

**LUKA KOPER D.D. BUSINESS REPORT
JANUARY - SEPTEMBER 2006**

<u>BUSINESS PERFORMANCE OF LUKA KOPER D.D.</u>	<u>2</u>
KEY INDICATORS	2
CHANGES IN OWNERSHIP STRUCTURE AND SHARE VALUE	3
SHARES HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS	5
BUSINESS REPORT	6
FINANCING ACTIVITIES.....	8
PROFITS AND CORPORATION TAX.....	9
ASSETS AND FINANCING ACTIVITIES	9
FINANCIAL REPORT	11
<u>BUSINESS PERFORMANCE OF SUBSIDIARY ENTERPRISES</u>	<u>28</u>

BUSINESS PERFORMANCE OF LUKA KOPER d.d.

KEY INDICATORS

Table 1. Income Statement Indicators

	January - September 2006	January - September 2005	Indices 2006 / 2005
Operating efficiency	1.24	1.26	99
Overall efficiency	1.28	1.33	97
Per-capita added value (in millions of tolar)	13.869	12.232	113

Overall efficiency is calculated as the ratio between total revenues and total expenses. Values in excess of 1.0 indicate the intensity of income generation. Operating efficiency is a narrower measure of business performance, encompassing operating revenues and costs.

Table 2. Balance Sheet Indicators

	30 th September 2006	30 th September 2005	Indices 2006 / 2005
Equity-financing rate	0.84	0.82	102
Long-term financing rate	0.95	0.91	104
Operating fixed assets to assets rate	0.44	0.48	92
Long-term assets rate	0.88	0.84	104
Equity to operating fixed assets	1.90	1.71	111
Acid test ratio	1.38	1.31	105
Quick ratio	2.77	1.97	141
Current ratio	2.78	1.97	141
Percentage return on equity *	8.08	6.64	122

* Return on equity is the ratio between net profit and the average balance of equity, calculated at the annual level for better indication. In calculating the denominator, the revaluation surplus item – which is itself the result of the valuation of capital investments listed in the disposable for sale at fair value grouping – has been excluded from the total portions of equity.

The equity-financing rate reveals the high participation of equity in total assets.

The long-term financing rate, a measure of the ability of capital to cover long-term liabilities, was also very healthy as of 30th September 2006. The rate increase is the result of higher long-term

financial liabilities and balance of capital. The operating fixed assets to assets ratio discloses the proportion of fixed assets in the company's total assets. The year-on proportion of fixed assets to total assets fell by 8%.

The long-term assets rate is the proportion of fixed assets, long-term financial investments, operating receivables, real-estate investments and long-term deferred costs in relation to total assets. This indicator reveals that most assets are long-term ones. The equity to operating fixed assets indicator is above 1, which means that as of 30th September 2006, all fixed assets were financed by equity capital.

Due to the decrease in short-term liabilities as of 30th September 2006, the current ratios were up on those at 30th September 2005.

