NON-AUDITED INTERIM REPORT
OF

LUKA KOPER D.D.
AND
THE LUKA KOPER GROUP

JANUARY – SEPTEMBER 2008

Koper, Slovenia, November 2008

Contents

PERFORMANCE HIGHLIGHTS

Operating revenues of the parent company, *Luka Koper d.d.*, account for 90% of all revenues earned by the *Luka Koper Group*. Due to the fact that the performance of the parent company substantially affects that of the *Luka Koper Group* as a whole, the analyses of *Group* performance simultaneously provides insight into the operation of the parent company.

Table 1: Key performance indicators of the Luka Koper Group

(in thousands of euro)	January - September 2008	January - September 2007	Indices
Operating revenues	103,375	89,325	116
EBIT	20,564	19,165	107
EBITDA	34,552	32,639	106
Net profit	18,178	26,356	69
(in thousands of euro)	**30th September 2008**	**31st December 2007**	**Indices**
Balance Sheet Total	522,704	461,159	113
Long-term assets	455,131	421,422	108
Short-term assets	65,628	39,538	166
Equity	319,490	340,664	94
Long-term liabilities	100,164	17,927	559
Short-term liabilities	91,374	90,488	101
Indicators	**January - September 2008**	**January - September 2007**	**Indices**
Net return on equity (ROE)[1]	7.34%	11.19%	66
Net return on assets (ROA)[2]	4.93%	8.82%	56
Return on sales (ROS)	19.89%	21.45%	93
Value-added per employees (in €)	55,660	51,700	108
Net profit per employee (in €)	16,556	24,771	67
Operating efficiency	1.25	1.27	98
Total efficiency ratio	1.25	1.43	87

[1] Net profit calculated per year / average balance of equity over the period
[2] Net profit calculated per year / net balance of assets over the period

Figure 1: Vehicle throughput - January to September 2006, 2007 and 2008 (in units)

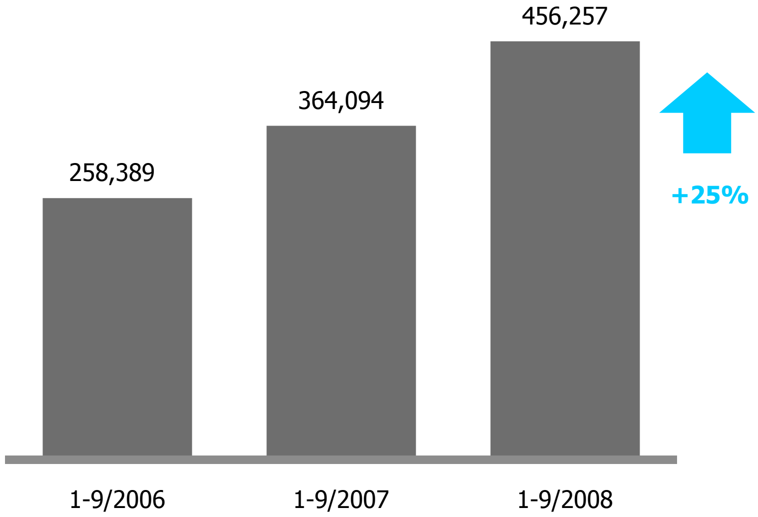
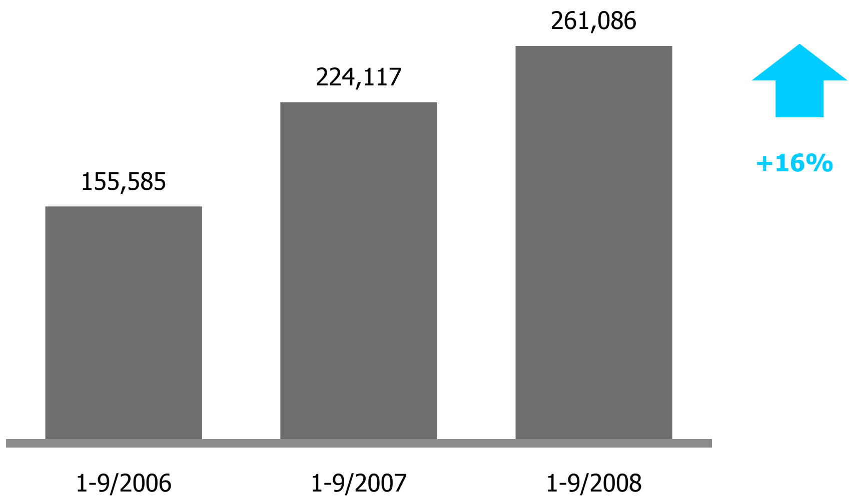


Figure 2: Container throughput - January to September 2006, 2007 and 2008 (in TEU)



GENERAL INFORMATION

INTRODUCTORY NOTE

Compliant with the provisions of Slovenia's *Market in Financial Instruments Act* and the *Ljubljana Stock Exchange Rules*, the port and logistics system operator *Luka Koper d.d.* , which has its registered office at Vojkovo Nabrežje 38, Koper, Slovenia, discloses this Non-Audited Interim Report of the public limited company *Luka Koper d.d.* and the *Luka Koper Group* of companies for the first three-quarters of the fiscal year, namely January to September 2008.

The Non-Audited Interim Report of *Luka Koper d.d.* and *Luka Koper Group* for January to September 2008, can be examined at the company's registered headquarters at Vojkovo Nabrežje 38, 6501 Koper, Slovenia, and is also accessible via the company's website www.luka-kp.si from 27th November 2008 onwards.

Luka Koper promptly publishes any pertinent changes to information contained in the prospectus for stock exchange listing on *SEOnet*, the electronic information dissemination system of the Ljubljana Stock Exchange.

PRESENTATION OF THE LUKA KOPER GROUP

The parent company of the *Luka Koper Group* is *Luka Koper d.d.*, a port and logistics system operator based in the Port of Koper, Slovenia.

Parent company's ID as of 30th September 2008:

Title	*Luka Koper d.d.,* a public limited liability port and logistics system operator
Short title	*Luka Koper d.d.*
Registered office	Vojkovo nabrežje 38, Koper, Slovenia Telephone: 05 66 56 100 Fax: 05 63 95 020 E-mail: portkoper@luka-kp.si Website: www.luka-kp.si
Company number	Application No. 066/10032200, registered at the Koper District Court, Slovenia
Registration number	5144353
Tax number	SI 89190033
Issued share capital	58,420,964.78 euros
Number of shares	14,000,000 ordinary no-par-value shares
Share listing	Ljubljana Stock Exchange, prime market
Share ticker symbol	LKPG
President of the Management Board	Mr Robert Časar

President of the Supervisory Board	Mr Boris Popovič
Number of consolidated companies	9
Basic activity of *Luka Koper d.d.*	Seaport and logistics system operator and service provider
Activities of the *Luka Koper Group*	Various ancillary services pertaining to core business

As of 30th September 2008, the *Luka Koper Group* is comprised of *Luka Koper d.d.* - the parent company - eight subsidiaries, seven associated enterprises and three jointly controlled companies.

Subsidiaries	**Percentage stake held by Luka Koper d.d.**
Luka Koper Pristan d.o.o.	100.00
Luka Koper INPO d.o.o.	100.00
Adria Investicije d.o.o.	100.00
Luka Kopar Beograd d.o.o.*	90.00
Luka Koper Deutschland GmbH **	74.80
TOC d.o.o.	68.13
Adria Terminali d.o.o.	51.00
Adria-Tow d.o.o.	50.00

Associated companies	**Percentage stake held by Luka Koper d.d.**
Avtoservis d.o.o.	49.00
SC Trade Trans Terminal s.r.l.	43.18
Railport Arad s.r.l.	26.00
Adriasole d.o.o.	24.90
Ecoporto Koper d.o.o.	24.90
Intereuropa d.d.	24.81
Golf Istra d.o.o.	20.00

Jointly controlled companies	**Percentage stake held by Luka Koper d.d.**
Adria Transport d.o.o.	50.00
Kopinvest Netherlands B.V	50.00
Adriafin d.o.o.	50.00

* During the period January to September 2008, the Belgrade-based *Luka Kopar Beograd* was not subject to consolidation because it didn't operate, and thus did not significantly affect the *Group* statements.

** During the period January to September 2008, the company *Luka Koper Deutschland GmbH* was not subject to consolidation because it didn't operate, and thus did not significantly affect the *Group* statements.

On 20th June 2008, the company *Investicije Novamark d.o.o.* was renamed *Adria Investicije d.o.o.*.

CORPORATE MANAGEMENT AND GOVERNANCE

Management Board of Luka Koper d.d.

As of the 30th September 2008, the four-member Management Board of *Luka Koper d.d.* comprised the following members:

- Robert Časar, President of the Management Board,
- Aldo Babič, Deputy President of the Management Board,
- Marjan Babič, Member of the Management Board,
- Boris Marzi, Member of the Management Board – Workers Director.

With the exception of the Workers Director, Mr Boris Marzi, the Management Board began its term in the Autumn of 2005. On 9th April 2008, the members of the Supervisory Board adopted the proposal of the *Luka Koper* Workers Council and discharged the previous Workers' Director and Management Board member Mr Pavle Krumenaker. At its 24th regular session on 22nd April 2008, the Supervisory Board appointed Mr Boris Marzi as the new Workers' Director member of the Management Board.

Supervisory Board of Luka Koper d.d.

The company's Supervisory Board is comprised of nine members, six of whom are representatives of the shareholders and three the representatives of the employees. The shareholders' representatives are nominated and appointed through simple majority voting by the General Assembly of shareholders, whilst the Workers Council appoints the employees' representatives. Supervisory Board members are elected for a four-year term.

As of 30th September 2008, the Supervisory Board comprised the following members:

- Boris Popovič, President, representative of Koper Municipality,
- Marjan Bezjak, Deputy President, representative of the Republic of Slovenia,
- Olga Franca, member, representative of the Republic of Slovenia,
- Metod Mezek, member, representative of other shareholders,
- Marko Valentinčič, member, representative of Funds of the Republic of Slovenia,
- Bojan Zadel, member, representative of the Republic of Slovenia,
- Orjano Ban, member, employees' representative,
- Boris Bradač, member, employees' representative,
- Nebojša Topič, member, employees' representative.

On 26th July 2008, the mandate of Mr Boris Popovič, who was elected upon the proposal of Koper Municipality, as well the three employees' representatives, expired.

On 30th June 2008, the Workers Council elected three new employees' representatives as follows: Orjano Ban, Boris Bradač and Nebojša Topič. They commenced a four-year term as members of the Supervisory Board as of 27th July 2008. On that same day the erstwhile employees' representatives of the Board - Tatjana Jazbec, Rober Jerman and Alverino Pavletič - stood down.

At the Supervisory Board correspondence session held on 22nd September 2008, Mr Boris Popovič was re-elected President of the Supervisory Board for another four-year term.

Management and Governance of Subsidiaries

As regards *Luka Koper*'s subsidiary enterprises, the members of the parent company's Management Board are also accordingly represented within the General Assemblies of subsidiaries. In addition, *Luka Koper d.d.* integrates its subsidiaries within the *Group* at the operational level, in particular in such fields as marketing and development, accounting, financing, legal consultancy, environmental protection, IT support and recruitment.

Company	Director
Luka Koper INPO d.o.o.	Mirko Pavšič
Luka Koper Pristan d.o.o.	Darko Grgič
Adria Terminali d.o.o.	Viktor Orel
Luka Koper Deutschland Gmbh	Andrej Andrijanič
TOC d.o.o.	Marko Likon
Adria-Tow d.o.o.	Robert Gerk
Adria Investicije d.o.o.	Babič Marjan
Luka Koper Beograd d.o.o. *	

*dormant company

SIGNIFICANT EVENTS – JANUARY TO SEPTEMBER 2008

January

Based on the safety report, Slovenia's Ministry of the Environment and Spatial Planning, the Environmental Agency of the Republic of Slovenia, issued an environmental permit applicable to the entire port area that facilitates building permission for the construction of an oil derivatives terminal at Pier No. II. The project shall ultimately encompass the construction of six 20,000 m^3 tanks. The first three tanks, phase one, were completed in May.

In conjunction with the company *Ekološka Energija d.o.o.*, *Luka Koper d.d.* established *Ecoporto Koper d.o.o.*, a new enterprise which shall be engaged in processing oil-polluted water into usable fuel oil.

Together with *Altena d.o.o., Luka Koper d.d.* established *Adriasole d.o.o.*, a company which is to generate electrical power from solar energy at the Port of Koper.

February

The *Luka Koper* subsidiary *Adria Terminali* obtained a new shareholder: *Trade Trans Terminal*, a division of the Bratislava-based logistics provider *Trade Trans Invest*, which acquired a 49% stake in *Adria Terminali d.o.o*.

Luka Koper d.d. purchased *Investicije Novamark d.o.o.* outright

Luka Koper d.d. became a 26% shareholder in *Rail Port Arad,* which by year's end shall - in conjunction with its co-owners Hungary's *MAV Cargo* and Slovakia's *Trade Trans Invest*, - construct an inland container terminal near Arad (Romania) at a strategic point on the 4th European Transport Corridor. The new terminal, with an anticipated cargo throughput capacity of 60,000 TEUs per annum, is a 1.5 million euro investment. The project shall also facilitate an increase in container throughput at the Port of Koper, which will be connected to the Arad terminal by block trains that shall also service the new *European Logistics Centre* at Sežana.

March

Koper Customs Authority has issued *Luka Koper d.d.* with a permit for the operation of a so-called VAT warehouse, which provides its EU customers with the possibility of exemption in the charging and payment of VAT for services rendered within such a warehouse. Acquisition of this permit gives *Luka Koper d.d.* an additional competitive advantage over ports which do not have this dispensation, as well as a more equal position with EU ports that already provide such a service.

In conjunction with the Italian *Pacorini Group,* and *Ocean S.r.l., Adria Terminali d.o.o.* established *GCT* (General Cargo Terminal) in which it holds 48% stake. *GCT* was founded in order to participate in a tender for the award of a concession to operate a general cargo terminal in the neighbouring Port of Trieste. If successful in its bid, *GCT* would - in particular - handle timber.

A letter of intent on the establishment of the *Pannonia Regional Distribution Centre* was signed by *Luka Koper d.d.*. The Centre, in Slovenia's northeastern region of Pomurje, will facilitate the quality supply of customers according to the »just-in-time« principle. The concept behind the establishment of an international logistics and distribution centre in this region is a consequence of *Luka Koper*'s overall requirements together with Pomurje's favourable location in the proximity of the company's two single most important markets – Austria and Hungary.

