investicije, d.o.o.	37,349	15,463
Luka Kopar Beograd, d.o.o.	0	0
TOC, d.o.o.	10,396	4,926
Ecoporto Koper, d.o.o.	0	0
Adriasole, d.o.o.	0	0
Intereuropa, d.d.	247,859	422,795
Autoservis, d.o.o.	4,295	7,658
Adriafin, d.o.o.	20,673	7,982
Adria Transport, d.o.o.	0	19,242
Adria-Tow, d.o.o.	9,422	11,573

Note 29: Risk management

The most significant financial risks of Luka Koper, d.d., include:
1. The risk of changes in fair value
2. The risk of changes in interest rates
3. Liquidity risk
4. The risk of changes in foreign currency rates
5. Credit risk
6. The risk of adequate capital structure

Financial risk management in Luka Koper, d.d., is organised within the finance department. In the current specific economical environment, the forecasting of future financial risks is extremely demanding and introduces into the planned categories a higher degree of variability and consequently, higher level of risk. The Company therefore tightened its control over individual financial categories.

- **The risk of changes in fair value**

Luka Koper, d.d., has invested 7.2 percent of its assets (6.5 percent in the previous year) in investments classified into the first group (financial assets at fair value through profit or loss) and investments in the fourth group (at fair value through the statement of comprehensive income). 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 managed investments, market securities of successful Slovene companies and investments in Slovene mutual funds. Specific risks were managed primarily through the diversification of the portfolio. In 2009 stock market prices recorded a slight increase primarily due to uncertainty regarding economic recovery, and this impacted the value of our portfolio of market securities which rose by 9.1 percent compared to the value recorded at the end of 2008. As at the last day of the year, the value of investments at fair value amounted to EUR 37,750,453.

In given conditions on capital markets it is difficult to forecast any future changes. Nevertheless the Company estimates that the stock market prices have reached their lowest levels and that most likely, in a few years the value of all investments carried at fair value will stabilise at higher levels.

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

Table A: Sensitivity analysis of investments to the changes in fair values

(In EUR)	Balance at the end of the year (in EUR)	Increase in comparable class (in %)	Envisaged increase in value (in EUR)	Decrease in comparable class (in %)	Envisaged decrease in value (in EUR)
Year 2009					
Shares and interests at fair value	37,750,453	9.59	3,618,741	-6.64	-2,505,441
Shares and interests at fair value (10% change)	37,750,453	10.00	3,775,045	-10.00	-3,775,045
Shares and interests at fair value (annualised maximum change over the last five years)	37,750,453	78.13	29,492,564	-67.49	-25,479,542
Year 2008					
Shares and interests at fair value	34,597,851	9.94	3,440,311	-6.45	-2,230,701
Shares and interests at fair value (10% change)	34,597,851	10.00	3,459,785	-10.00	-3,459,785
Shares and interests at fair value (annualised maximum change over the last five years)	34,597,851	78.13	27,029,591	-67.49	-23,351,704

The sensitivity analysis of investments at fair value is made under the assumption that past fair value changes (the SBI or SBI20 is used) will be reflected in future periods. The average variability of the class was assessed for the period of past five years by calculating the average deviation of daily values (both in terms of increases and decreases) from the annual trend of the SBI index. According to the above analysis we can assume that in 2010, the fair value of investment portfolio carried at fair value could decrease by 6.64 percent or increase by 9.59 percent. When considering the highest annual increase in the level of the index in the past five-year period, in 2010 we can expect the risk item to increase by 78.13 percent or decrease by 67.49 percent. If we further simplify our expectations by assuming a 10 percent increase in the value of the index, such growth would result in an increase in the fair value of the market securities portfolio by EUR 3,775,045. 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 were the case, EUR 3,436,035 would be recognised as either an increase or decrease of equity, while EUR 339,011 as a 10 percent increase or decrease in the fair value of the first class of investments, would be recognised as an increase or decrease in the income statement.

The Company's management estimate that fair values of financial assets and liabilities do not significantly deviate from their carrying amounts.