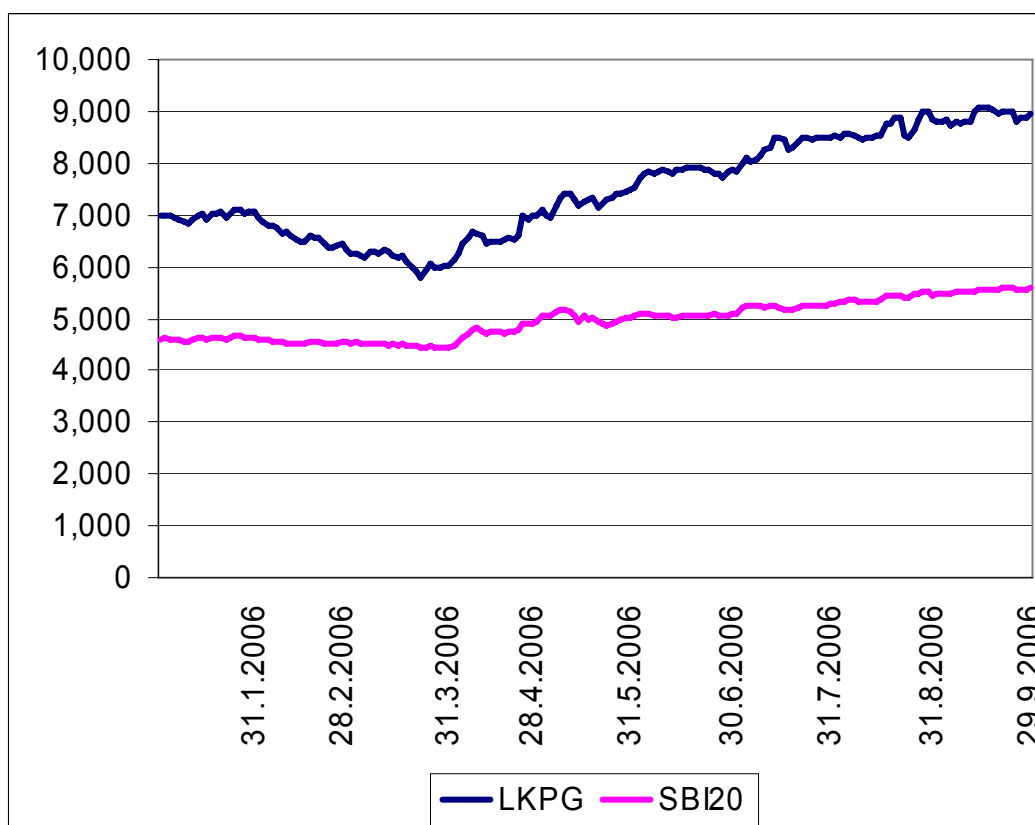
CHANGES IN OWNERSHIP STRUCTURE AND SHARE VALUE

The company's share capital consists of 14,000,000 shares, 7,140,000 of which are ordinary registered shares traded on the Ljubljana Stock Exchange, while the remaining 6,860,000 are participating preference shares with limited voting rights, and they are in the full ownership of the Republic of Slovenia. The ticker symbol for *Luka Koper d.d.*'s share, listed on the Ljubljana Stock Exchange (LJSE) since 20th November 1996, is *LKPG*.

Between 1st January 2006 and 30th September 2006 the owners of 491,506 shares - i.e. 6.88% of total ordinary shares listed - changed.

As of 29th September 2006, *LKPG* shares were trading at 8,943.53 Slovene tolar.

Graph 1. Price movements in the *Luka Koper d.d.* share between January and September 2006, in comparison with the main LJSE SBI 20 index (in Slovene tolar)



The book value of a share as of 30th September 2006, calculated from the monthly balance of capital and the total number of shares, amounted to 4,543.84 Slovene tolar. The capital balance does not include net profit for the current year, a portion of which is anticipated to be distributed to shareholders.

As of 30th September 2006, net earnings per share, calculated as the ratio between net profit for the accounting period and the number of ordinary shares, amounted to 460.86 Slovene tolar per ordinary share. Taking into account the total number of shares, net earnings per share totalled 235.04 Slovene tolar.

In February 2006, the Municipality of Koper disposed of a 3.3% stake (461,538 *Luka Koper* shares) to *Slovenska Odškodninska Družba* (SOD). This transaction affected the ownership structure of *Luka Koper*, by way of which Koper Municipality now holds 3.33% of the company and *Slovenska Odškodninska Družba* 11.13%. With its 51-percent stake, the state remains the majority shareholder.

Table 3. Ownership Structure as of 30th September 2006

Shareholder	31 st December 2005		30 th September 2006	
	No. of shares	Percentage stake	No. of shares	Percentage stake
Republic of Slovenia	7,140,000	51.0%	7,140,000	51.0%
Private individuals	1,889,728	13.5%	1,866,093	13.3%
Slovenian Restitution Fund	1,096,319	7.8%	1,557,857	11.1%
Mutual and pension funds	1,267,259	9.1%	1,285,939	9.2%
Koper Municipality	928,480	6.6%	466,942	3.3%
Other corporate entities	641,534	4.6%	696,108	4.9%
Capital Fund *	742,713	5.3%	734,783	5.2%
Banks	211,809	1.5%	168,953	1.2%
Foreign corporate entities	49,597	0.4%	51,901	0.4%
Brokerage companies	25,550	0.2%	7,414	0.1%
Foreign banks	7,011	0.1%	24,010	0.2%
	14,000,000	100.0%	14,000,000	100.0%

* Capital Fund encompasses *Kapitalska Družba d.d.* and other company funds.