On 7th March, Koper hosted the country's principal celebration of National Maritime Day. A new environmental-protection vessel, purchased by *Luka Koper d.d.* as part of its maritime protection service, was christened during the event. The craft is one of a total of five that will, in future, facilitate the operations of the Port of Koper's Maritime Protection Service.

April

At its 24th regular session on 22nd April 2008, the *Luka Koper d.d.* Supervisory Board appointed Mr Boris Marzi - who had previously headed the environmental protection and safety at work department - as the new Workers' Director member of the Management Board.

On 22nd April 2008, *Luka Koper d.d*. signed a contract with the *Olympic Committee of Slovenia* on the general sponsorship of the national Olympic team to 2012.

An agreement on activities related to the construction of a new passenger terminal at Koper was signed on 28th April 2008. Construction work on this € 10 million investment is anticipated to commence in January next year and be completed by December 2009. The three-storey complex, which also encompasses a small hotel, congress centre and restaurant, will be erected in the vicinity of what are today warehouses seven and eight.

May

The procedure for the expansion of the listing to encompass *Luka Koper*'s transformed preference shares was concluded on 21st May 2008. 6,860,000 participatory preference shares with limited voting rights were accordingly converted into ordinary shares, an exercise which did not affect the company's total issued share capital. Accordingly, the total number of ordinary shares - which bear the ticker symbol LKPG and are listed on the LJSE Prime Market - now amount to 14,000,000.

July

At its 25th regular session on 2nd July 2008, the Supervisory Board adopted the proposal of the Management Board re the amendment of the company's statute, which among other things formulates Article 33 as follows: "In compliance with the Employee Participation in Profit Act, a portion of company profit can be allocated to employees for the purposes of profit sharing".

On 10th July 2008, the Government of the Republic of Slovenia adopted the regulation on the management of the Port of Koper and the proposal of a Concession Agreement for its future operation. Congruent with the Maritime Code, the regulation provides a new legislative framework for the comprehensive management of relations in which the port operator and the concessionaire apportion reciprocal rights and obligations that will facilitate the long-term management and uninterrupted operation of the Port of Koper.

At its regular session of 21st July 2008, the *Luka Koper* Supervisory Board endorsed the establishment of *Ekopark d.o.o.* and *Eko Morje d.o.o.*; the latter shall take over the maritime protection services currently provided by *Luka Koper d.d.* within the port zone.

September

At the 14th General Assembly, which took place in Koper on 2nd September 2008, company shareholders:

- ✓ approved the 2007 Annual Report and the Supervisory Board report;
- ✓ adopted the proposal on the allocation of distributable profit for 2007;
- ✓ endorsed the operation of the Management and Supervisory Boards for 2007;
- ✓ appointed *Deloitte Revizija, d.o.o.,* Dunajska 9, Ljubljana, as the external auditor for the 2008 accounts of *Luka Koper d.d.* and the *Luka Koper Group*;
- ✓ adopted the proposal as to the amendment to the company statute;
- ✓ elected Mr Boris Popovič onto the Supervisory Board for a four-year term;
- ✓ were informed that the company's Workers Council had elected three employees' representatives - Orjano Ban, Boris Bradač and Nebojša Topič - to the Supervisory Board for a four-year term;
- ✓ agreed to the text of the Concession Agreement for the provision of port services, as well as the management, development and maintenance of port infrastructure at the Port of Koper.

On 8th September 2008, Mr Radovan Žerjav, Slovenia's Ministry of Transport, and Mr Robert Časar, President of the Management Board of *Luka Koper d.d.*, signed the Concession Agreement for the provision of port services, as well as the management, development and maintenance of port infrastructure at the Port of Koper.

On 9th September 2008, the President of *Luka Koper* Management Board and the President of Management Board of Bratislava-based *Trade Trans Invest Holding* (*TTI*) signed the agreement on the acquisition of a 10% share in *TTI* by *Luka Koper*. By way of this investment *Luka Koper* has gained an influential position - as well as seats on the management and supervisory boards - in an international group that operates 14 logistics terminals located in the majority of Central and Eastern European countries.

Adria Terminali, d.o.o. withdraws from its investment in the Slovene-Italian *General Cargo Terminal* enterprise, for the most part as a consequence of the unfavourable attitude adopted within certain political circles in Trieste.

At the 22nd September 2008 correspondence session of the Supervisory Board, Boris Popovič was re-elected Board President.

RELEVANT POST-BALANCE-SHEET EVENTS

On 1st October 2008, *Luka Koper* attended an investors conference in Stegersbach, Austria. The company gained a deal of interest and attention from Austrian financial institutions, and indeed the Port of Koper already represents the most important entrepôt for Austria's overseas commerce.

Luka Koper's new Collective Agreement also came into force on 1st October. The new accord, which replaces an 11-year-old document, has been dictated by the increased volume of work, the rapid development in the provision of port services as well as changes in labour legislation. It represents the basis for the preservation of a healthy balance between the commercial, social and environmental aspects of the company's operations and a cornerstone for development orientations in the years ahead.

On 24th October 2008, upon a positive technical inspection, *Luka Koper* received permission from Slovenia's Ministry of the Environment and Spatial Planning for the trial operation of berth 7C at the new 50-metre-long container quay extension.

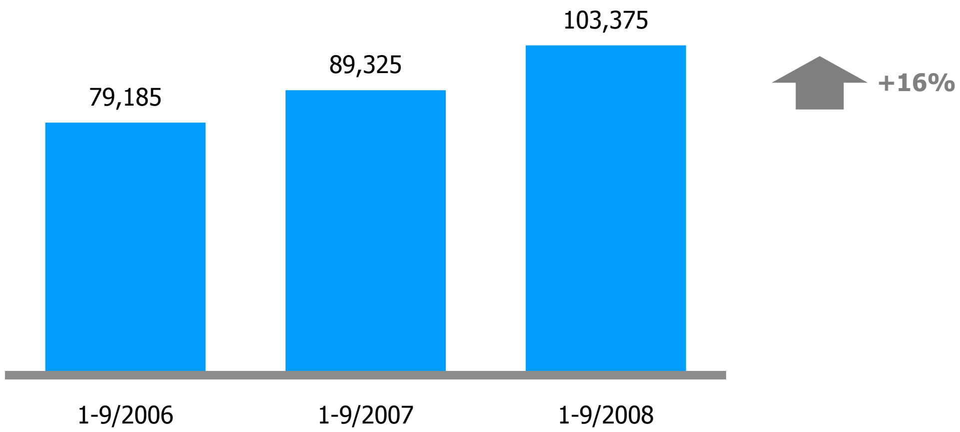
BUSINESS REPORT

ANALYSES OF THE PERFORMANCE OF THE LUKA KOPER GROUP

The operating revenues of the parent company, *Luka Koper d.d.,* account for 90% of all *Luka Koper Group* revenues. Due to the fact that the performance of the parent company substantially affects that of the Group, any analyses of *Luka Koper Group* operations simultaneously provide an insight into the performance of *Luka Koper d.d.*

Revenues

Figure 3: Operating revenues for the January to September period in 2006, 2007 and 2008 (in thousands EUR)

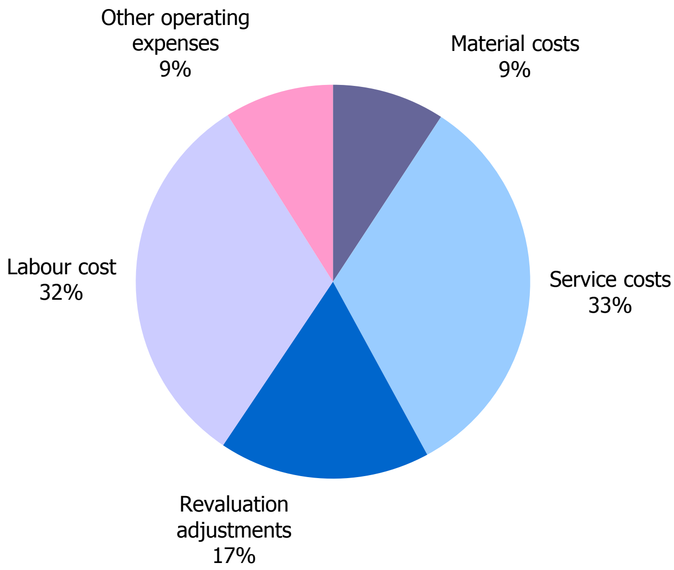


The positive trend in *Luka Koper Group* operating revenues has continued. Between January and September 2008, the company accumulated 103.4 million euros in operating revenues - 68% of which was generated in foreign markets - which is up by 15.7 percent on the previous year.

The major portion of operating revenues (81%) was generated by basic operational activities - i.e. from cargo throughput at the Port of Koper. In the first nine months of this year, the company handled 261,000 TEUs of container freight, which is 16% up on the same period in 2007, together with 456,000 vehicles, which is 25% ahead of the same period last year.

Operating expenses

Figure 4: Structure of operating expenses January to September 2008



The growing volume of cargo throughput at the Port of Koper is reflected in the increased volume of additional activities that significantly impact the rise in operating expenses. These amount to € 82.8 million, which is 18% ahead of the same period in 2007. Operating expenses are equivalent to 80.1% of realised operating revenues, which is 1.6 percentage points more than in the same period last year.

In comparison with the same period last year, the proportion of labour and material costs increased as a consequence of the lower portion of the revaluation adjustment. The intensive investment activities are still not reflected in value write-offs in the January to September 2008 period, due to the fact that the majority of the most relevant investments in terms of value are still underway.

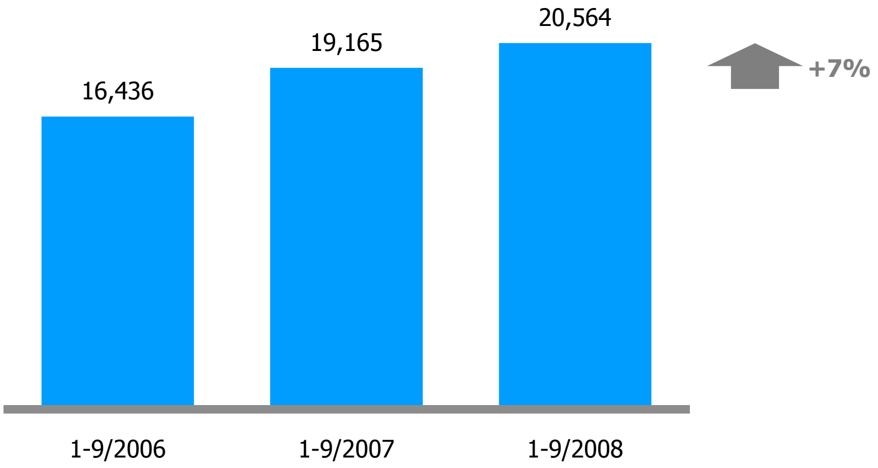
The increase in material costs can for the most part be attributed to the increase in energy costs, in particular fuels and electricity, which are a principal expense in the provision of the company's primary activities.

Compared to the same period in 2007, major increases were recorded in the costs of rents and the services of contractual providers which were also the result of the increased volume of cargo throughput and the limited capacities of storage facilities, for vehicles in particular.

The increase in labour costs is related to the expansion of the labour force, the extraordinary reconciliation of salaries as a consequence of inflation in 2007 together with the rise in point value for employees in accordance with the new Collective Agreement.

Profits

Figure 5: Operating profit for the January to September period in 2006, 2007 and 2008 (in thousands EUR).



Luka Koper Group operating profits in the amount of € 20.6 million were 7% ahead of the same period last year. The performance of the *Luka Koper Group* is reflected in the EBITDA, which stood at 34.6 million euros, a 6% increase on the same period in 2007.

Between January and September 2008, the *Group* generated € 21.7 million in pre-tax profit and € 18.2 million in net profit, thus achieving 69% of net profit accrued last year. In any comparative evaluation of performance, the one-off windfall created by *Luka Koper*'s disposal of its holding in *Banka Koper* in April 2007, which generated 5,223,769 euros, should be taken in consideration; at the same time attributable profit from associated companies, calculated in accordance with the equity method, amounted to 5,069,572 euros. Upon the exclusion of both of the aforementioned factors, the total operating profit for January to September 2008 is 3% ahead of the equivalent result for the same period last year.

Assets

As of 30th September 2008, the *Group*'s balance-sheet total amounted to 522 million euros, which is 13% (€ 61.5 million) ahead of the balance as at 31st December 2007. The assets structure is dominated by long-term assets, which account for 87% of total. Tangible fixed assets remain the most significant item as regards long-term assets.

By the end of September 2008, the value of tangible fixed assets amounted to € 307.9 million – a 27% rise on the beginning of the year – a figure which is already reflecting the *Group*'s intensive infrastructure investment cycle. Tangible fixed assets account for 59% of total assets, and their portion rose by 6.4 percentage points on the beginning of the year.

Long-term financial investments account for 135 million euros, an amount equal to 25.8% of total assets.

Equity and Liabilities

As of 30th September 2008, *Group* equity - which accounts for 61% of the *Group* balance sheet total - amounted to 319.5 million euros, a 6% decrease on the level recorder at the close of 2007. The declining portion of equity is the result of the revaluation surplus reduction, which reflects conditions on financial markets, as well as the growth in financial liabilities.

Overheated and, in particular, unstable financial markets currently don't provide conditions apposite for the disposal of financial investments, hence the company has resorted to borrowing, which has consequently increased long-term liabilities from financing. The financial stability of the *Group* is still provided by a large portion of equity in the balance sheet total, as well as the structure of loans, of which nearly two-thirds are long-term.

Short-term operating liabilities are fully covered by short-term operating receivables; the coverage rate amounts to 1.29. The increase in short-term operating receivables at the end of 2007 is attributable to advanced payments in relation to concluded investment agreements.

THE CONCESSION AGREEMENT

The Concession Agreement for the provision of port services, as well as the management, development and maintenance of port infrastructure at the Port of Koper, is the fruit of many years of deliberation and negotiation between the Republic of Slovenia and *Luka Koper*. Indeed, the unsettled issue dates all the way back to the company's denationalisation in 1996, and its ultimate resolution is predicated on the conclusion of a lease agreement in 2000, as well as the adoption of Slovenia's Maritime Code and its implementing regulations in 2002.

During the process of reconciliation as to the content of the Agreement, the contracting parties managed to harmonise various concerns and conditions that guarantee the interests and influence of the state as regards Slovenia's sole commercial seaport. At the same time the Agreement provides *Luka Koper*, as a public limited company, the basis and conditions for its continued successful operation. The common goal of both parties has been to guarantee the further development of the port and its infrastructure into the future, as well as the operational stability of this country's maritime gateway.