Fair value hierarchy

(In EUR)

FA at fair value	31.12.2009	Level 1	Level 2	Level 3
Avaialble-for-sale financial assets	37,750,453	37,750,453		
Securities and other investments	37,750,453	37,750,453		

(In EUR)

Fair value hierarchy	31.12.2009	31.12.2008
Assets measured at fair value	37,750,453.24	34,597,850.83
Financial assets at fair value through profit or loss	3,390,107.03	0.00
Available-for-sale financial assets	34,360,346.21	34,597,850.83

1 For the purpose of sensitivity analysis of all types of risks, the Company calculated variability of individual class of assets in the past five-year period prior to the year to which the sensitivity analysis refers (i.e. for the year 2010 data for the five-year period 2005 – 2009 was used). The method of variability calculation of individual class of assets considers the following: calculation of the annual trend based on daily data for the selected class for each individual financial year included in the period under review; calculation of linear deviations of daily data from the annual trends; average annual deviation of the class from the annual trend was calculated by adding up all positive deviations on one hand and all the negative deviations on the other and dividing these by total data for individual positive or negative deviation; lastly, we calculated the five-year average based on individual annual averages. The maximum absolute increase or decrease in the stock market index in each individual year of the past five-year period is then eliminated to determine financial impact of such changes in the fair value of investments measured at fair value.

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

With the increased volume of foreign financing sources, the risk of changes in interest rates is increasingly more important as unexpected growth in variable interest rates can jeopardize the planned results.

As a result of continued investments, in 2009 financial liabilities increased by 17.0 percent compared to the previous financial year, reaching EUR 244,657,956 as at the last day of the financial year 2009. The share of financial liabilities in the overall structure of liabilities rose from 39.1 percent in 2008, to 46.5 percent in 2009. In terms of financial liability structure, in the financial year 2009 Luka Koper, d.d. significantly improved its maturity structure of its financial liabilities (up 11.7 percent) in favour of long-term liabilities. Detailed information concerning long-term financial liabilities is provided in Note 27 and in chapters Analysis of operations of the Luka Koper Group and Financial management.

No special collateral was granted for the Company's financial liabilities tied to variable interest rates.

The effect of potential changes in variable interest rates on future results of the Company is presented in table B.

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

Balance of liabilities linked to a variable interest rate	31.12.2009	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
	Amount of liabilities (in EUR)	Amount in EUR	Amount in EUR	Amount in EUR
1M EURIBOR	8,000,000	5,436	18,120	36,240
3M EURIBOR	121,960,000	128,058	426,860	853,720
6M EURIBOR	84,600,000	126,139	420,462	840,924
Total effect	**214,560,000**	**259,633**	**865,442**	**1,730,884**

Balance of liabilities linked to a variable interest rate	31.12.2008	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
	Amount of liabilities (in EUR)	Amount in EUR	Amount in EUR	Amount in EUR
1M EURIBOR	72,924,450	284,734	949,112	1,898,223
3M EURIBOR	60,200,000	261,148	870,492	1,740,984
6M EURIBOR	65,000,000	289,673	965,575	1,931,150
Total effect	**198,124,450**	**835,554**	**2,785,179**	**5,570,357**

The analysis of financial liabilities' sensitivity to changes in variable interest rates is based on assumption of potential growth in interest rates of 15, 50 and 100 percent (no further fall in interest rates is expected due current conditions on the market).

If variable interest rates increase in 2010 by 15 percent, the Company would incur a negative effect on interest expenses of EUR 259,633 (taking into account the level of financial liabilities as at 31 December 2009). If variable interest rates rose by 50 percent or 100 percent, the negative effect of the increase in variable interest rates would result in an increase in interest expense by EUR 865,442 or EUR 1,730,884 respectively.

Regardless of the sensitivity analysis the Management Board of the Company believe that no significant rise in variable interest rates will occur in 2010 and expect to significantly decrease the risk of changes in variable interest rates in 2010 by means of strategic timing of long-term interest risk hedges.

- **Management of liquidity risk**

Luka Koper, d.d., manages liquidity risk by regular planning of cash flows with different maturities. By careful planning of all liabilities the Company ensures consistent compliance with the agreed deadlines. Our preventive measures of regular monitoring and responding to delayed payments of receivables ensure effective management of receivable collection. Additional measures for preventing delays in receivable collection include charging penalty interest in accordance with our uniform policy of receivable management.