SHARES HELD BY MEMBERS OF THE MANAGEMENT AND SUPERVISORY BOARDS

As of 30th September 2006, the following members of the Supervisory Board held shares in the company:

- Tatjana Jazbec 35 shares
- Robert Jerman 704 shares
- Metod Mezek 150 shares
- Alverino Pavletič 3,167 shares
- Marko Starman 140 shares
- Marko Valentinčič 100 shares

The remaining members of the Supervisory Board owned no stock in *Luka Koper d.d.*

As of 30th September 2006, the Management Board member Mr Marjan Babič held 928 *Luka Koper d.d.* shares, and Board member Mr Pavle Krumenaker 3,328. Neither the Board President nor Deputy President held shares in the company.

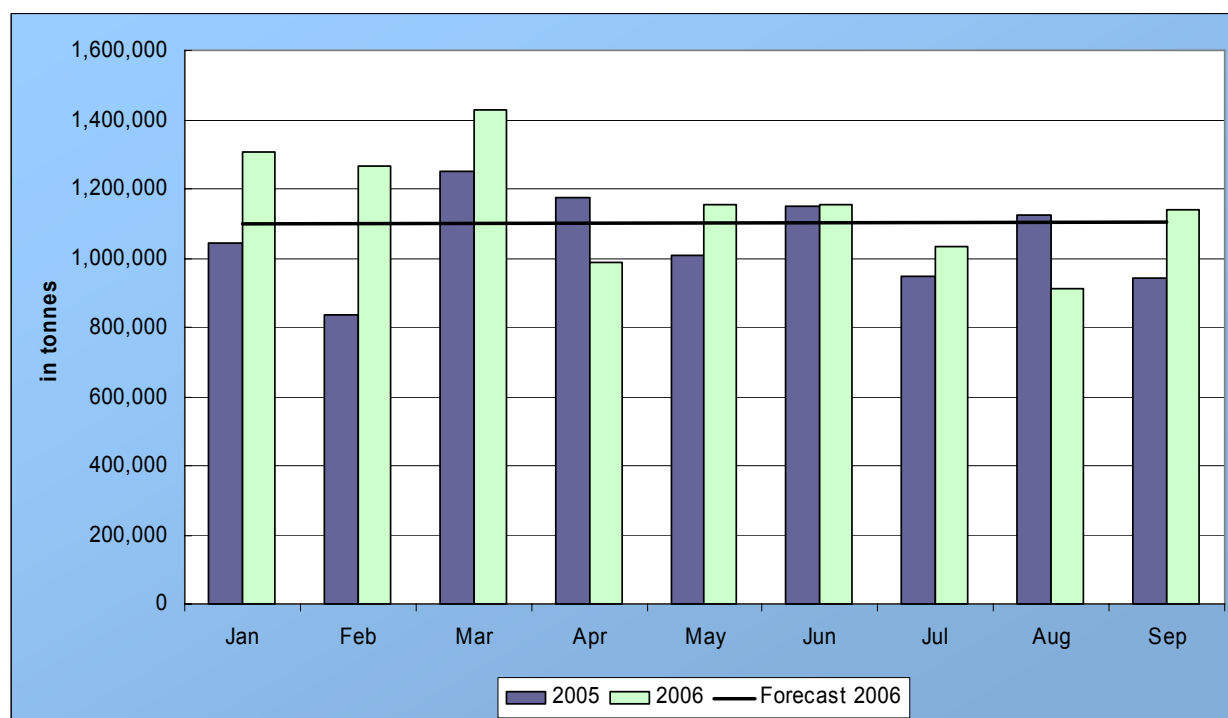
CHANGES TO THE *LUKA KOPER* MANAGEMENT BOARD

Based on a unanimous proposal by the Management Board, the Supervisory Board approved at its 12th regular session a resolution on the appointment of Mr Aldo Babič, hitherto member of the Board, as Deputy President of the Management Board, with Mr Marjan Babič stepping down from that position but remaining on the Board, as of 6th June 2006. The Management Board decided upon this action due to the significance of the fields covered by the aforementioned members, as well as to strengthen the role of marketing in particular foreign markets.