The Concession Agreement encompasses the following features and elements:

- ✓ the Agreement is concluded for a period of 35 years;
- ✓ the mode of calculation of the Concession fee;
- ✓ agreement of contracting parties on the manner of investments in port infrastructure;
- ✓ rules pertaining to the management, governance and operations within the port;
- ✓ assurance of openness regarding port operation;
- ✓ the rights and obligations of contracting parties upon any suspension or termination of the Concession relationship.

In compliance with Slovenia's Maritime Code, the Concession Agreement is concluded for a period of 35 years, which is long enough for the concessionaire to provide a basis for the accomplishment of its development plans as well as a return on its investments.

The agreed Concession fee amounts to 3.5% of the company's operating revenues, reduced by the amount of collected fees. The Concession fee also encompasses water rights, water levies as well as other duties related to the use of Slovenia's territorial waters. The concessionaire shall remunerate the balance of the concession fee in equal proportion - 50:50 - to the state, namely the Republic of Slovenia, and the municipality of Koper.

Investments in port infrastructure shall be performed by the concessionaire on the basis of its iterated development plans, and, as such, shall receive the consent of the Republic of Slovenia.

The management, governance and operations of the Port of Koper have been apportioned by the awarding authority and concessionaire, while the modes of co-ordinated operation have been agreed upon in order to achieve objectives that are in the interests of both *Luka Koper* and the state.

Ensuring the openness of the Port of Koper and the provision of services to all those in compliance with the provisions of EU legal order is an obligation and objective of both parties. Further to all of this it is *Luka Koper*'s intention that the Port of Koper becomes Central and Eastern Europe's premiere port.

The Agreement also stipulates circumstances for the suspension or termination of the Concession relationship, as well as pertinent methods and the consequences of same.

EVALUATIONS AS TO PERFORMANCE OF LUKA KOPER DURING 2008

Over the year as a whole, *Luka Koper d.d.* anticipates handling a total of 16 millions tonnes of cargo, a 4% increase in throughput on 2007 levels. Operating revenues are accordingly anticipated to rise by 10% as a result. As a consequence of the rises in costs, an EBIDTA metric of € 34 million is projected in relation to company operating activities.

The potential effects of the anticipated recession in the world economy are not predicted to impact company results during the current fiscal year. This said, however, *Luka Koper*'s performance will certainly be affected by internal factors, of which the new Collective and Concession Agreements are but two.

The new Collective Agreement, which came into force on 1st October 2008, will increase the portion of labour costs in the total structure by 3 percentage points. Long-term the Agreement assures good labour relations in what is a labour intensive company; it also provides a guarantee of uninterrupted work at the Port of Koper, which is a crucial consideration of business partners. Over the coming years, *Luka Koper* will neutralise the effect of increased labour costs in its operations by way of ever-improved efficiency and quality service provision. Such aims and aspirations may only be achieved by motivated employees with a high degree of loyalty to the company, together with increased cost efficiencies implemented through the appropriate distribution of operational processes between company staff and contractual providers of port services.

The effect of the Concession Agreement on company performance, and consequently cash flow from operating activities during 2008, is estimated to be in the region of 800,000 euros, namely 0.8% of total expenses.

Total investments in 2008 will amount to about 130 million euros, and are financed by the company's own cash flow together with credit lines provided by commercial institutions. As a result of borrowing, interest costs - anticipated to be in the region of 8 million euros for the current year - are on the increase. It is also anticipated that 70% of interest costs will be covered by financial revenues.

It is additionally anticipated that operations within the Port of Koper commercial zone during 2008 will be subject to tax relief, and thereby an effective tax rate comparable to the 8.4% applicable in 2007 will be achieved.

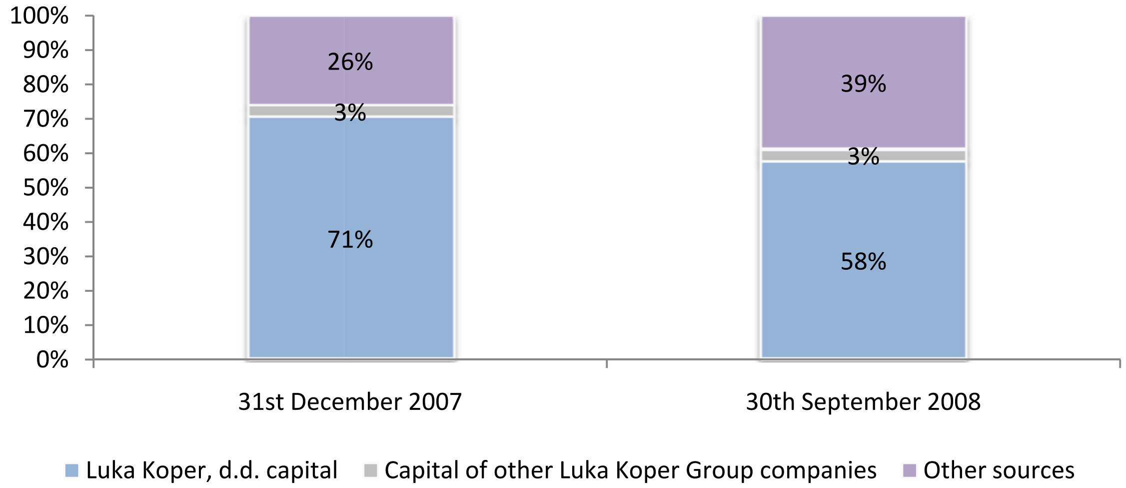
FINANCIAL MANAGEMENT

The impact of *Luka Koper d.d.*'s business, which accounts for 90% of total operating revenues for the *Luka Koper Group*, is highly reflected in the *Group*'s operations. Presented below is an overview of the financial management of the *Luka Koper Group*.

Sources of financing

The company continued its intensive infrastructure investment cycle during 2008. Borrowing, which accounts for the majority of investment finance, is reflected in the decreasing portion of equity in the balance sheet total, which fell by 13 percentage points over the first nine months of 2008. The portion of total financial liabilities, expressed in the *Group*'s equity ratio - the relative proportion of equity to all used to finance assets - still amounts for 46%, and provides the keystone of the *Group*'s financial stability.

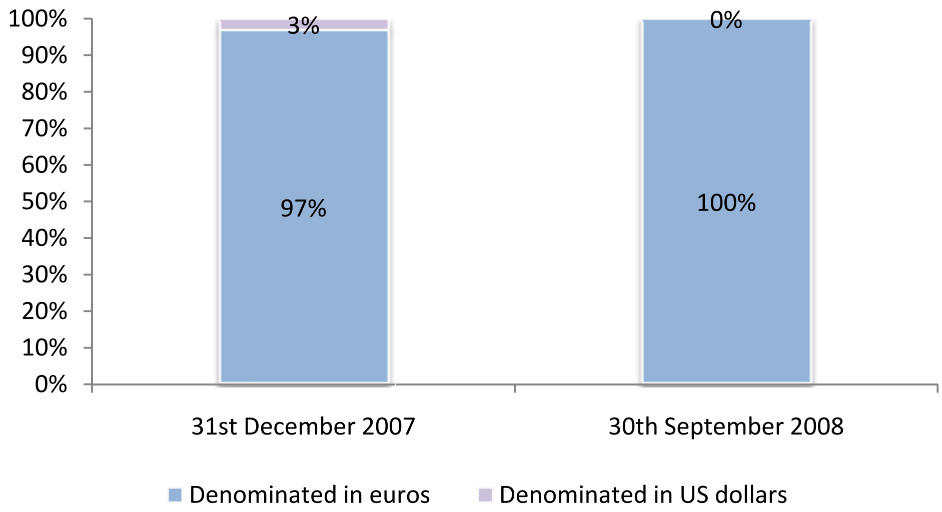
Figure 6: Structure of equity and liabilities



Currency composition of sources of financing

As of 30th September 2008, all the debt financing of the *Luka Koper Group* is denominated in euros. In order to hedge trade receivables denominated in US dollars, the parent company secured a dollar-denominated loan in an amount equivalent to average monthly invoiced dollar sales. Due to the anticipated strengthening of the US dollar, the loan which fell due in June was not renewed. Due to the fact that the *Group* continually strives to increase the portion of invoicing in the domestic currency - the euro - the share of dollar-denominated trade receivables is forever being reduced; in September it amounted to mere 4.63% of total trade receivables.

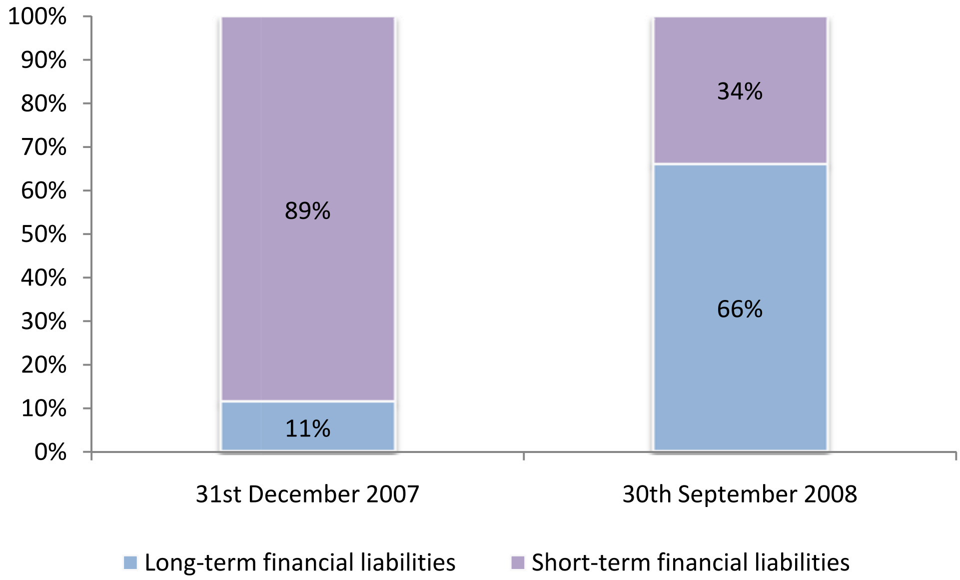
Figure 7: Currency composition of sources of financing



Maturity of financing

Due to the financing of an extensive development cycle, the portion of long-term financial liabilities significantly increased over the first nine months of 2008; indeed, they were up by 52 percentage points, and as of 30th September 2008 accounted for 66% of total financial liabilities. The prevalence of long-term debt has assured *Group* liquidity and solvency, a most pertinent feature of financing given the extant atypical conditions on financial and capital markets.

Figure 8: Structure of financial liabilities by maturity



Stable liquidity and solvency of the Luka Koper Group

Over the first nine months of 2008, earnings from operating activities (EBITDA) amounted to 35.5 million euros. Debt financing increased by 87.6 million euros during that same period. It is anticipated that further borrowing and cash flow from operations shall - during the remainder of 2008 and in the year to come - allow the accomplishment of all those infrastructure investments that are of vital importance to the development of *Group*'s core business, as well as commensurate ongoing growth and improved performance. Thus, in conjunction with a concern for solvency, keeping liquidity at the highest level remains a priority in the financial management of the *Luka Koper Group*.

RISK MANAGEMENT

As of 30th September 2008, the *Luka Koper Group* had € 53 million of financial investments carried at **fair value**. A heavy fall in share prices on the Ljubljana Stock Exchange has resulted in a substantial decrease in the market value of the company's equity investments.

Exposure to **currency risk,** and therefore to potential losses as a consequence of unfavourable movements in exchange rates, remains low. The company continues to reduce the volume of its dollar-denominated trade, which, over the first nine months of 2008, accounted for just 8.03% of total *Luka Koper Group* operating revenues, and is over eight percentage points down on the same period last year.

Interest rate risk is for the most part reflected in possibility that interest rates will unfavourably impact the acquisition of additional sources of financing necessary to accomplish *Luka Koper*'s strategic development projects. Namely, the majority of loan agreements are linked to a variable interest rate. The company estimates that during this period of generally decreasing interest rates, the moment has not yet arrived to moved towards fixed interest rate loans.

The regular planning of cash flows in the context of maturities match facilitates efficient management of **liquidity risk** within the *Luka Koper Group*. Reconciliation of assets and liabilities according to various maturities is of key significance in assuring ongoing solvency. Any eventual disparities are balanced by drawing upon revolving loans and the provision of short-term deposits.

Credit risk, or counter-party default risk, is a most relevant financial hazard, due to the fact that in relation and addition to non-payment there is also the risk of failure of other non-financial obligations, such as delivery delay in shipments, sub-standard service provision and suchlike, which directly result in the impairment of assets as well as increases in debt. Through regular and prompt reminders of overdue liabilities as well as consistently charging any due default interest, *Luka Koper* maintains a relatively high level of financial discipline among its clients and customers.

INVESTMENT POLICY

Between January and September 2008, the *Luka Koper Group* pursued extensive investments in port infrastructure, the technological upgrade and modernisation of its plant and equipment, as well as investments in the further development of its commercial operations. At the *Group* level, 87.8 million euros - 85% of operating revenues - were allocated to investment projects, the major portion of which - in the amount of 85.8 million euros - were realised by *Luka Koper d.d.*

Investment in Core Business

Investments in plant and equipment between January and September 2008 included the following:

- ✓ the acquisition of six tractor units with semi-trailers for internal transport within the port area;
- ✓ the purchase of fork-lift trucks of various loading capacities to improve the efficiency of handling operations;
- ✓ the acquisition of two Transtainer cranes for the more efficient management of container handling;
- ✓ the purchase of a mobile crane for the needs of the General Cargo Terminal;
- ✓ a Locotractor for railhead goods yard operations.

Liquid Cargos Terminal - Oil Derivatives

This May saw the completion of three new petrochemicals derivatives storage tanks, the conclusion of the first stage of a project to expand capacities at the Koper's Liquid Cargos

Terminal. Upon receipt of their operating permits in June, the total storage capacity for liquids at the Port of Koper will amount to 110,000 m^3, ranking it as a medium-sized facility at the European level.

As elsewhere within the Port of Koper, environmental protection and safety at work are extremely important. Thus the new tanks are equipped with advanced measurement devices and fire protection equipment, all of which are linked to the terminal's operation centre as well as the main control centre.

Photo 1: New oil derivatives storage at the Liquid Cargo Terminal

Vehicle warehouse

Phase 1A of construction work on a new multi-storey vehicle warehouse - which includes the ground, first, second, third and fourth floors as well as a roof-top area - has now been completed. Upon a technical inspection, to be performed in November, this new acquisition will provide 2,750 new parking places for shipped vehicles.