In 2010, the Company intends to continue its process of converting short-term financial liabilities to long-term liabilities by raising loans from the SID banka and EIB, which will additionally reduce its exposure to liquidity risk.

Maturity structure of financial liabilities

(In 000 EUR)	Past due	On demand	Up to 3 months	3 - 12 months	1 to 5 years	Over 5 years	Total
Year 2009							
Borrowings			3,295	77,371	132,279	31,600	244,545
Interest			1,883	5,639	15,231	8,832	31,585
Other financial liabilities	113						113
Interst on bonds							
Supplier payables			24,301				24,301
Year 2008							
Borrowingsi			11,200	93,634	80,035	24,000	208,869
Interest			2,537	8,167	45,597	26,406	82,707
Other financial liabilities	165						165
Supplier payables			20,997				20,997

The management estimates that the Company's exposure to liquidity risk is low, and as a result of the effective system of liquidity risk management, the likelihood of an adverse affect is also considered low.

- **Management of currency risk**

The risk of changes in foreign exchange rates arises predominantly from trade receivables denominated in US dollars. The average monthly invoiced sales had decreased further in 2009, and ranged from USD 0.3 million to USD 0.6 million with the average monthly invoiced sales in US dollars of EUR 0.5 million.

As at 31 December 2009, outstanding receivables denominated in US dollars amount to only 2.48 percent (in 2008: 4.76 percent) of total outstanding trade receivables. According to the Company's estimates, the share of receivables denominated in US dollars is insignificant and for this reason it was decided not to continue hedging the risk item by internal hedging methods.

The management estimates that the Company's exposure to currency risk is low, and as a result of the effective system designed to manage currency risk and other conditions, the likelihood of an adverse affect is also considered as low.

- **Management of credit risk**

OIn view of the global recession, the management of counterparty risk, i.e. credit risk has gained in importance. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduced the assessed probability of inflows and additional costs of financing the operation. The accelerated debt contributes to minimising negative effects of wide-spread insolvency.

The specific structure of our customers (the Company predominantly does business with a limited number of major companies i.e. freight forwarders and agents), has a positive effect in terms of credit risk as it considerably reduces exposure to credit risk and the Company has a relatively limited scope of receivables arising from direct business dealings with end-users of services. Another distinctive feature of the Company's business is the use of liens on stored goods, which may be exercised in order to collect debt or receive payment for obligations that are not settled by customers.

Some receivables have been secured with collaterals which are returned to the customers once all obligations have been settled. Investments include loans which are secured with blank bills of exchange and other movable and immovable property. The credit risk management policy as outlined above is reflected in an relatively low share of bad debt which in 2010 reached 0.10 percent. This is a result of a comprehensive approach to the management of trade receivables. The Company has devoted considerably more attention to this area and has adapted its internal procedures to the situation of insufficient liquidity in the wider economic area.

The Company estimate that the credit quality of other receivables that have not matured and or been impaired, is good.

The management estimates that the Company's exposure to credit risk is low, and as a result of the effective system designed to manage credit, the likelihood of an adverse affect is also considered as low.

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

IIdentification of the optimal capital structure and consequently alignment of existing capital structure with it, is of key importance for success of an entity as equity is the most expensive form of financing. In order to align its capital structure with the optimal one, and primarily to be able to finance its own organic growth, the Company had in the past years been increasing the share of financial liabilities in its overall liabilities.

In the last five-year period the share of equity in liabilities decreased from 84.2 percent as at the last day of 2005, to 46.20 percent as of the last day of 2009. This change in the capital structure is the result of increased indebtedness (more details in Note 27), in order to finance its own investment projects.

The Company has identified a risk of excessive indebtedness, especially in the situation of the present global crisis. To combat this the Company will, in line with its long-term policy increase its share of total liabilities to a maximum of 60 percent. In addition the Company has already taken certain measures to reduce the time required for the construction of ongoing investments and thus begin generating operating revenue from new investments sooner.

The management estimates that the Company's exposure to the risk of adequate capital structure is moderate, and as a result of the effective system designed to manage this risk, the likelihood of an adverse affect is also considered as moderate.

Note 30: Off-balance sheet records

Off balance sheet accounts include the items that do not qualify for recognition in the balance sheet.