BUSINESS REPORT

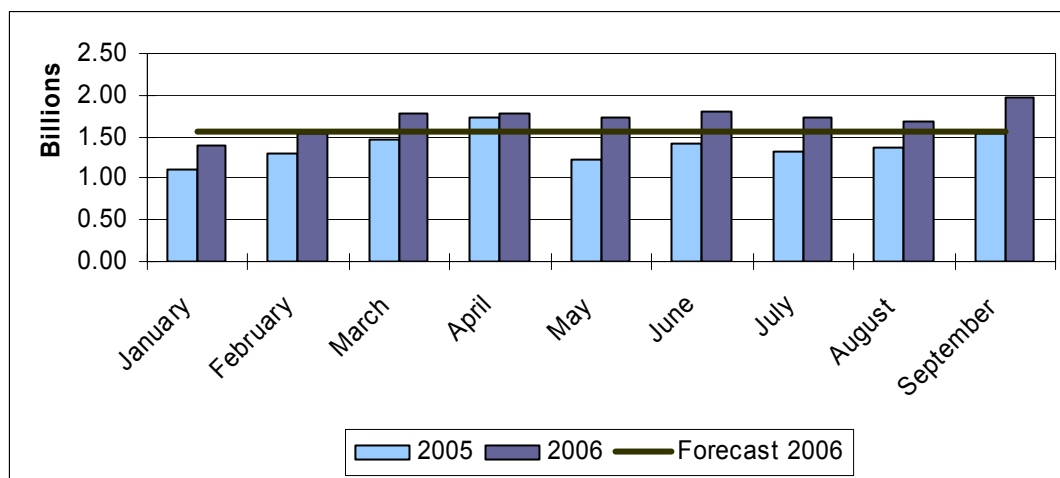
In the first nine months of 2006, the maritime throughput of *Luka Koper d.d.* totalled 10.4 million tonnes, which is 5.2% ahead of expectations, and 9% up on the same period last year.

Graph 2. Maritime throughput between January and September 2006 (in tonnes)



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
2005	1,041,605	833,993	1,249,766	1,173,653	1,005,674	1,150,313	946,414	1,123,236	943,003
2006	1,304,882	1,267,062	1,429,535	987,521	1,155,186	1,155,888	1,034,413	911,053	1,138,033
Forecast 2006	1,095,350	1,095,350	1,095,350	1,095,350	1,095,350	1,095,350	1,095,350	1,095,350	1,095,350

During the first nine months of 2006 *Luka Koper d.d.* generated 17.3 billion tolar in operating revenues, which was 11% ahead of expectations and 15% up on the same period last year.

Graph 3. *Luka Koper d.d.* Operating Revenues in 2005 and 2006 (in billions of tolar)

Total operating costs amounted to 14 billion tolar, which was 8% ahead of expectations and a 14% increase on the same period last year.

Material costs were 6% ahead of forecast, while the 15% year-on rise can mainly be attributed to increased fuel and electricity costs. In addition to the augmented volume of throughput, the rise in fuel costs was also affected by oil and fuel price increases.

Service costs growth occurred primarily as a result of rises in maintenance and transport service costs resulting from an increase in the volume of logistics operations. The increased cost of subcontracting work may be attributed to the higher prices being charged by service providers, as well as volumes of work related to freight handling as a result of changes in the structure of cargo throughput.

Depreciation remains at the level of the equivalent period last year, and amounts to 2,269 million tolar.

This year, separate calculation of the depreciation of real-estate investments - i.e. real estate which is rented out - has been introduced. Total depreciation in the first nine months of 2006 amounted to 67 million tolar.

In relation to 2005, the depreciation rates of fixed assets have remained the same.