Phase 1B is currently underway, the sewage system has been completed and thus far 45 of the total of 144 foundation piles have been bored and concreted.

New conveyance facilities at Bulk Cargo Terminal

In July a new conveyor belt and pertinent control system was installed at the Bulk Cargo Terminal. This facility has increased handling capacity at the terminal to 300 tonnes per hour, and consequently increased productivity. The computer-supported handling system is able to control and manage the unloading and loading of vessels, trucks and wagons, as well as inter-warehouse transport and storage. The system also features two belt-scales, one ship-side, the other land-side, for continuous weighing operations.

Investment in Port Infrastructure

Despite the complexity of the project, construction work on the extension of Pier No. I is well underway, and the new quayside is taking shape. The full 146 metre long and 34 metre wide expansion of Pier No. I requires driving 198 piles 42 metres into the seabed. Work on placing and securing the prefabricated concrete superstructure elements on top of the piles began during the second half of June.

Arrangement of first 50 metres of the Pier extension will be completed in late August 2008, whilst the full 146 metres will be finished this November. In conjunction with the construction of the new quay, which shall bear two already commissioned post-panamax container cranes, the infill of the hinterland area created by the new extension is now underway.

Inauguration of pier extension

The extension to Pier No. I is progressing according to schedule. After successfully passing a technical inspection, permission for the trial operation of the new 50-metre stretch of quayside was granted by the Ministry of Environment and Spatial Planning. Construction of the remaining 96 metres will be completed by the end of the year, and its operational use should commence early next year.

By way of the infill of the new hinterland area created by the Pier extension, the Container Terminal will acquire valuable new space for container manipulation and temporary storage Ultimately a total of four new post-panamax cranes will facilitate the unloading and loading of even larger container vessels than has been the case to date.

Photo 2: Construction site for the extension of Pier No. 1

Investment in Development

During the first half of 2008, additional land was purchased for the further development of the logistics centre at Sežana in the far west of Slovenia. Site preparation works for the construction of an initial series of three storage facilities is now underway. The new high-bay distribution warehouse will be 220 x 75 x 20 metres, and shall thus extend the full length of the railhead. In addition, refurbishment and conversion of existing warehousing into cold stores has been completed, thus facilitating the storage of fruit, vegetables and other perishable goods at the nascent *Sežana European Distribution Centre*.

Sežana European Distribution Centre

Additional land required for the development of the *European Distribution Centre* was purchased during the first half of 2008. The conceptual designs for the installation of rail track and road infrastructure on the site, including two overpasses, which can be built on the basis of currently land use acts, are under preparation.

Site preparation works, including construction of the base for the 220 x 75 x 20 metre high-bay distribution warehouse are now underway, whilst project documentation for the other two storage facilities are under preparation.

Acquisition of new locomotives and rolling stock

Adria Transport d.o.o., established in 2005, together with its Austrian partner *GBK*, is expanding its fleet. It has purchased three *Siemens* locomotives, which already have permits to operate in Slovenia, Austria and Germany, and in future the company intends to obtain permission for their operation within the Hungarian and Croatian railway networks.
Further to this, *Luka Koper d.d.* continues to purchase freight wagons, and received a further 20 specialised car transporters in August. There's a massive market shortage of such rail stock, and these much-needed acquisitions are aimed at speeding up the dispatch of vehicles to and from the overburdened storage facilities within the Port of Koper.

Photo 3: Two new locomotives in the livery of *Adria Transport d.o.o.*

INFORMATION ON OWNERSHIP AND SHARES

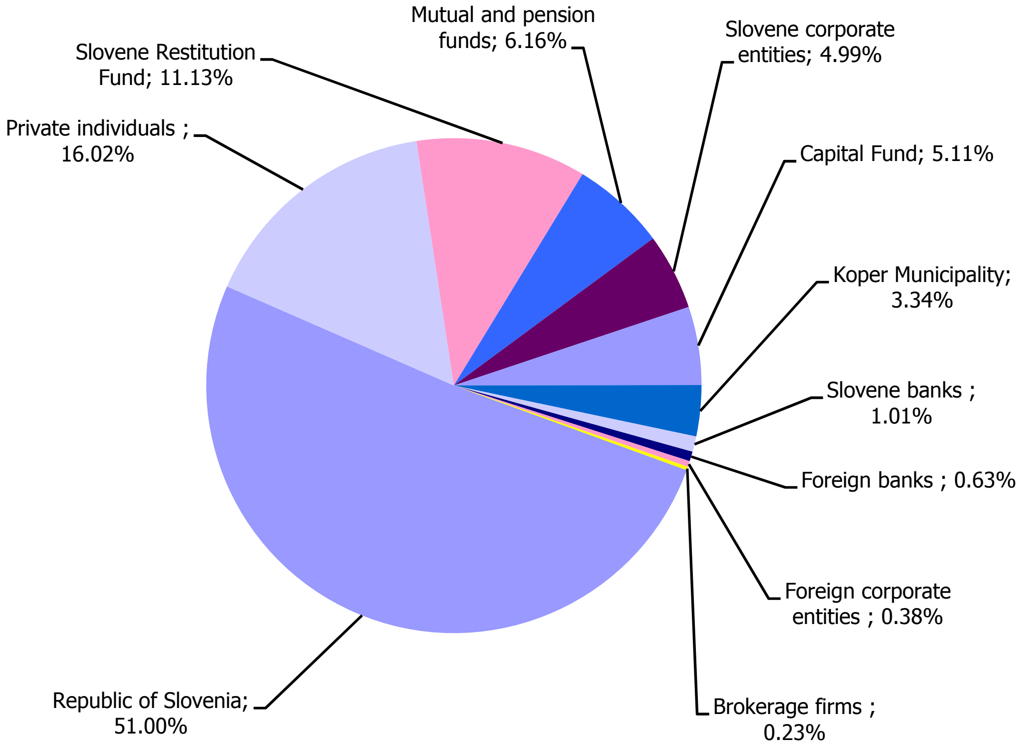
As of 30th September 2008, the ten largest shareholders in *Luka Koper d.d.* held 10,619,756 LKPG shares, namely 75.86 percent of the company's issued share capital.

Table 2: The largest shareholders as of 30th September 2008

No.	Shareholder title	Registered address	Number of shares	Percentage stake
1.	REPUBLIKA SLOVENIJA	Gregorčičeva 20, 1000 Ljubljana	7,140,000	51.00%
2.	SLOVENSKA ODŠKODNINSKA DRUŽBA, D.D.	Mala ulica 5, 1000 Ljubljana	1,557,857	11.13%
3.	KAPITALSKA DRUŽBA, D.D.	Dunajska cesta 119, 1000 Ljubljana	715,305	5.11%
4.	MESTNA OBČINA KOPER	Verdijeva ulica 10, 6000 Koper	466,942	3.34%
5.	KD GALILEO, VZAJEMNI SKLAD FLEKSIBILNE STRUKTURE NALOŽB	Celovška cesta 206, 1000 Ljubljana	151,905	1.09%
6.	KD ID, DELNIŠKA ID, D.D.	Celovška cesta 206, 1000 Ljubljana	147,655	1.05%
7.	VIZIJA HOLDING ENA, D.D.	Dunajska cesta 156, 1000 Ljubljana	131,585	0.94%
8.	ADRIATIC SLOVENICA D.D. KOPER,KRITNO PREMOŽENJE	Ljubljanska cesta 3a, 6503 Koper	116,306	0.83%
9.	ZAVAROVALNICA TRIGLAV, D.D.	Miklošičeva 19, 1000 Ljubljana	104,756	0.75%
10.	HYPO BANK D.D.	Dunajska cesta 117, 1000 Ljubljana	87,445	0.62%
TEN LARGEST SHAREHOLDERS TOTAL			**10,619,756**	**75.86%**
TOTAL SHARES			**14,000,000**	**100.00%**

At the end of September 2008, 14,530 shareholders were entered in the shareholder register of *Luka Koper d.d.*, which is a year-on increase of 14.3%. The total number of shareholders increased by 1,821, in particular private individuals whose aggregate holding now stands at 16.02% of total.

Figure 9: Ownership structure as of 30th September 2008



Shares held by the members of the Luka Koper Supervisory and Management Boards

As of 30th September 2008, the following members of the Supervisory Boards held shares in *Luka Koper d.d.*:

Boris Bradač	357
Metod Mezek	150
Marko Valentinčič	100
Nebojša Topić	9

As of 30th September 2008, the following members of the Management Board held shares in *Luka Koper d.d.*:

Marjan Babič, Board Member	928
Boris Marzi, Board Member – Workers' Director	100

LKPG share price movements

Table 3: Information on the LKPG share

	2008	**2007**
Number of shares issued as of 30th September:	14,000,000	14,000,000
Ordinary shares	14,000,000	14,000,000
Preference shares	0	0
Market capitalisation as of 30th September (in millions of euros)	607.2	1,463.6
Turnover (all transactions) in the January to September period (in millions of euros)	29.6	123.5
Lowest trading price in the January – September period (in euros)	40.09	48.11
Peak trading price in the January – September period (in euros)	89.97	113.66
Average price as of 30th September (in euros)	43.37	104.54

Between January and September 2008, the average trading price of the *Luka Koper d.d.* share amounted to € 63.33. On the last trading day of the period – 30th September 2008 – the LKPG share was trading at € 43.37, which is 50% lower than at the end of 2007, and 59% lower than for the same period last year.

A total of 7,943 transactions and block trades were accomplished with the LKPG share in the January to September period, and the total turnover of these transactions amounted to € 29,685,669, with 461,074 shares changing ownership.

Figure 10: Movement of Luka Koper (LKPG) share price in relation to the Slovenian Stock Exchange Index (SBI 20) between January and September 2008

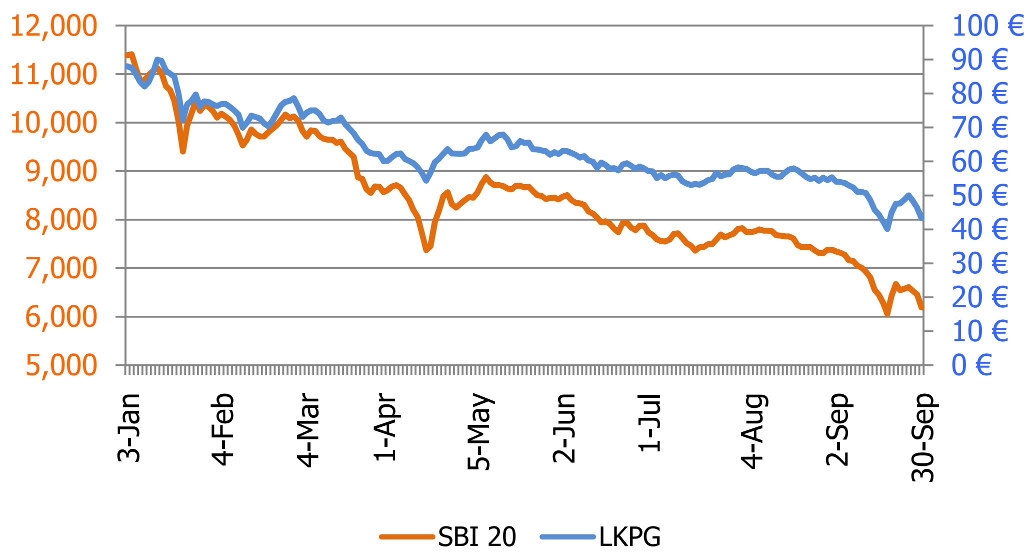
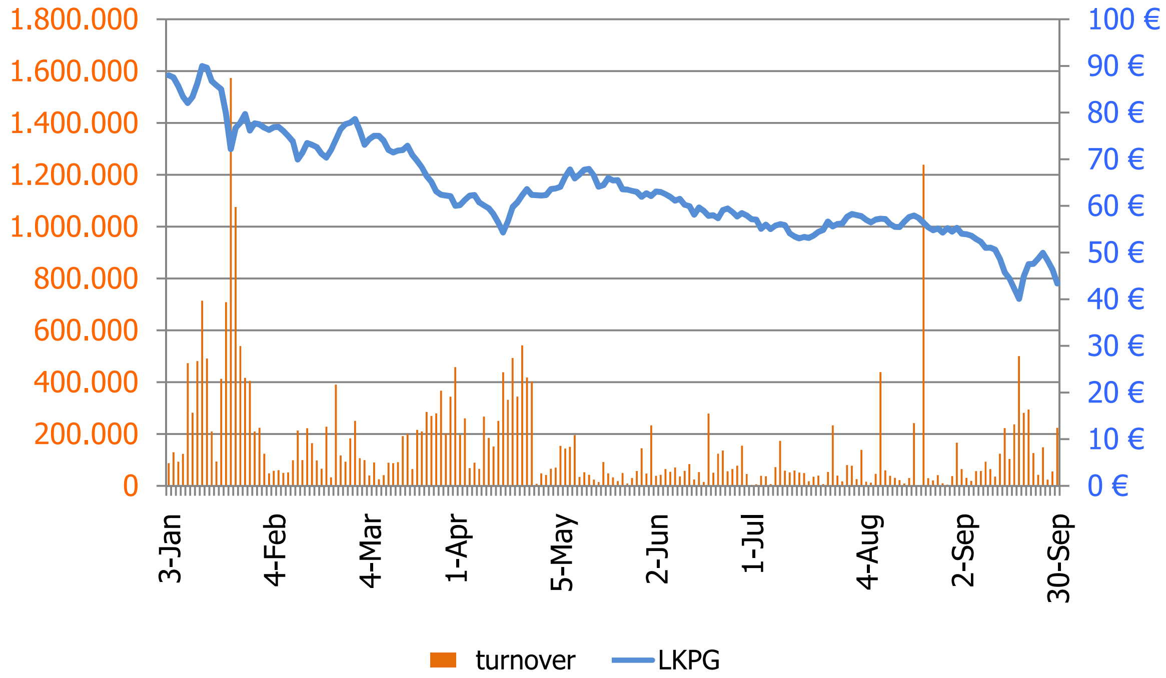


Figure 11: Movement of LKPG share price and the daily turnover during the January – September 2008 period



Dividend policy

Luka Koper d.d. annually apportions approximately one half of generated net profit as dividends to its shareholders. Based on the General Assembly resolution adopted on 2nd September 2008, the gross dividend per ordinary share amounted to € 0.55. All dividends were remunerated by the company prior to 15th October 2008.