(In EUR)	31.12.2009	31.12.2008
Total off-balance sheet assets and liabilities	**10,997,403**	**46,412,261**
Liability for a loan guarantee issued to the subsidiary Adria-Tow, d.o.o.	808,500	1,356,952
Joint collateral for a guarantee granted by the subsidiary Adria Terminali, d.o.o.	250,000	250,000
Liabilities for a guarantee issued to the Ministry of Finance	1,260,000	728,647
Liability for outstanding letters of credit to suppliers	0	3,290,000
Centroprom liabilities	0	831,206
Subsidiary collateral	8,678,903	12,044,400

Luka Koper, d.d. guarantees a loan drawn by Adria-Tow, d.o.o. of EUR 808,500 (In 2008: EUR 1,356,952) .

Adria Terminali, d.o.o. received a bank guarantee for customs duty, which is secured with joint collateral issued by Luka Koper, d.d.

In order to secure liabilities relating to customs and excise duty, Luka Koper, d.d. obtained guarantees of total EUR 1,260,000 (In 2008: EUR 728,647) from a Slovene commercial bank. The subsidiary collateral consists of the following:

- EUR 2,800,000 guaranteed by Luka Koper, d.d. for a loan raised by Inženiring Graj for the acquisition of land in the vicinity of Murska Sobota,
- EUR 5,119,903 guaranteed by Luka Koper, d.d. for financial lease of train engines by Adria Transport, d.o.o. EUR 750,000 guaranteed by Luka Koper, d.d. for a loan raised by Railport Arad s.r.l.

In 2008, the subsidiary collateral of EUR 12,044,400 consisted of the following:

- EUR 9,000 guaranteed to Luka Koper INPO, d.o.o. for customs duty;
- EUR 920,400 guaranteed to Luka Koper INPO, d.o.o. for supplier payables;
- EUR 4,500,000 guaranteed to Inženiring Graj for the acquisition of land in the vicinity of Murska Sobota;
- EUR 5,475,000 guaranteed to Adria transport, d.o.o. in respect of finance lease;
- EUR 750,000 guaranteed for a loan raised by Railport Arad s.r.l.; and
- EUR 390,000 for a loan raised by Trans Trade Terminal Arad s.r.l.

9. ADDITIONAL NOTES TO THE CASH FLOW STATEMENT

Cash flow from operating activities are presented under the indirect method. Material increases or decreases in individual items that affected the cash flows of the Company are disclosed in the income statement, balance sheet and the statement of changes in equity.

The cash flow statement shows that the Company generated EUR 33,505,862 in cash flows from operating activities and EUR 62,587,154 in cash flows from investing activities (dividends, disposal of investments and fixed assets), which were used to cover expenses incurred on increased investing activities, primarily investments in fixed assets and long-term investments, of total EUR 130,280,239. The difference was covered by taking out additional long-term loans. Net cash from financing activities reached EUR 27,129,710.

The net cash outflow for the period amounted to EUR 7,057,510.

The Company has compiled its annual cash flow plan as it is faced with uncertainty regarding forecasts. The following was considered in planning cash flows for the 2010 financial year

- The share of credit sales,
- Timing of credit repayment by customers,
- The method of payment of overhead costs,
- Expenses for capital investments, and
- Timing of tax payments.

Based on the above, the Company is drawing up measures to eliminate cash flow imbalances.

10. ADDITIONAL NOTES TO THE STATEMENT OF CHANGES IN EQUITY

Net profit or loss for the year

Equity was decreased by the net loss for the year of EUR 59,191,003.

Other comprehensive income for the period

Revaluation surplus resulting from valuation of investments at fair value, designated as available for sale, decreases the net loss of the financial year by EUR 5,751,302.

Owner transactions recognised in equity

According to a decision of the Management and Supervisory Board, the net loss of the financial year of EUR 59,191,003 is to be settled by the release of other revenue reserves.

In accordance with the resolution of the General Meeting, a portion of the net profit of 2007 amounting to EUR 12,534,194 was allocated to other revenue reserves.

In accordance with the resolution of the General Meeting, net profit of the financial year 2008 of EUR 6,867,662 was allocated to revenue reserves for investment in the port infrastructure.