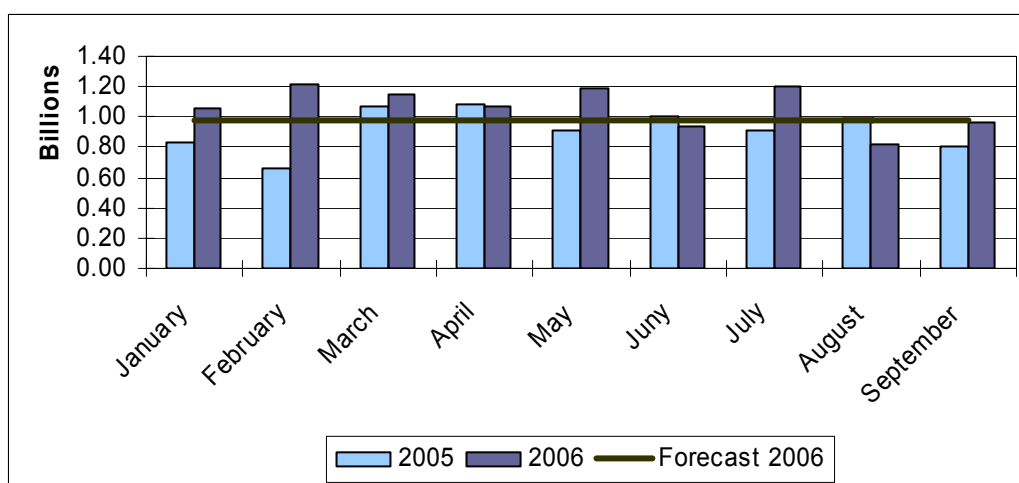
Labour costs are 19% up on those recorded in the same period last year, and are 5% ahead of expectations. The total number of employees as of 30th September 2006 amounted to 678, which is a 2% (15-employee) increase on September last year. One third of the company's personnel have secondary education, and 159 employees - namely 23% of the entire workforce - has tertiary education. Average gross salary in the period January to September amounted to 406,000 tolar per month.

The total amount of **other costs** from January to September stood at 1.448 billion tolars, while the cost of building land use (rates) in the amount of 754.9 million tolars accounted for the major single portion of such other costs.

Operating profits amounting to 3.376 billion tolars are 29% above projections, and 9% up on the first nine months of last year.

In the first three-quarters of 2006, Luka Koper d.d.'s operations generated 9.6 billion tolars in value-added, which is a 16% rise on last year's level. Value-added per employee amounts to 13.87 million tolars, and is 10% ahead of projections.

Graph 4: Value-added by *Luka Koper d.d.* (in billions of tolars)



FINANCING ACTIVITIES

Table 4. Balance of Revenue from Financing Activities – January to September 2006 and 2005 (in millions of tolars)

	January to September 2006	January to September 2005
FINANCIAL REVENUES	956.897	1,344.987
Interest revenues	260.530	268.082
Revenues from dividends and other shares in profit	634.968	630.810
Revenues from revaluation of receivables due to value maintenance	51.044	146.899
Revenues from loans granted		0.159
Revenues from sale of financial investments	1.797	285.677
Other financial revenues	8.558	13.679
FINANCIAL EXPENSES	-306.362	-431.423
Interest expenses	-207.841	-189.127
Revenues from revaluation of liabilities due to value maintenance	-96.704	-151.078
Expenses from sale of financial investments	-0.997	-0.336
Other financial expenses	-0.820	-0.918
Revaluation of financial expenses due to impairment		-89.965
BALANCE OF REVENUE FROM FINANCING ACTIVITIES	650.535	913.564

Revenues from dividends and other shares in profit account for two thirds of total financing revenues. Interest revenues encompass interest on short-term deposits and short-term certified deposits.

For the first nine months of this year, expenses related to exchange rate differences amounted to 45 million tolar.

PROFITS AND CORPORATION TAX

In the first nine months of 2006, *Luka Koper d.d.* generated a pre-tax profit in the amount of 4.026 billion tolar. Upon deduction of corporation tax, amounting to 724 million tolar, and deferred tax liabilities in the amount of 11 million tolar, net profit totaled 3.291 billion tolar, which is at the same level for the first three-quarters of 2005. The net profit generated in this period was 21 percent ahead of projections.

ASSETS AND FINANCING ACTIVITIES

The balance of long-term financial investments was up by 6.5 billion tolar on September 2005 levels. This increase can mainly be attributed to the upward revaluation of securities to their fair value. Such has resulted in an increase in book values under these items, as well as under the revaluation surplus item.