Table 4: Dividends remunerated

(in €)	2007	2006
Ordinary share	0.55	1.09
Preference share	- *	0.27

*A decision to convert all preference shares into ordinary shares was carried by the General Assembly in July 2007.

Net earnings per share

Net earnings per share, calculated as a ratio between the total number of shares issued and net profit for the January to September period – which is recalculated to an annual level for improved clarity – amounts to € 1.54.

Book value of the share

As of 30th September 2008, the book value of the LKPG share, calculated as the ratio between the total value of equity and the total number of shares issued, amounts to € 21.55.

Treasury stock, authorised capital, conditional capital increase

As of 30th September 2008 the company didn't hold treasury stock. The statute of *Luka Koper d.d.* doesn't anticipate any category of authorised capital by way of which the company's Management may increase share capital. The company has had no grounds for any conditional increase in share capital during the January to September 2008 period.

Expansion of listing with transformed shares

At its 13th AGM, held on 19th July 2007, *Luka Koper d.d.* shareholders adopted a resolution to transform 6,860,000 participatory preference shares with limited voting rights into ordinary shares. The procedure, carried out by Slovenia's central registry of dematerialised securities, was successfully accomplished on 20th May 2008.

The total number of LKPG shares registered on the *LjSE*'s prime market thus amounts to 14,000,000. The company's share capital remains unchanged and is accordingly divided into 14,000,000 ordinary no-par-value shares. The expansion of the listing through the transformed preference shares will have no affect whatsoever on the operations or the performance of *Luka Koper d.d.*, or its ambitious development plans.

CARGO TYPES AND MARKETS

Marketing Strategy

During the third quarter of 2008, *Luka Koper* further pursued its strategy of changing its cargo throughput structure in favour of more environment-friendly freight with higher value-added, such as vehicles, containers and perishable goods.

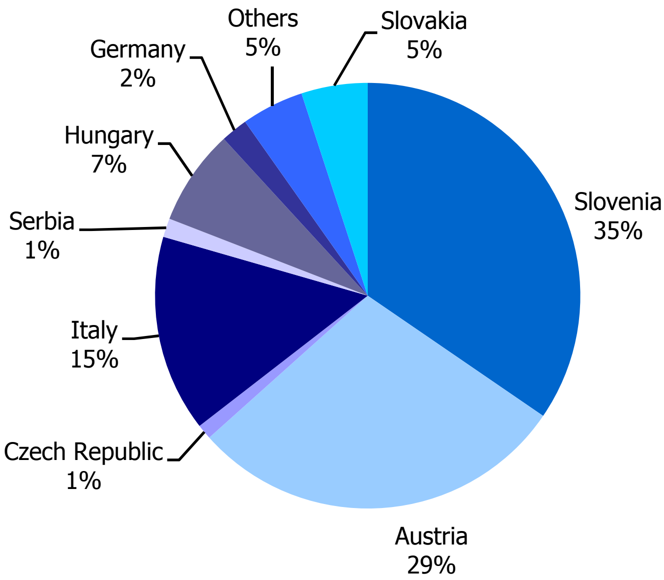
The company consistently attends to the promotion of its services at all fairs, conferences and other business events attended by existing and potential customers and clients. Over the first nine months of 2008, *Luka Koper* paid particular attention to familiarising itself with the most pertinent and rapidly growing markets of the Indian subcontinent, Southeast Asia and the Far East, as well as the promotion of the Port of Koper within these territories.

Cargo Throughput

During the first nine months of 2008, the company handled a total of 11,961,061 tonnes of cargo, which is 6% ahead of the same period last year.

The Slovenian market accounts for 35% of total cargo throughput at the Port of Koper, whilst the remaining 65% is transit freight attributable to such markets as Austria, Italy, Hungary as well as other countries. Compared to the same period in 2007, the highest rate of growth was recorded as regards the Czech market, followed by Slovenia and Germany. In comparison with the same period last year, a somewhat decreased cargo throughput was recorded for the Serbian and Hungarian markets.

Figure 12: Structure of cargo throughput by hinterland market, January – September 2008



Structure of cargo throughput by type

Vehicles

Vehicle throughput at the Port of Koper totalled 456,257 units between January and September 2008, which is up by 25% on the same period last year.

Container freight

Luka Koper handled 261,086 TEUs of container freight during the first three quarters of 2008, a 16% increase on the first nine months of 2007 when throughput stood at 224,117 TEUs.

The Container Terminal handled a record 32,044 TEUs in September this year, thus surpassing the previous monthly record set this March by 1,213 units.

General cargos

Perishables throughput during the first nine months of 2008 was up by a staggering 313% on the same period last year. Transporting 18,000 tonnes of bananas from Ecuador, this September witnessed the arrival of the largest vessel ever to moor alongside Koper's Fruit Terminal.

The decrease in the throughput of steel stock can mainly be attributed to the shortfall of this cargo type from Slovakia, whilst despite the reduction in timber storage facilities at the Timber Terminal, trade in sawn timber continues to rise.

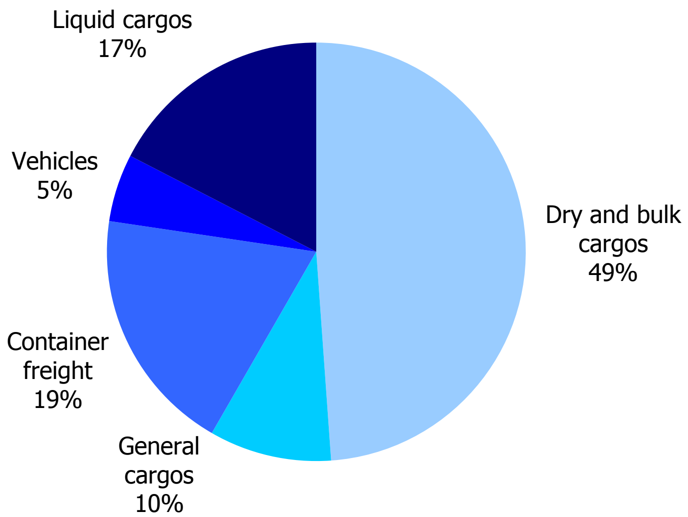
Liquid cargos

The provision of three new storage tanks at the Liquid Cargo Terminal have facilitated the creation of an aviation fuel distribution centre, which serves the multinationals supplying Slovene, Italian and Austrian markets, and more precisely the airports in Venice, Ljubljana and Vienna. Today Koper boasts the region's largest aviation fuel facility, and accordingly it has become an important avgas distribution centre for South Central Europe.

Dry bulk cargos

The European Energy Terminal, which handles iron ore and coal imports, didn't record any significant increases in throughput. The decrease in throughput at the Bulk Cargo Terminal over the same period last year can be attributed to a mediocre harvest in 2007. This year's copious cereals harvest in Hungary indicates that by year's end throughput will once again be meeting expectations.

Figure 13: Structure of cargo throughput at Luka Koper by cargo type, January – September 2008



By weight, dry and bulk cargos account for the single largest portion in the volume throughput structure at the Port of Koper. However, its overall proportion is down by four percentage points on the same period last year; this has been caused, in particular, by the growth in liquid cargos.

Between January and September 2008, the number of freight wagons loaded and unloaded at the Port of Koper increased by 6% on the same period last year (up from 145,635 in 2007 to 154,990 in 2008). A total of 55,845 wagons were unloaded, which is 0.2% ahead of the 2007 equivalent period, and 99,145 wagons loaded, a 9.3% increase on last year's level.

BUSINESS EXCELLENCE

The very best companies carefully nurture the culture of excellence. As regards the *Luka Koper Group* this is particularly expressed by the quality of services provided: only the very best is good enough for its clients. This objective is supported by a variety of management tools and techniques, as well as certified standards and business models.

At the end of 2007 *Luka Koper d.d*. was awarded *ISO 22000* certification for its food safety management system, and, at the beginning of 2008, *BS OHSAS 18001* certification for occupational health and safety management. This new pair of standards, granted in a very short period of time, has presented new requirements and, in particular, the re-regulation of the internal audit process, which has become more complex and demanding as a result. In addition to the upgrade and adjustment of audit processes in order to deal competently with new challenges as well as to meet the requirements of aforementioned standards, quality internal audits also require competent and appropriately skilled and qualified auditors. It should also be pointed out that *Luka Koper d.d.* has operated in compliance with ISO standards for over a decade; indeed, the company was first awarded its ISO 9002 quality certificate back in 1997.

Both the number and systematic implementation of standards ensure that *Luka Koper* can be favourably compared to the very best companies in the world, enterprises which within the context of the *European Foundation for Quality Management* (*EFQM*) compete and compare with one other as regards best practice. The final stage of the project, aimed at another candidacy for the European award, is nearing completion. The process of self-assessment has served to test the company's maturity in this regard, and the results indicate an increase in the number of points in comparison with the 2006 self-assessment. Unfortunately, progress doesn't meet the very highest level of excellence that would assure a win under each sub-criterion category of the model. Nevertheless, the project is extremely significant due to its advantages and the opportunities for further improvement, which were recorded during the self-assessment process. The next step is to elaborate a plan for their accomplishment.

In addition to standards, *Luka Koper d.d.* recourses to other approaches in order to obtain requisite levels of service quality. The company again engaged in the implementation of a strategic map in accordance with BSC methodology. The workshops, together with their responsible heads, allow verification of the system of performance and efficiency indicators, as well as the use of key indicators in the design of a strategic plan. As to the *Business Processes Improvement* project, the definition of the development function and the design of development-support process have now been completed.

OPEN TO THE PUBLIC

The communication policy of the *Luka Koper Group* is based on transparency and openness towards its various external publics. Primarily, such refers to the mass media which have direct access to information via the company website, and which is additionally provided with releases and other notices as well a direct access to the Director of Public Relations.

Particular attention is also paid to any eventual complaints and reactions in relation to the local community and the city of Koper, which lies adjacent the port area. Every comment and criticism is recorded and responded to. In addition to regular annual evaluations as to the company's relationship with the local population, expert public opinion polling on the subject is also now under preparation. About 1,000 visitors, mainly drawn from Koper city and its environs, attended the Open Door Day, organised in early October. The number of guided tours of the Port is increasing every year and guidance has been taken over by members of the company's association of retirees.

Communication with investors

This year *Luka Koper d.d*. also participated in investor presentations organised by the Ljubljana Stock Exchange. This May the company also arranged its first Open Door Day aimed at investors, and the event was attended by a number of representatives of brokerage firms and financial institutions. To best meet the requirements of the investment community, the company also renovated its website and commenced publication of *Notice*, a quarterly e-paper specifically aimed at the investor. Further to this, a PR department representative was specifically appointed for investor relations.

INFORMATION TECHNOLOGY SUPPORT

Several development activities, planned for the third quarter of 2008 within the context of the IT support development plan, were successfully implemented. Particular mention should be made of the following:

- ✓ launch of the **working environment modernisation** project, which embraces the replacement of equipment and a software upgrade;
- ✓ planning the conceptual design of the **intranet portal**, which will improve information-flow in the broadest sense of the word in the medium-term, in addition to accomplishing further simplification of application and use;
- ✓ a new warehouse information system at the Fruit Terminal aimed at the **management of micro-distribution warehouses**; the system was supported using bar code solutions, while warehouses were equipped with wireless networks;
- ✓ introduction of a **special module for simplified warehouse management** which simplifies the preparation of marketing and operational warehouse documentation within the ***TinO* system**;
- ✓ upgrade of the ***TopCall* fax system**;
- ✓ implementation and launch of ***SAP One Bank*** and ***SAP Consolidation*** modules.

There are still a number of projects to be accomplished during the last quarter of 2008 in accordance with the annual development activities plan for information technology. These encompass the following:

- ✓ introduction of new SAP modules (Travel Management, Cash Management);
- ✓ launch of the e-invoicing project;
- ✓ upgrade of the COSMOS server infrastructure;
- ✓ e-archive creation for other systems;
- ✓ duplication of critical infrastructure to ensure enhanced reliability.

SUSTAINABLE DEVELOPMENT

HUMAN RESOURCES MANAGEMENT

Staffing levels

Table 5: Number of employees by company in the Luka Koper Group

Company	30th September 2008	31st December 2007	Indices
Luka Koper d.d.	783	774	101
Luka Koper Inpo d.o.o.	234	228	103
Luka Koper Pristan d.o.o.	15	9	167
Adria Terminali d.o.o.	35	35	100
Adria Tow d.o.o.	28	24	117
Toc d.o.o.	3	-	-
TOTAL	**1,098**	**1,070**	**103**

As of 30th September 2008, the *Luka Koper Group* had 1,098 employees, which is a 3% increase on 31st December 2007. Although the percentage of increase varies among the consolidated companies within the Group, it is significantly affected by the recruitment movement in the parent company, due to the fact that *Luka Koper d.d.* staff account for 71% of total personnel within the *Group*.

Thus far during 2008, *Group* companies have taken on 75 new employees, of whom *Luka Koper d.d.* recruited 41. In 2007, the parent company intensively recruited operational personnel, in particular those involved in the core handling processes. This expansion of the workforce today perfectly meets the requisite volume of personnel, and, as a consequence, recruitment has slowed this year to a level necessary to cover natural retirement as well as further provision in specific areas of the business as may be necessary.

During the January to September 2008 period, employment relations ended for 47 employees of the *Luka Koper Group*, 32 of whom had worked for the parent company. Regular retirement accounts for over 50% of all employment terminations within *Luka Koper d.d.* – an increase on the previous year. A number of terminations were related to the natural expiry of fixed-term employment contracts, whilst the number of those choosing to leave the company of their own accord was practically negligible.

During the first nine months of 2008, employee turnover amounted to 3.9% for *Group* and 3.3% for *Luka Koper d.d.*. Compared to the same period last year, employee turnover in the parent company decreased slightly (down from 3.6% in 2007), whilst at the *Group* level it rose (up from 2.8% in 2007), which can, in particular, be attributed to the increased number of retirees.

Between January and September 2008, sick-leave related absenteeism as regards total hours of work amounted to 5.2% within the *Group*, and 3.9% in *Luka Koper d.d.*. Such absenteeism is also related to the higher average age of employees (43 years in the *Group* as a whole, and 40 years in the parent company). Despite difficult physical working conditions, employee motivation and measures aimed at occupational health facilitate and maintain a relatively low rate of absenteeism in the parent company compared to the *Group*. Also of note in this equation is *Luka Koper Inpo d.o.o.*, a company which actively recruits and trains the disabled, as a consequence its workforce is prone to endure more complex health conditions than average.