APPENDIX TO THE ANNUAL REPORT

11. REPORT UNDER THE PROVISIONS OF PARAGRAPHS 7.9.6. AND 9.3. OF THE CONCESSION AGREEMENT FOR THE PROVISION OF PORT ACTIVITIES, MANAGEMENT, DEVELOPMENT AND ORDINARY MAINTENANCE OF THE PORT INFRASTRUCTURE AT KOPER CARGO TERMINAL FOR THE YEARS ENDED 31 DECEMBER 2008 AND 2009.

The implementation of the Regulation on the management of the cargo port of Koper, performance of port activities, granting of concession in September 2008 for the management, administration, development and ordinary maintenance of certain port infrastructure, laid down the basis for final regulation of the relationship between the Republic of Slovenia and Luka Koper d.d. in accordance with the Maritime Code of the Republic of Slovenia.

The Concession agreement is valid for 35 years from the date the contract is concluded.

CONCESSION CHARGES

In accordance with paragraph 10.1 of the Concession Agreement, Luka Koper, d.d. is obliged to pay annual concession charge amounting to 3.5 percent of total annual operating revenue, reduced by the total collected port dues.
The basis for the assessed charge is the audited income statement and special appendix to the annual report according to paragraph 9.3 of the Agreement. Annual concession charge is paid in monthly prepayments calculated on the basis of audited data for the previous calendar year but no later than 30 July.

Overview of calculated and paid concession charges for the year 2009

(In EUR)	Operating revenue of Luka Koper, d.d.	Concession charge calculation 3.5%	Prepayments exclusive of VAT
1.1.2009-31.12.2009	101,527,432	3,553,460	3,976,835
1.10.2008-31.12.2008	28,397,514	994,652	916,999

OVERVIEW OF INVESTMENTS IN THE PORT INFRASTRUCTURE

Pursuant to paragraph 7.4 of the Concession Agreement, a 6-member Commission consisting of representatives of both contractual parties was appointed to perform physical stock count of the port infrastructure. Currently the Commission is entering the final phase of compiling the handover document listing all items of the port infrastructure and description of the functional condition of all the items.

The handover memo will serve as the basis for final adjustment of records of the port infrastructure in the fixed assets ledger of Luka Koper, d.d.

INVESTMENTS IN THE PORT INFRASTRUCTURE

Pursuant to paragraph 7.9.6, in its books of account, Luka Koper maintains separate accounting records of investments in individual items of the port's infrastructure, namely:

Investment maintenance of port infrastructure for public transport

Table below shows investments in renovation of the port's infrastructure for public transport whose depreciation charge is covered by the port dues.

Inventory number	Date first used	Name of fixed assets	COST	Depreciation	Carrying amount
22066	1.3.2009	RO-RO 2 SHORE – RENOVATION - ILLP	76,346,42	-1,908,67	74,437,75
22067	1.12.2009	RO-RO 3 SHORE – RENOVATION - ILLP	160,991,25	-402,48	160,588,77
90022	30.12.2009	RAIL 22 – RECONSTRUCTION OF A SECTION OF THE TRACK - ILLP	51,776,50	0	51,776,50
90211	13.11.2009	RAIL GROUP 4 (RAILS 40, 41, 42, 43, 47, 48, 49) – RENOVATION - ILLP	813,100,00	0	813,100,00
		TOTAL - ILLP	**1,102,214,17**	**-2,311,15**	**1,099,903,02**

The cost of investment maintenance of port infrastructure for public transport is transferred to costs in the amount of annual depreciation and carried separately in the fixed asset ledger under the designation ILLP.

Investments in the development of port infrastructure for public transport

Investments in the development of the port infrastructure relate to increase in the capacity of existing facilities and construction or manufacture of new items of the port infrastructure.

These investments are carried out on behalf and for the account of the Company. In 2009, EUR 6,077,447 was invested for this purpose as shown in the attached tables.