The major portion of investments in stock and other equity is made in shares listed on the Ljubljana Stock Exchange, including, amongst others:

- Intereuropa d.d.
- Krka d.d.,
- Gorenje d.d.,
- Petrol d.d..

The remaining portion of equity investments are in unlisted corporations (*Banka Koper d.d.*, *Pokojninska Družba A d.d.*, and *NLB d.d.*).

As of 30th September 2006, short-term financial investments amounted to 4.47 billion tolar. The decrease on this balance from a year previously has arisen as a result in the reduction of short-term loans to banks.

In the first nine months of 2006, the company allocated 3.914 billion tolar to investments in fixed assets. Major investments encompass the following:

- reconstruction of fruit warehouse No. 25
- renewal of control for bridge crane MD1
- a Kalmar container manipulator
- renovation of warehouse No. 13
- purchase of forklifts
- improvement of the phosphoric acid security tank-pit
- purchase of a dredger for the Dry Bulk Cargo Terminal

Table 5. Overview of Operating Receivables as of 30th September 2006
(in millions of tolar)

	30 th September 2006	30 th September 2005
A. LONG-TERM OPERATING RECEIVABLES	2.738	2.637
Long-term guarantees granted	2.172	2.172
Exchange difference clearing account	0.524	0.334
Other long-term operating receivables	0.042	0.131
B. SHORT-TERM OPERATING RECEIVABLES	4,631.154	3,856.773
Domestic trade receivables	1,035.107	855.549
(revaluation of domestic trade receivables)	-65.925	-62.055
Foreign trade receivables	956.021	949.372
(revaluation of foreign trade receivables)	-4.353	-20.026
Advances given for current assets	320.396	18.131
Receivables from exporters	1,301.644	1,474.641
(revaluation of receivables from exporters)	-69.249	-42.435
Interest receivables	10.580	14.406
(revaluation of short-term receivables from financing)	-1.903	-1.091
Receivables from input VAT	274.652	173.937
Receivables from taxes and excise duties	182.814	165.964
Other short-term receivables	691.683	329.520
C. DEFERRED TAX ASSETS	149.293	79.987

Table 6. Overview of Short-term Operating Liabilities - as of 30th September
(in millions of tolar)

	30 th September 2006	30 th September 2005
SHORT-TERM OPERATING LIABILITIES	3,250.489	3,067.288
SHORT-TERM ACCOUNTS PAYABLE	1,698.151	1,097.154
Accounts payable to domestic suppliers	1,588.243	978.550
Accounts payable to foreign suppliers	109.908	118.604
ADVANCES RECEIVED	0.107	4.236
ACCRUED LIABILITIES	669.324	497.733
Liabilities for accrued salaries	376.935	209.666
Liabilities for net salaries	133.536	129.341
Liabilities for net allowances	23.674	22.770
Liabilities for gross salary contributions	55.668	53.627
Liabilities for taxes on gross salaries	40.527	40.360
Other short-term accrued liabilities	37.928	40.796
Liabilities for contributions from other receipts	0.243	0.184
Liabilities for taxes from other receipts	0.813	0.990
LIABILITIES TO THE STATE AND OTHER INSTITUTIONS	195.443	383.775
Liabilities for output VAT	72.790	63.136
Tax liabilities on remunerated salaries	12.925	14.709
Liabilities for corporation tax	65.434	262.728
Other short-term liabilities	44.294	43.203
LIABILITIES FROM THE ALLOCATION OF PROFITS	0	22.050
OTHER SHORT-TERM LIABILITIES	687.462	1.062.341

FINANCIAL REPORT

The non-audited financial statements of *Luka Koper d.d.* are compiled in accordance with pertinent legislation and International Financial Reporting Standards (IFRS).

In compiling its financial statements, *Luka Koper d.d.*, as of 1st January 2006, also switched from Slovenian Accounting Standards to the International Financial Reporting Standards adopted by the European Union. The consolidated financial statements of the *Luka Koper Group* were first compiled in accordance with the IFRS in 2005.

The non-audited financial statements of *Luka Koper d.d.* are compliant with the same accounting directions as were applicable to the *Luka Koper Group* financial statements for 2005.