Human resources education and development

Table 6: Employee education

Level of education	**Luka Koper d.d.**		**Luka Koper Group**	
	30th September 2008	Proportion (%)	30th September 2008	Proportion (%)
Master's degree / Doctorate (VIII.) or more	15	2	17	2
Bachelor's degree (VII.)	200	26	222	20
Technical college / University college (VI.)	46	6	58	5
High school / Grammar school (V.)	246	30	295	27
Occupational education (IV.)	193	25	277	25
Primary education (III.)	24	3	35	3
Primary education (II.)	52	7	140	13
Primary education (I.)	7	1	54	5
Total	**783**	**100%**	**1.098**	**100%**

Congruent to the recruitment policy, the education structure of employees has been constantly improving during 2008, in particular as regards the increasing proportion of employees with university degrees and specialist qualifications. At the same time there is also a gradual decrease in the number of personnel who have only the most basic levels of education.

The improvement of educational structure is related to a number of factors:

- ✓ despite decreased recruitment in 2008, newly employed staff have a higher than average level of education;
- ✓ employee stimulation and co-financing of their further education (part-time training and release courses);
- ✓ any temporary decrease in the recruitment of operational personnel results in a relative decrease in the number of employees with lower levels of education within the total employee structure;
- ✓ upon termination of employment - in particular due to natural retirement or disability - those with lower levels of education are not replaced.

The educational structure of the *Group* as a whole is somewhat poorer than that of *Luka Koper d.d.*, which reflects the parent company's role in the direction of *Group* development, whereas other consolidated companies, some of which are of a sheltered nature, provide ancillary and auxiliary services (such as logistics or catering). In addition and in the long-term, the parent company assures adequately qualified personnel through the provision of scholarships for posts and occupations for which there are insufficient qualified personnel.

Education and training activities were performed in compliance with *Luka Koper*'s annual plan. Between January and September 2008, a deal of attention was paid to the stress management workshops, business negotiation, environmental policy and advanced courses for internal auditors, as well as various topics pertaining to internal training of tutorship and mentorship.

Over the first nine months of 2008, an average of 18.8 hours of education and training per employee were provided by *Luka Koper d.d.,* as opposed to an average of 9.8 hours at the *Group* level. Despite the overall decrease in the number of hours of education and training compared to the same period last year, there has been a quality shift to a more individual approach, involving more active and shorter forms of training, together with a reduction in the number of hours aimed at practical instruction.

Communication with employees

Relations with and between employees is strengthened through internal communication, and in particular by *Luški Glasnik* – *Luka Koper*'s in-house newsletter. In addition, the company has introduced an award for its employees: a statuette known as the *Port Oscar* is presented to meritorious employees at a ceremony within the annual barbecue organised for all employees.

The new corporate Collective Agreement and employment systematisation

The signing of a new corporate Collective Agreement, which came into force on 1st October 2008, was an important leap forward for both the Management Board of *Luka Koper* and employees' representatives. The new agreement, which replaced an obsolete agreement dating back to 1997, pays special attention to the reconciliation of provisions with the current labour legislation, management and the regulation of working hours, as well as an overhaul of the company's wage system.

A reorganisation as to the methods of employment evaluation and systematisation has also been recently completed, and has resulted in a modification as to the prescribed tasks, competences and responsibilities of employees. The integration of some workplaces has resulted in an overall decrease in their total number. All amendments and revisions pertaining to the corporate Collective Agreement were presented to employees at workshops within the company's organisational units as well as in the internal newsletter. The Workers' Council and company trade unions supported the proposal for the new systematisation of employment.

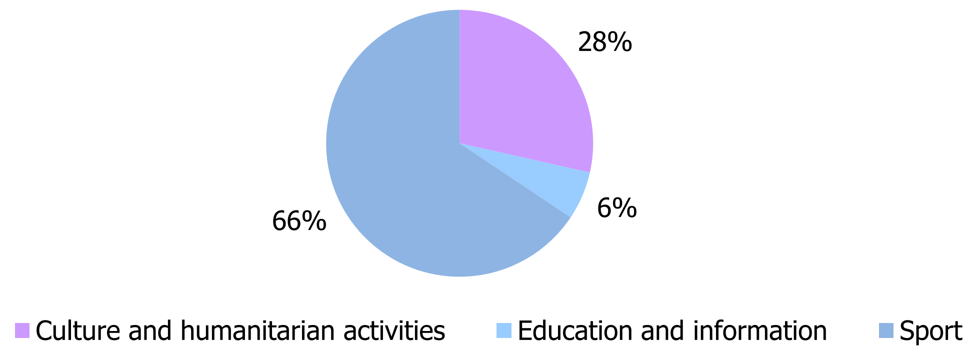
SOCIAL PARTNERSHIP

Social responsibilities

The *Luka Koper Group* has been sharing its commercial success with its broader social milieu for a number of years. As a sponsor and patron, the company has supported the development of sport, culture, public health and education; it has also invested in various humanitarian projects and activities in the field of environment protection. Over the first nine months of 2008, the funds aimed at the aforementioned endeavours increased by 23% on last year's level and totalled 1,031,648 euros.

During this Olympic year, *Luka Koper d.d.* renewed its four-year sponsorship agreement with the *Olympics Committee of Slovenia* and individually supported a number of athletes who participated at the Beijing Games. Further to this, *Luka Koper* has sponsored cultural projects, including the *Primorska Summer Festival* and commissioned works of art which are to be installed in Koper's new Passenger Terminal. The company has also signed a four-year donor agreement with the *Red Cross of Slovenia* to help them with their renovation of their *Youth Health and Holiday Centre* at Debeli Rtič. In addition to all of this, *Luka Koper* constructed of a communal mooring facility at Sveta Katarina bay near the edge of a the port zone, and co-financed the creation of a modern roundabout near the city centre from where the main arterial road leads to the port entrance.

Figure 14: Sponsorships and donations by field



ENVIRONMENT MANAGEMENT

Luka Koper d.d. manages the only port in the Northern Adriatic to operate in compliance with ISO 9001 and ISO 14001 standards, it has also been granted an environmental permit compliant with the EU's SEVESO II directive. The company is committed to running its business in accordance with the basic principles of sustainable development, which encompass environmental accountability, commercial efficiency and responsibility towards both the natural and social milieu in which it operates. By the end of 2008 *Luka Koper* will prepare an environmental statement that will serve as a basis for EMAS certification, the assessment of which shall take place in April 2009.

8th September 2008 witnessed the signing of the Concession Agreement for the provision of port services as well as the management, development and maintenance of the Port of Koper, concluded between the Republic of Slovenia and *Luka Koper d.d.*. In compliance with new responsibilities and requirements in the field of environmental protection, internal reorganisation and the adjustment of services is now underway.

Air quality

Congruent with the environmental protection code of the EU port section, requirements as to the cohabitation of the port and its surroundings, as well as the constant reduction of maximum concentrations of individual elements of dust particles under 10 microns (PM10), the company constantly implements measures for the prevention and reduction of dispersed emissions. The half-year measurements report proves that the statutory limits were not exceeded.

Waste management

The company has introduced a waste management system which involves the separate collection of waste and compostable materials. The plan for the collection of waste from vessels and cargo residues within the Port of Koper was revised in October, and following its confirmation by the Environmental Agency of the Republic of Slovenia at the Ministry of the Environment and Spatial Planning, this revision shall be published on the *Luka Koper* website.

Noise pollution

Measurements of noise levels in the natural and urban environment have been carried out regularly at three locations since 1998. Indeed, *Luka Koper* is the only enterprise in Slovenia to use such modern measurement devices. The average noise level at measurement points to the north and east of the port zone do not exceed the statutory limits, whilst the southern point, adjacent Koper's old town centre, occasionally surpassed the maximum. This can be attributed to construction work just inside the port zone, namely, the demolition of redundant warehousing to make way for the new Passenger Terminal complex.

Energy efficiency

Luka Koper strives to constantly reduce its use of energy through improving the efficiency of its operations. In order to achieve this it stimulates management to identify key measures and indicators that will serve to accomplish these and other objectives. By way of this the company promotes improvement programmes that yield quantifiable results, and it is these that also provide the basis for annual analyses as well as environmental reports.

Maritime protection

Services related to the prevention and elimination of the effects of marine pollution are henceforth provided on the basis of the new Concession Agreement concluded between *Luka Koper d.d.* and the Republic of Slovenia. Inspection and regulation of the marine environment is provided 24 hours a day, 365 days per year. The *Luka Koper Group* has established a Maritime Protection Service and elaborated a response plan in the event of any spillage of hazardous substances at sea.

Professionally qualified personnel and adequate equipment are of key importance in the successful delivery of maritime protection services. The long-term objective is to obtain a concession for the provision of mandatory public utility services in the management of all of Slovenia's coastline and territorial waters.

FINANCIAL STATEMENTS

NON-AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF LUKA KOPER GROUP

Table 7: Non-audited Income Statement of the Luka Koper Group

(in euro)	Jan. - Sept. 2008	Jan. - Sept. 2007	Indices 2008/2007
Operating revenues	**103,374,730**	**89,325,207**	**116**
1. Net sales revenues	100,808,057	87,646,730	115
2. Change in the value of inventories	-	-	-
3. Capitalised own products and services	5,920	1,060	558
4. Other operating revenues	2,560,753	1,677,417	153
Operating expenses	**82,810,556**	**70,160,590**	**118**
5. Costs of goods, material and services	34,844,041	29,460,841	118
6. Labour costs	26,203,952	22,014,846	119
7. Value write-offs	14,346,830	13,829,503	104
8. Other operating expenses	7,415,733	4,855,400	153
Operating profit	**20,564,174**	**19,164,617**	**107**
Financial revenues	**5,420,610**	**13,919,362**	**39**
9. Financial revenues from profit participation	4,158,476	12,869,236	32
10. Financial revenues from loans granted	685,927	726,082	94
11. Financial revenues from operating receivables	576,207	324,044	178
Financial expenses	**4,240,809**	**1,788,224**	**237**
12. Financial expenses from impairments and write-offs of financial investments	-	12,205	-
13. Financial expenses from financial liabilities	3,850,503	1,297,127	297
14. Financial expenses from operating liabilities	390,306	478,892	82
Financing gain	**1,179,801**	**12,131,138**	**10**
Profit from ordinary operations	**21,743,975**	**31,295,755**	**69**
15. Extraordinary revenues	-	-	-
16. Extraordinary expenses	-	43,431	-
Pre-tax profit	**21,743,975**	**31,252,324**	**70**
17. Corporation tax	3,375,482	4,734,751	71
18. Deferred taxes	190,502	161,123	118
Net profit for the period	**18,177,991**	**26,356,450**	**69**
Net profit – majority shareholder	**17,859,110**	**25,866,471**	**69**
Net profit – minority shareholders	**318,881**	**489,979**	**65**
Basic net earnings per share (in euro)	**1.69**	**2.46**	**69**

Table 8: Non-audited Balance Sheet Statement of the Luka Koper Group

ASSETS (in euro)	30.9.2008	31.12.2007	Indices 2008/2007
ASSETS	**522,703,959**	**461,159,397**	**113**
A. long-term assets	**455,131,444**	**421,422,072**	**108**
I. Intangible fixed assets and long-term deferred costs	5,222,974	1,078,021	484
II. Tangible fixed assets	307,906,018	242,250,356	127
III. Real-estate investments	5,644,447	3,732,466	151
IV. Long-term financial investments	135,183,647	172,998,339	78
V. long-term operating receivables	219,265	217,294	101
VI. Deferred tax assets	955,093	1,145,596	83
B. Current assets	**65,627,518**	**39,538,187**	**166**
I. Assets (disposal group)	71,593	103,865	69
II. Inventories	17,804	9,688	184
III. Short-term financial investments	12,676,180	8,624,943	147
IV. Short-term operating receivables	52,084,508	28,544,163	182
V. Short-term corporation tax assets	-	242,635	-
VI. Cash and liquid assets	777,432	2,012,893	39
C. Deferred expenses and accrues revenues	**1,944,997**	**199,138**	**977**
D. Off-balance-sheet assets	**23,310,066**	**14,899,609**	**156**
LIABILITIES (in euro)	**30.9.2008**	**31.12.2007**	**Indices 2008/2007**
EQUITY AND LIABILITIES	**522,703,960**	**461,159,397**	**113**
Equity	**319,490,129**	**340,663,798**	**94**
A. Equity – majority shareholder	**316,030,624**	**337,791,792**	**94**
I. Called-up capital	58,420,965	58,420,965	100
II. Capital reserves	89,562,703	89,562,703	100
III. Legal reserves	18,868,358	18,868,358	100
IV. Other revenue reserves	93,465,894	95,728,958	98
V. Revaluation surplus	12,789,462	44,598,950	29
VI. Retained net profit	25,064,132	13,025,799	192
VII. Net profit for the financial year	17,859,110	17,586,058	102
B. Capital – minority shareholder	**3,459,505**	**2,872,006**	**120**
C. Provisions	**11,253,694**	**11,718,551**	**96**
D. Long-term liabilities	**100,163,779**	**17,926,907**	**559**
I. Long-term financial liabilities	96,800,345	6,622,990	1.462
II. Long-term operating liabilities	166,068	154,180	108
III. Deferred tax liabilities	3,197,365	11,149,737	29
E. Short-term liabilities	**91,374,286**	**90,487,510**	**101**
I. Short-term financial liabilities	49,458,481	52,014,429	95
II. Short-term operating liabilities	40,443,137	38,028,073	106
III. Short-term corporation tax liabilities	1,472,668	445,008	331

F. Accrued expenses and deferred liabilities	**422,072**	**362,631**	**116**
G. Off-balance-sheet liabilities	**23,310,066**	**14,899,609**	**156**