Table of investments in 2009 in leased assets - shores

FA	Date first used	Name of fixed assets	(In EUR)
10005	26.10.2009	DISPOSAL FACILITY ON PIER II	213,647
10006	1.12.2009	BERTH FOR ALCOHOLS AND OIL PRODUCTS – DEEPENING OF SEA BED	444,783
22127	15.1.2009	BERTH FOR JET	1,000
22127	1.3.2009	BERTH FOR JET	99,505
22129	1.7.2009	BERTH 7C	1,247,341
22130	12.11.2009	MOORING IN BASIN III	29,824
I646110	22.12.2006	BERTH 12 – PREPARATORY WORK	136,892
I6461101	17.5.2007	BERTH 12 - PREPARATORY WORK	13,451
I648108	20.11.2008	BASIN I – STUDY OF POSSIBILITIES FOR DEEPENING	25,100
I648021	8.6.2009	BERTHS 7A AND 7B - STUDY OF POSSIBILITIES FOR DEEPENING	67,000
I649105	22.5.2009	BERTH FOR ALCOHOLS AND OIL PRODUCTS – DEEPENING OF SEA BED	437,357
		TOTAL	**2,715,900**

Table of other investments in the port infrastructure in 2009

FA	Date first used	Name of fixed assets	(In EUR)
I6451371	1.6.2006	NEW ENTRANCE TO THE PORT	88,413
I648145	30.3.2009	ROAD CONNECTION TO THE NEW ENTRANCE TO THE PORT	1,582,868
I647026	5.12.2007	BRIDGE OVER THE RIŽANA RIVER FOR RAIL 61 – PROJECT DOCUMENTATION	36,682
I648111	13.11.2008	RAIL GROUP 4 – RAILS 51, EXTENSION TO RAILS 40,41,42,43,47,48,49	1,208,384
I649101	8.10.2009	RAIL 28c – RAIL RECONSTRUCTION AND CONSTRUCTION OF DECANTATION PLATFORM FOR ALCOHOL AND OIL PRODUCTS	445,200
		TOTAL	**3,361,547**

ROUTINE MAINTENANCE OF THE PORT STRUCTURE FOR PUBLIC TRANSPORT AND ORDINARY MAINTENANCE OF PORT AQUATORIUM

Table below shows costs of routine maintenance of the port structure for public transport, which are covered by the port duties.

Maintenance work	Costs in EUR
R1 – Shores, dike and equipment	89,563
R2 – Road infrastructure	148,015
R3 – Rail infrastructure	404,591
R4 – The port border surveillance	51,168
R5 – Removal of sea sediments EET	8,938
R6 – Removal of sea sediments at TTT	256,155
Total	**958,430**

Pursuant to the provisions of paragraphs 8.2.1. and 8.2.3 of the Concession Agreement, the Company obtained consent of the granting authority who also issued a written confirmation reference no. 3731-2/2008/90-0005306 concerning the method of recording and monitoring ordinary maintenance costs on the Company's books of account.

PERFORMANCE OF PUBLIC COMMERCIAL SERVICES

In accordance with paragraph 8 of the Concession Agreement, Luka Koper, d.d. is obliged to perform routine and investment maintenance of the port structure as well as perform ordinary maintenance of the aquatorium, for which it is entitled to receive payment out of port dues charged. Port dues must be published in the Official Gazette of the Republic of Slovenia once the approval of the competent ministry has been obtained. Port dues are considered earmarked income of the concessionaire to cover the costs of the performance of public commercial services (paragraph 9.2).

Pursuant to the Maritime Code, port infrastructure cannot be included in the bankruptcy estate.

INCOME STATEMENT RELATING TO THE PERFORMANCE OF PUBLIC COMMERCIAL SERVICES

(in EUR)	Notes	2009	2008
Revenue from port dues in the local market		3,672,055	4,139,291
Revenue from port dues in foreign markets		1,640,071	2,469,448
Other revenue		18,072	2,744
TOTAL REVENUE		**5,330,198**	**6,611,484**
OPERATING COSTS -direct		**1,620,934**	**7,704,124**
Costs of material		39,403	206,573
Costs of services		1,036,533	3,435,678
Depreciation and amortization charge		18,213	2,545,320
Labour costs		107,317	322,608
Other costs		419,468	1,193,945
Operating costs – indirect (criteria)	**1**	**1,242,960**	
Operating profit/loss		**2,466,304**	**-1,092,640**
Provisions for ordinary maintenance	**2**	**2,466,304**	

* Operating costs for the year 2008 are not comparable with the year 2009 data as they were calculated on different legal basis.