As the parent company, investments in subsidiaries and associated companies are calculated at their historical cost in the individual financial statements of *Luka Koper d.d.*. Upon the first employment of the IFRS, investments in subsidiaries and associated companies - which were in accordance with Slovenian Accounting Standards subject to an equity method of valuation - were revaluated to their historical cost based on the balance as of 1st January 2002, and thus the use of the erstwhile investment evaluation method was discontinued.

FINANCIAL STATEMENTSTable 7. Balance Sheet of *Luka Koper d.d.*

(in thousands of tolar)

ASSETS	1.1.2006	30.9.2006	30.9.2005
ASSETS	75,636,192	78,814,854	74,944,646
A. FIXED ASSETS	62,189,628	69,555,392	63,277,247
I. Intangible fixed assets and long-term deferred costs	334,182	162,343	382,358
1. Long-term property rights	334,182	162,343	382,358
II. Tangible fixed assets	33,648,739	34,763,807	36,057,411
1. Land and buildings	26,598,671	25,759,368	28,723,036
a. Land	425,739	425,739	425,739
b. Buildings	26,172,932	25,333,629	28,297,297
2. Production plant	6,273,936	6,517,808	6,328,562
3. Other plant and equipment	10,742	12,343	10,743
4. Tangible fixed assets under acquisition	765,390	2,474,288	995,070
a. Tangible fixed assets under construction or in manufacture	765,390	2,474,288	995,070
III. Real-estate investments	1,915,396	1,855,983	0
IV. Long-term financial investments	26,128,054	32,621,228	26,754,854
1. Long-term financial investments (excluding loans)	24,047,738	29,375,929	23,538,887

1. Participation in equity of Group companies	1,008,509	1,008,509	1,008,509
2. Participation in equity of associated enterprises	12,653,165	13,216,420	12,662,192
3. Other equity participation	10,386,064	15,151,000	9,868,186
a. Other equity participation at fair value	4,175,332	8,909,464	3,601,445
b. Other equity participation at historical cost	6,210,732	6,241,536	6,266,741
4. Other long-term financial investments	0	0	0
2. Long-term loans	2,080,316	3,245,299	3,215,967
2. Long-term loans granted to others	2,080,316	3,245,299	3,215,967
V. Long-term operating receivables	2,804	2,738	2,637
2. Long-term trade receivables	0	0	0
3. Other long-term receivables	2,804	2,738	2,637
VI. Deferred tax assets	160,453	149,293	79,987
B. CURRENT ASSETS	13,433,574	9,200,457	11,543,838
I. Assets (disposal group) held for sale	0	12,515	0
II. Inventories	0	0	0
III. Short-term financial investments	8,796,756	4,472,504	7,388,556
1. Short-term financial investments (excluding loans)	4,188,049	3,682,317	3,805,557
b. Other equity participation	3,883,864	3,384,117	3,805,557
1. At fair value through profit	2,725,703	2,006,045	2,682,971

2. At fair value through equity	1,158,161	1,378,072	1,122,586
c. Other short-term financial investments	304,185	298,200	0
2. Short-term loans	4,608,707	790,187	3,582,999
b. Short-term loans granted to others	372,094	131,005	433,796
c. Short-term deposits in banks and other financial institutions	4,236,613	659,182	3,149,203
IV. Short-term operating receivables	4,308,620	4,631,154	3,856,773
1. Short-term trade receivables from Group companies	9,342	12,529	4,426
2. Short-term operating receivables from associated enterprises	0	73,500	63,553
3. Other short-term trade receivables	3,501,801	3,066,903	3,087,927
4. Other short-term operating receivables	797,477	1,478,222	700,867
V. Cash and liquid assets	328,198	84,284	298,509
1. Cash in hand	98	98	98
2. Cash at banks and other financial institutions	328,100	84,186	298,411
C. DEFERRED EXPENSES AND ACCRUED REVENUES	12,990	59,005	123,559
OFF-BALANCE-SHEET ASSETS	1,807,966	1,807,966	3,312,306