Table 9: Non-audited Cash Flow Statement of the Luka Koper Group

(in euro)	Jan. – Sept. 2008	Jan. – Sept. 2007
Cash flows from operating activities		
a) Net profit	**18,177,991**	**26,356,451**
Pre-tax profit	21,743,975	31,252,325
Corporation taxes and other taxes not included in operating expenses	-3,565,984	-4,895,874
b) Adjustments for:	**13,107,223**	**959,750**
Amortisation (+)	13,625,027	13,133,230
Operating revenue revaluation related to investing and financing items (-)	-162,156	-312,222
Operating expense revaluation related to investing and financing items (+)	274,955	84,000
Financial revenues, less financial revenues from operating receivables (-)	-4,844,403	-13,595,318
Financial expenses, less financial expenses from operating liabilities (+)	4.213.800	1.650.060
b) Changes in net current assets per Balance Sheet items (including accrued expenses/revenues and deferred expenses/revenues, provisions, as well as deferred receivables and tax liabilities)	**-29.734.059**	**11.363.907**
Changes in operating receivables	-23.299.681	-3.471.962
Changes in deferred expenses and accrued revenues	-1.745.859	-322.779
Changes in deferred tax assets	190.502	161.124
Changes in assets (disposal group) held for sale	32.271	25.674
Changes in inventories	-8.116	-2.014
Changes in operating liabilities	3,454,613	5,651,059
Changes in accrued expenses and deferred revenues, and provisions	-405,417	2,816,102
Changes in deferred tax liabilities	-7,952,372	6,506,703
c) Net inflows (outflows) from operating activities (a + b)	**1,551,155**	**38,680,108**
Cash flows from investment activities		
a) Inflows from investments	**16,925,580**	**115,183,072**
Inflows from interest and profit participation related to investments	-217,675	-167,166
Inflows from disposal of intangible fixed assets	0	0
Inflows from disposal of tangible fixed assets	495,604	1,007,075
Inflows from disposal of real-estate investments	0	0
Inflows from disposal of long-term financial investments	6,565,193	28,372,347
Inflows from disposal of short-term financial investments	10,082,458	85,970,816

b) Outflows from investments	**-103,696,157**	**-153,156,962**
Outflows for acquisition of intangible fixed assets	-4,277,798	-321,202
Outflows for acquisition of tangible fixed assets	-79,848,011	-54,143,182
Outflows for acquisition of real-estate investments	-1,910,277	-6,944,199
Outflows for acquisition of long-term financial investments	-4,788,510	-17,840,894
Outflows for acquisition of short-term financial investments	-12,871,561	-73,907,485
c) Net inflows (outflows) from investments activities (a + b)	**-86,770,577**	**-37,973,890**
Cash flows from financing activities		
a) Inflows from financing activities	**264,257,648**	**83,679,365**
Inflows from paid-up capital	0	0
Inflows from increased long-term financial liabilities	110,283,891	63,208,758
Inflows from increased short-term financial liabilities	153,973,757	20,470,607
b) Outflows from financing activities	**-180,273,686**	**-84,038,400**
Outflows for interest payable related to financing	-3,713,164	-740,452
Outflows for capital refunds	0	0
Outflows for payment of long-term financial liabilities	-20,463,989	-58,155,969
Outflows for payment of short-term financial liabilities	-163,883,755	-15,474,067
Outflows for payment of dividends and other profit participation	7,787,222	-9,667,912
c)Net inflows (outflows) from financing activities (a + b)	**83,983,962**	**-359,035**
Closing balance of cash and cash equivalents	**777,433**	**968,715**
Net cash inflow for the period (sum total of net cash Ac, Bc and Cc)	**-1,235,460**	**347,183**
Opening balance of cash and cash equivalents	**2,012,893**	**621,532**

Table 10: Non-audited Statement of Changes in Equity of the Luka Koper Group, January – September 2007

STATEMENT OF CHANGES IN EQUITY (in euro)	Called-up capital	Capital reserves	Legal reserves	Other revenue reserves	Retained net profit	Net profit for the financial year	Fair value reserve	Total
	I/1	II/1	III/1	III/4	IV/1	V/1	VI/2	
Opening balance as of 1st Jan 2007	**58,420,965**	**89,562,703**	**18,864,125**	**82,430,361**	**13,530,245**	**9,945,614**	**20,188,925**	**292,942,938**
Transfer to equity	**0**	**0**	**0**	**0**	**9,945,614**	**15,920,857**	**21,783,308**	**47,649,779**
Net profit for the financial year						25,866,471		25,866,471
Change in the fair value of available-for-sale financial investments					9,945,614	-9,945,614	21,783,308	21,783,308
Transfer within equity	**0**	**0**	**0**	**10,432,315**	**-10,786,412**	**0**	**0**	**-354,097**
Formation of other revenue reserves upon the resolution of Management and Supervisory Boards								0
Transfer to other revenue reserves upon the resolution of General Assembly				10,432,315	-10,432,315			0
Transfer of the net profit for the previous year to retained net profit					-354,097			354,097
Transfer from equity	**0**	**0**	**0**	**-9,667,912**	**0**	**0**	**0**	**-9,667,912**
Distribution of dividends				-9,667,912				
Balance as of 30th September 2007	**58,420,965**	**89,562,703**	**18,864,125**	**83,194,764**	**12,689,447**	**25,866,471**	**41,972,233**	**330,570,708**
Capital – minority shareholders								
Balance as of 30th September 2007	**49,795**	**25,651**	**4,979**	**1,087,560**	**776,272**	**489,979**	**0**	**2,434,236**
Capital – total	**58,470,760**	**89,588,354**	**18,869,104**	**84,282,324**	**13,465,719**	**26,356,450**	**41,972,233**	**333,004,944**

Table 11: Non-audited Statement of Changes in Equity of the Luka Koper Group, January – September 2008

STATEMENT OF CHANGES IN EQUITY (in euro)	Called-up capital	Capital reserves	Legal reserves	Other revenue reserves	Retained net profit	Net profit for the financial year	Fair value reserve	Total
	I/1	II/1	III/1	III/4	IV/1	V/1	VI/2	
Opening balance as of 1st Jan 2008	**58,420,965**	**89,562,703**	**18,868,358**	**95,728,958**	**13,025,799**	**17,586,058**	**44,598,949**	**337,791,792**
Transfer to equity	**0**	**0**	**0**	**0**	**0**	**17,859,110**	**-31,809,488**	**-13,950,378**
Net profit for the financial year						17,859,110		17,859,110
Change in the fair value of available-for-sale financial investments							-31,809,488	-31,809,488
Transfer within equity	**0**	**0**	**0**	**-2,263,064**	**12,038,333**	**-17,586,058**	**0**	**-7,810,789**
Formation of other revenue reserves upon the resolution of Management and Supervisory Boards								0
Transfer to other revenue reserves upon the resolution of General Assembly				-7,472,274	-5,547,725			-13,019,999
Transfer of the net profit for the previous year to retained net profit				5,209,210	17,586,058	-17,586,058		5,209,210
Transfer from equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Distribution of dividends								
Balance as of 30th September 2008	**58,420,965**	**89,562,703**	**18,868,358**	**93,465,894**	**25,064,132**	**17,859,110**	**12,789,462**	**316,030,625**
Capital – minority shareholders								
Balance as of 30th September 2008	**824,898,40**	**25,651**	**4,979**	**1,763,831**	**521,263**	**318,881**	**0**	**3,459,505**
Capital – total	**59,245,863**	**89,588,354**	**18,873,338**	**95,229,726**	**25,585,395**	**18,177,991**	**12,789,462**	**319,490,130**

NOTES TO THE LUKA KOPER GROUP FINANCIAL STATEMENTS

The financial statements of the *Luka Koper Group* for January to September 2008 – i.e. as at 30th September 2008 – encompass the financial statements of the parent company, *Luka Koper d.d.*, as well as its subsidiary enterprises, together with the attributable profits, or losses, of associated and jointly-controlled companies.

The *Luka Koper Group*'s financial statements as of 30th September 2008, prepared in accordance with the same accounting policies as were applicable in fiscal 2007, have not been independently audited.

Statement of compliance

These financial statements have been prepared in accordance with the Companies Act RS and International Financing Reporting Standards (IFRS) as adopted by the EU.

Basis of the preparation of financial statements

The financial statements are presented in euros (EUR), rounded to the nearest unit. By way of consolidation, the *Luka Koper Group* wants to provide the broadest sphere of users pertinent information on the finances, performance and changes in the *Group*'s financial standing between January and September 2008, in comparison with data for the previous period.

Fair value has been used and disclosed in relation to available-for-sale financial assets and real-estate investments, whilst all other financial statement items have been presented either at cost or amortised cost.

Additional notes to financial statements

Between January and September 2008, the *Luka Koper Group* generated € 103,374,730 in **operating revenues**, which is a 16% increase on the same period last year. The majority of revenues (68%) were generated on foreign markets.

Other operating revenues in the amount of € 2,560,753 are 53% ahead of the same period last year. The major portion of other operating revenues can be attributed to rewards for early landing and loading of vessels, which recorded a 32% year-on increase.

Costs of goods, material and services account for 34% of revenues, which is 0.8 of a percentage point ahead the same period last year. An increase has also been recorded in material costs on last year's level, in particular due to energy costs. Service costs, which account for the major portion of this cost category (78%), recorded a three percentage point fall on last year.

Labour costs amount to the equivalent of 25% of revenues, which is a 0.7 percentage point rise on the same period last year. This increase can mainly be attributed to the expansion of the labour force, salary increases as a consequence of inflation during 2007, and an increase in the point value afforded employees in compliance with the new Collective Agreement.

As of 30th September 2008, the number of employees amounted to 1,098, which is a 3% rise on 30th September 2007 (1,064).

The intensive investment activity is not reflected in **value write-offs** between January and September 2008, due to the fact that the major portion of the highest value investments are still underway, whereas the real-estate investments are not amortised.

Between January and September 2008, the company generated **financial revenues** in the amount of € 5,420,610, namely, 39% of financial revenues during the same period last year. In evaluating the performance it should be taken in consideration that through selling its holding in *Banka Koper* in April 2007, *Luka Koper d.d.* generated a one-off windfall of € 5,223,769, while attributable profit from associated companies, calculated in accordance with the equity method, amounted to € 5,069,572.

Financial liabilities, in the amount of € 3,850,504, account for the major portion of **financial expenses**. The increase in financial liabilities – 197% ahead of the same period last year – can be attributed to interest on loans raised by the parent company in order to finance the anticipated volume of investments.

Net profit of the *Group* amounts to € 18,177,991, thus representing 69% of that generated in the same period last year. When comparing the year-on data, the disposal of the holding in *Banka Koper* in April 2007 - which generated a one-off profit in the amount of € 5,223,769 - as well as participation in the profit of associated companies by way of the equity method - amounting to € 5,069,572 - should be taken into consideration. If windfall profits and equity participations are excluded, net profit for January to September 2008 would be 3% ahead of that recorded for the equivalent period in 2007.

Additional notes to the Balance Sheet Statement

As of 30th September 2008, the *Luka Koper Group*'s **balance sheet total** amounted to € 522,703,959, which is a 13% rise on the level recorded at the close of 2007.

Compared to 31st December 2007, **long-term assets** increased by 8%, and **current assets** by 66%.

The value of **tangible fixed assets accounts** for 59% of total assets, and their portion increased by 6.4 percentage points from the close of 2007. This can be attributed to intensive infrastructure investments together with an operational expansion into the port's European hinterland. The largest increase in value is recorded as regards tangible fixed assets under acquisition (up by 86%) as a result of investment projects underway.

As of 30th September 2008, **long-term financial investments** of the *Group* amounted to € 135,183,647. The major portion of long-term financial investments is composed, in particular, of *Luka Koper d.d.* investments in subsidiary enterprises, associated and jointly-controlled companies, as well as other investments in securities together with interests in other companies.

The value of long-term financial investments is lower than at the end of 2007, which is the result of a withdrawal from some investments as well as downward movements on the stock market. This is also reflected in the decrease of the revaluation surplus item (for long-term investments stated at their fair value in the equity grouping) in Balance Sheet liabilities.

The disclosed increase in **short-term operating receivables**, which recorded a 82% rise on the 31st December 2007 level, can be attributed to the increase in advances provided for tangible fixed assets in the parent company.

Total *Luka Koper Group* **equity** equals the sum of majority and minority shareholders capital. As at 30th September 2008 it amounts to € 319,490,129, and accounts for 61% of equity and liabilities, a 12.7 percentage points decrease on the level recorded at the end of 2007. The nominal decrease in equity is, in particular, related to the revaluation surplus.

The revaluation surplus is formed quarterly on the basis of changes in the market value of financial assets. Equity, in the form of shares listed on securities markets, are stated at their fair value. On the basis of losses in value recorded over the reporting period, the revaluation surplus accordingly amounts to 29% of the value disclosed as at 31st December 2007.

The major portion of **long-term financial liabilities** can be attributed to the parent company, *Luka Koper d.d.*. Their increase is the result of the company's intensive investment cycle, which balances the financing of its new infrastructure investments through the raising of bank loans.

Between January and September 2008, **short-term liabilities** were similar to the last day of the previous comparable period. Compared to the end of 2007, short-term operating liabilities increased by € 2,415,064, which can be attributed to increased liabilities to fixed assets suppliers.

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

Table 12: Non-audited Income Statement of Luka Koper d.d.

(in euro)	Jan. - Sept. 2008	Jan. - Sept. 2007	Indices 2008/2007
Operating revenues	**92,849,321**	**81,922,945**	**113**
1. Net sales revenues	90,923,650	80,740,712	113
2. Change in the value of inventories	-	-	-
3. Capitalised own products and services	-	-	-
4. Other operating revenues	1,925,671	1,182,233	163
Operating expenses	**75,022,814**	**65,175,998**	**115**
5. Costs of goods, material and services	33,637,714	29,937,840	112
6. Labour costs	21,015,668	17,831,276	118
7. Value write-offs	12,977,096	12,673,285	102
8. Other operating expenses	7,392,336	4,733,598	156
Operating profit	**17,826,507**	**16,746,947**	**106**
Financial revenues	**5,747,057**	**8,830,700**	**65**
9. Financial revenues from profit participation	4,737,417	7,832,324	60
10. Financial revenues from loans granted	455,067	679,261	67
11. Financial revenues from operating receivables	554,574	319,115	174
Financial expenses	**4,362,593**	**1,802,746**	**242**
12. Financial expenses from impairments and write-offs of financial investments	-	5,978	-
13. Financial expenses from financial liabilities	3,985,590	1,324,726	301
14. Financial expenses from operating liabilities	377,003	472,042	80
Financing gain	**1,384,464**	**7,027,954**	**20**
Profit from ordinary operations	**19,210,971**	**23,774,901**	**81**
15. Extraordinary revenues	-	-	-
16. Extraordinary expenses	-	43,431	-
Pre-tax profit	**19,210,971**	**23,731,470**	**81**
17. Corporation tax	2,881,646	4,272,000	67
18. Deferred tax	169,868	137,181	124
Net profit for the period	**16,159,457**	**19,322,288**	**84**
Basic net earnings per share (in euro)	**1.54**	**1.84**	**84**

Table 13: Non-audited Balance Sheet Statement of Luka Koper d.d.