Note 1 - Criteria

In accordance with the provisions of Article 10 of the Act Amending the Transparency of Financial Relations and Maintaining Separate Accounts for Different Activities Act, in 2009 the Company had to provide to the granting authority criteria for the allocation of revenue and expenses for the performance of public commercial services, which must be verified by the auditors. Objective entitlement of these criteria was verified by the auditing firm Ernst & Young who have issued a Report which was submitted to the Republic of Slovenia Ministry of Transport for their approval. Subject to obtaining an opinion of another auditing firm, the Company expect the Ministry to give its approval to the proposed criteria.

Note 2 – Provisions

As shown in the above statement of direct and indirect operating costs of organisational units that ensure the performance of the public commercial service, in 2009 the public commercial services generated operating profit of EUR 2,466,304 EUR. Therefore, the Company had not utilised total amount of revenue earmarked for the performance of the public commercial services. Pursuant to the provisions of paragraph 9.3 of the Concession Agreement, the surplus of revenue from port dues over the costs was retained to cover the costs of ordinary maintenance in the future years.

12. STATEMENT OF DISTRIBUTABLE PROFIT / ACCUMULATED LOSS

Distributable profit/accumulated loss in 2009

In 2009 Luka Koper, d.d. incurred a net loss of EUR 59,191,002.63. According to the decision of the General Meeting and the Supervisory Board, upon compiling the financial statements, the net loss was settled through the release of other revenue reserves which were formed in previous periods.

(In EUR)	2009	2008
Total distributable profit/loss	**0,00**	**19,401,856,28**
Release of other revenue reserves	59,191,002.63	0,00
Net profit/loss for the year	-59,191,002.63	6,867,662,16
Retained earnings	0,00	12,534,194,12

Due to difficult conditions in the global economy, ongoing investments and the loss incurred in 2009, The Management Board will not propose payment of dividends.

Distributable profit in 2008

On 13 July 2009, the General Meeting decided on allocation of the 2008 distributable profit of EUR 19,401,856.28, on the proposal of the Management and the Supervisory Board.

According to the resolutions of the General Meeting, the distributable profit was allocated as follows:
- A portion of the 2007 retained earnings of EUR 12,534,194.17 was allocated to other revenue reserves.
- The remaining distributable profit of EUR 6,867,662.16, representing the net profit generated in 2008, was allocated to other revenue reserves to be used for investments in the port infrastructure.

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Luka Koper d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Luka Koper d.d., which comprise the balance sheet as at December 31, 2009, and the income statement, statement of other comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

The financial statements for the year ended December 31, 2008 were audited by another auditor, who issued an unqualified opinion on March 31, 2009.

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

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

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

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

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position Luka Koper d.d., as of December 31, 2009, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, 14th April 2010

Janez Uranič
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Lidija Šinkovec
Certified Auditor

STATEMENT OF THE RESPONSIBILITY OF THE MANAGEMET BOARD

Members of the Management Board and the Supervisory Board of Luka Koper, d. d., confirm that the annual report of the Luka Koper Group and Luka Koper, d. d., and its integral parts, inclusive of the corporate governance statement, have been compiled and published in accordance with the Companies Act and International Financial Reporting Standards.

The Management Board is responsible for the preparation of the annual report including the financial statements and notes thereto that give a true and fair presentation of the financial position of the Luka Koper Group and Luka Koper, d. d., and of their financial performance for the year ended 31 December 2009.

The Management Board confirms that the financial statements of the Group and the Company have been compiled under the assumption of a going concern, that appropriate accounting policies were consistently applied, and that any changes in these have been disclosed.

The Management Board is also responsible for the adoption of measures to secure the assets of the Luka Koper Group and Luka Koper, d. d., and to prevent and detect fraud and other irregularities and/or illegal acts.

Members of the Management Board:

Gregor Veselko, Dsc.,
Chairman of the Management Board

Tomaž Martin Jamnik,
Deputy Chairman of the Management Board

Marko Rems,
Member of the Management Board

Koper, 13 April 2010

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Text: Luka Koper, d.d., Studio Kernel
Production: Studio Kernel
Design: B. Pavletič, Studio Kernel
Photos: Jaka Jeraša, Dragan Zlatanovič, arhiv Luke Koper, d.d.
Prepress: Camera
Year: 2010

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Annual Report for the year 2009
is available on www.luka-kp.si.