ASSETS (in euro)	30.9.2008	31.12.2007	Indices 2008/2007
ASSETS	**495,724,365**	**434,312,786**	**114**
A. Long-term assets	**438,678,424**	**405,307,103**	**108**
I. Intangible fixed assets and long-term deferred costs	5,222,699	1,077,540	485
II. Tangible fixed assets	280,299,526	217,180,278	129
III. Real-estate investments	16,165,519	14,254,814	113
IV. Long-term financial investments	136,045,929	171,681,824	79
V. Long-term operating receivables	219,265	217,293	101
VI. Deferred tax assets	725,485	895,354	81
B. Current assets	**55,558,691**	**28,848,131**	**193**
I. Assets (disposal group)	71,593	103,865	69
II. Short-term financial investments	5,550,082	43,006	12.905
III. Short-term operating receivables	49,668,826	27,194,812	183
IV. Short-term corporation tax assets	-	207,859	-
V. Cash and liquid assets	268,190	1,298,589	21
C. Deferred expenses and accrued revenues	**1,487,250**	**157,552**	**944**
D. Off-balance-sheet assets	**17,539,666**	**17,539,666**	**100**
LIABILITIES (in euro)	**30.9.2008**	**31.12.2007**	**Indices 2008/2007**
EQUITY AND LIABILITIES	**495,724,365**	**434,312,786**	**114**
A. Equity	**301,697,789**	**325,158,610**	**93**
I. Called-up capital	58,420,965	58,420,965	100
II. Capital reserves	89,562,703	89,562,703	100
III. Other revenue reserves	112,231,008	114,494,073	98
IV. Revaluation surplus	12,789,462	44,598,950	29
V. Retained net profit	12,534,194	5,547,725	226
VI. Net profit for the financial year	16,159,457	12,534,194	129
B. Provisions	**3,363,091**	**4,160,511**	**81**
C. Long-term liabilities	**99,711,845**	**17,481,844**	**570**
I. Long-term financial liabilities	96,442,893	6,265,538	1,539
II. Long-term operating liabilities	71,586	66,569	108
III. Deferred tax liabilities	3,197,365	11,149,737	29
Č. Short-term liabilities	**90,541,091**	**87,172,026**	**104**
I. Short-term financial liabilities	57,713,018	56,514,874	102
II. Short-term operating liabilities	32,828,073	30,657,152	107
D. Accrued expenses and deferred revenues	**410,548**	**339,795**	**121**
E. Off-balance-sheet liabilities	**17,539,666**	**17,539,666**	**100**

Table 14: Non-audited Cash Flow Statement of Luka Koper d.d.

(in euro)	Jan. – Sept. 2008	Jan. – Sept. 2007
Cash flows from operating activities		
a) Net profit	**16,159,457**	**19,021,836**
Pre-tax profit	19,210,971	23,430,918
Corporation taxes and other taxes not included in operating expenses	-3,051,514	-4,409,082
b) Adjustments for	**11,686,651**	**5,213,464**
Amortisation (+)	12,618,589	12,317,740
Operating revenue revaluation related to investing and financing items (-)	0	0
Operating expense revaluation related to investing and financing items (+)	274,955	84,000
Financial revenues, less financial revenues from operating receivables (-)	-5,192,484	-8,517,244
Financial expenses, less financial expenses from operating liabilities (+)	3,985,591	1,328,968
b) Changes in net current assets per Balance Sheet items (including accrued expenses/revenues and deferred expenses/revenues, provisions as well as deferred receivables and tax liabilities)	**-29,898,785**	**10,913,428**
Changes in operating receivables	-22,268,127	-3,459,843
Changes in deferred expenses and accrued revenues	-1,329,698	-230,217
Changes in deferred tax assets	169,868	137,181
Changes in assets (disposal group) held for sale	32,271	25,674
Changes in inventories	0	0
Changes in operating liabilities	2,175,939	5,639,676
Changes in accrued expenses and deferred revenues, and provisions	-726,667	2,294,254
Changes in deferred tax liabilities	-7,952,371	6,506,703
c) Net inflows (outflows) from operating activities (a + b)	**-2,052,677**	**35,148,728**
Cash flows from investment activities		
a) Inflows from investments	**18,558,042**	**18,059,539**
Inflows from interest and profit participation related to investments	0	2,742,908
Inflows from disposal of intangible fixed assets	332,910	0
Inflows from disposal of tangible fixed assets	0	0
Inflows from disposal of real-estate investments	0	0
Inflows from disposal of long-term financial investments	7,415,940	7,956,735
Inflows from disposal of short-term financial investments	10,809,192	7,359,896
b) Outflows from investments	**-104,925,674**	**-59,096,427**
Outflows for acquisition of intangible fixed assets	-4,145,159	-321,202
Outflows for acquisition of tangible fixed assets	-76,345,702	-51,831,027

Outflows for acquisition of real-estate investments	-1,910,705	-6,944,198
Outflows for acquisition of long-term financial investments	-6,662,907	0
Outflows for acquisition of short-term financial investments	-15,861,201	0
c) Net inflows (outflows) from investment activities (a + b)	**-86,367,632**	**-41,036,888**
Cash flows from financing activities		
a) Inflows from financing activities	**267,632,334**	**16,392,756**
Inflows from paid-up capital	0	0
Inflows from increased long-term financial liabilities	110,283,891	6,400,260
Inflows from increased short-term financial liabilities	157,348,443	9,992,496
b) Outflows from financing activities	**-180,242,424**	**-10,334,584**
Outflows for interest payable related to financing	-3,985,590	-666,672
Outflows for capital refunds	0	0
Outflows for payment of long-term financial liabilities	-20,106,536	0
Outflows for payment of short-term financial liabilities	-163,937,520	0
Outflows for payment of dividends and other profit participation	7,787,222	-9,667,912
C)Net inflows (outflows) from financing activities (a + b)	**87,389,910**	**6,058,172**
Closing balance of cash and cash equivalents	**268,190**	**485,801**
Net cash inflow (outflow) for the period (sum total of net cash Ac, Bc and Cc)	**-1,030,399**	**170,012**
Opening balance of cash and cash equivalents	**1,298,589**	**315,789**

Table 15: Non-audited Statement of Changes in Equity of Luka Koper d,d,, January – September 2007

STATEMENT OF CHANGES IN EQUITY (in euro)	Called-up capital	Capital reserves	Legal reserves	Other revenues reserves	Retained net profit	Net profit for the financial year	Fair value reserve	Total
	I/1	II/1	III/1	III/4	IV/1	V/1	VI/2	
Opening balance as of 1st Jan 2007	**58,420,965**	**89,562,703**	**18,765,115**	**82,430,361**	**6,003,453**	**9,976,587**	**20,188,925**	**285,348,109**
Transfer to equity	**0**	**0**	**0**	**0**	**0**	**19,322,288**	**21,783,308**	**41,105,596**
Net profit for the financial year						19,322,288		19,322,288
Change in the fair value of available-for-sale financial investments							21,783,308	21,783,308
Transfer within equity	**0**	**0**	**0**	**10,432,315**	**-455,728**	**-9,976,587**	**0**	**0**
Formation of other revenue reserves upon the resolution of Management and Supervisory Boards								
Transfer to other revenues reserves upon the resolution of General Assembly				10,432,315	-455,728	-9,976,587		
Transfer of the net profit for the previous year to retained net profit								
Transfer from equity	**0**	**0**	**0**	**-9,667,912**	**0**	**0**	**0**	**-9,667,912**
Distribution of dividends				-9,667,912				-9,667,912
Balance as of 30th September 2007	**58,420,965**	**89,562,703**	**18,765,115**	**83,194,764**	**5,547,725**	**19,322,288**	**41,972,233**	**316,785,793**

Table 16: Non-audited Statement of Changes in Equity of Luka Koper d,d,, January – September 2008

STATEMENT OF CHANGES IN EQUITY (in euro)	**Called-up capital**	**Capital reserves**	**Legal reserves**	**Other revenue reserves**	**Retained net profit**	**Net profit for the financial year**	**Fair value reserve**	**Total**
	I/1	**II/1**	**III/1**	**III/4**	**IV/1**	**V/1**	**VI/2**	
Opening balance as of 1st Jan 2008	**58,420,965**	**89,562,703**	**18,765,115**	**95,728,958**	**5,547,725**	**12,534,194**	**44,598,950**	**325,158,610**
Transfer to equity	**0**	**0**	**0**	**0**	**0**	**16,159,457**	**-31,809,488**	**-15,650,031**
Net profit for the financial year						16,159,457		16,159,457
Change in the fair value of available-for-sale financial investments							-31,809,488	-31,809,488
Transfer within equity	**0**	**0**	**0**	**-2,263,064**	**6,986,469**	**-12,534,194**	**0**	**-7,810,789**
Formation of other revenue reserves upon the resolution of Management and Supervisory Boards								
Transfer to other revenues reserves upon the resolution of General Assembly				-7,472,274	-5,547,725			-13,019,999
Transfer of the net profit for the previous year to retained net profit				5,209,210	12,534,194	-12,534,194		5,209,210
Transfer from equity	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
Distribution of dividends								
Balance as of 30th September 2008	**58,420,965**	**89,562,703**	**18,765,115**	**93,465,894**	**12,534,194**	**16,159,457**	**12,789,462**	**301,697,790**

NOTES TO THE FINANCIAL STATEMENTS OF LUKA KOPER D,D,

Luka Koper d.d., a port and logistics system operator based in Koper. Republic of Slovenia. is the parent company of the *Luka Koper Group*. These financial statements are prepared for January to September 2008 period, and accordingly represent the business as at 30th September 2008.

Luka Koper d.d.'s financial statements as of 30th September 2008, prepared in accordance with the same accounting policies as were applicable in fiscal 2007, are not independently audited.

Statement of compliance

These financial statements have been prepared in accordance with the Companies Act RS and International Financing Reporting Standards (IFRS) as adopted by the EU.

Basis of the preparation of financial statements

The statements have been presented in euros (EUR), rounded to the nearest unit, Through them, *Luka Koper d.d.* wishes to provide the broadest spectrum of users pertinent information on the finances, performance and changes in financial standing of the company between January and September 2008, as well as provide a comparison with data for the comparable period in 2007.

Fair value has been used and disclosed in relation to available-for-sale financial assets and real-estate investments, whilst all other financial statement items have been presented either at cost or amortised cost.

Additional notes to financial statements

Between January and September 2008. *Luka Koper d.d.* generated € 92,849,321 in **operating revenues.** which is 13% ahead of the same period last year. The major portion of revenues (71%) was generated on foreign markets.

Other operating revenues. in the amount of € 1,925,671, recorded a 63% rise on the equivalent period in 2007. The major portion of other operating revenues can be attributed to rewards for early landing and loading of vessels, which recorded a year-on increase of 32%,

Costs of goods, material and services account for 36% of revenues, which is 0,3 of a percentage point ahead of the same period last year. The major portion of this cost category can be attributed to service costs, which account for 81% of total. The increase in service costs was related to the port services of contractual providers, and was a consequence of increased throughput volume together with a shortage of storage capacities.

Labour costs recorded an 18% year-on increase. They amount to the equivalent of 22,6% of revenues, which is a 0,9 percentage point rise on the same period last year, This increase can mainly be attributed to the expansion of the workforce, salary increases as an effect of inflation during 2007, together with the increased point value attributable to employees in compliance with the terms of the new Collective Agreement.

As of 30th September 2008, *Luka Koper d.d.* employed 783 workers, an increase of 20 on the number recorded on 30th September 2007.

The intensive investment activity has yet to be reflected in **value write-offs**, due to the fact that the major portion of the highest value investments were still underway during the accounting period; at the same time, real-estate investments have not been amortised.

Between January and September 2008, the company generated **financial revenues** in the amount of € 5,747,057. In any evaluation of performance in relation to consideration of the € 8,830,700 of financial revenues accrued in the equivalent period in 2007, the one-off windfall of € 5,223,769, generated by the April 2007 sale of *Luka Koper*'s holding in *Banka Koper* should be taken in consideration.

Financial liabilities, in the amount of € 3,985,590, account for 91% of **financial expenses**. The increase in financial liabilities – 201% ahead of the same period last year – can be attributed to interest on loans raised by the parent company in order to finance the large volume of infrastructure investments.

Net profit for the period amounted to € 16,159,457, and represents 84% of that generated during the same period last year. When comparing the year-on data, the disposal of the holding in *Banka Koper* in April 2007 - which generated a one-off profit in the amount of € 5,223,769 - as well as participation in the profit of associated companies by way of the equity method - amounting to € 5,069,572 - should be taken into consideration. If such windfalls and participations are excluded, net profit for January to September 2008 would be 6% ahead of those recorded in the first nine months of 2007.

A 15% tax calculation rate was used in the evaluation of corporation tax, contrary to the 18% rate employed for the same period in 2007.

Additional notes to the Balance Sheet statement

As of 30th September 2008, *Luka Koper d.d.*'s **balance sheet total** amounted to € 495,724,365 - a 14% increase on 31st December 2007.

Long-term assets were up by 8%, and **current assets** increased by 93% on the levels recorded at 31st December 2007.

The value of **tangible fixed assets** accounts for 57% of total assets, and their portion increased by 7 percentage points on 31st December 2007 level. The increase in the value of fixed assets can be attributed to intensive infrastructure investments aimed at the expansion of facilities, as well as operational expansion into the continental hinterland. The largest increase in value is recorded as regards tangible fixed assets under acquisition (up by 85%), this as a result of investment projects underway.

Long-term financial investments, the value of which decreased by € 35,635,895 from the level recorded on 31st December 2007, account for 27% of total assets. Their 21% decline over the accounting period is attributable to a withdrawal from investments as well as downward movements in share value on securities markets, This is also reflected in the decrease of the revaluation surplus item in Balance Sheet liabilities.

The disclosed increase in **short-term operating receivables**, which recorded a 83% rise on the 31st December 2007 level, can be attributed to the increase in advances provided for tangible fixed assets.

As of 30th September 2008, *Luka Koper d,d,* **equity** amounts to € 301,697,789 and accounts for 61% of equity and liabilities, Its portion decreased by 14 percentage points in comparison with the 31st December 2007 level, a nominal fall which for the most part pertains to the revaluation surplus item.

Long-term financial liabilities include long-term loans raised with banks, and account for 97% of all *Luka Koper d,d,*'s long-term liabilities. The increase in long-term financial liabilities is the result of the company's intensive investment cycle, which balances the financing of its new infrastructure investments through the raising of bank loans.

Short-term liabilities from operations increased by 4% between January and September 2008. This 7% rise on last year is mainly due to the increase in liabilities to suppliers of fixed assets pertaining to the company's intensive infrastructure investments, together with the extension of payment terms to suppliers.