LIABILITIES	1.1.2006	30.9.2006	30.9.2005
EQUITY AND LIABILITIES	75,636,192	78,814,854	74,944,646
A. CAPITAL	62,894,204	66,099,078	61,509,283
I. Called-up capital	14,000,000	14,000,000	14,000,000
1. Share capital	14,000,000	14,000,000	14,000,000
II. Capital surplus	21,462,806	21,462,806	21,462,806
III. Retained earnings (reserves)	22,167,891	21,859,694	20,073,400
1. Legal reserves	4,496,872	4,496,872	4,496,872
2. Reserves for treasury stock	0	0	0
3. Treasury stock and equity participation (deductible item)	0	0	0
4. Statutory reserves	0	0	0
5. Other retained earnings	17,671,019	17,362,822	15,576,528
IV. Revaluation surplus	1,824,840	4,047,353	1,367,743
1. Revaluation of deferred tax	-608,279	-1,349,118	-455,914
2. General equity revaluation adjustment			0
3. Special equity revaluation adjustment	2,433,119	5,396,471	1,823,657
V. Retained net profit	1,344,177	1,438,668	1,312,290
VI. Net profit for the financial year	2,094,490	3,290,557	3,293,044

B. PROVISIONS	727,921	607,968	593,900
1. Provisions for pensions and similar	321,840	281,327	319,951
2. Other provisions	406,081	293,306	273,949
3. Long-term provisions	0	33,335	0
C. LONG-TERM LIABILITIES	8,558,914	8,074,192	6,367,520
I. Long-term financial liabilities	7,939,185	6,709,025	5,894,215
2. Long-term financial liabilities to banks	7,939,185	6,709,025	5,894,215
II. Long-term operating liabilities	11,450	16,049	17,391
5. Other long-term operating liabilities	11,450	16,049	17,391
III. Deferred tax liabilities	608,279	1,349,118	455,914
Č. SHORT-TERM LIABILITIES	3,234,406	3,311,748	5,864,908
I. Liabilities included in disposal group	0	0	0
II. Short-term financial liabilities	284,293	61,259	2,797,620
1. Short-term financial liabilities to Group companies	10,734		466,885
2. Short-term financial liabilities to associated enterprises	116,504		115,367
3. Short-term financial liabilities to banks	137,436	33,259	2,215,368
4. Other short-term financial liabilities	19,619	28,000	0
a. Short-term liabilities pertaining to distribution of profit	19,619	28,000	0
III. Short-term operating liabilities	2,950,113	3,250,489	3,067,288
1. Short-term operating liabilities to Group companies	86,088	64,994	82,992

2. Short-term operating liabilities to associated enterprises	0	156,078	125,725
3. Short-term operating liabilities to suppliers	1,149,995	1,477,079	888,437
4. Short-term operating liabilities for advances	877	107	4,235
5. Other short-term operating liabilities	1,713,153	1,552,231	1,965,899
D. ACCRUED EXPENSES AND DEFERRED REVENUES	220,747	721,868	609,035
OFF-BALANCE-SHEET LIABILITIES	1,807,966	1,807,966	3,312,306

Table 8. Income Statement, January to September

(in thousands of tolar)

	January - September	January - September
	2006	2005
OPERATING REVENUES	17,332,073	15,017,026
1. NET SALES REVENUES	16,749,605	14,413,955
a. Revenues from services rendered on domestic market	3,688,278	2,473,863
b. Revenues from services rendered on foreign markets	13,061,327	11,940,092
2. CHANGE IN THE VALUE OF PRODUCT INVENTORIES AND WORK IN PROGRESS	0	0
3. CAPITALISED OWN PRODUCTS AND SERVICES	0	0
4. OTHER OPERATING REVENUES	582,468	603,071
OPERATING EXPENSES	-13,956,122	-11,910,891
5. COSTS OF MATERIALS, GOODS AND SERVICES	-6,190,385	-5,326,271
a) Historical cost of materials and goods sold	0	-531
b) Costs of materials	-850,146	-739,107
b) Costs of services	-5,340,239	-4,586,633
6. LABOUR COSTS	-3,917,643	-3,244,970
a) Costs of salaries	-2,876,478	-2,343,233

b) Costs of social insurance contributions	-537,114	-458,809
c) Other labour costs	-504,051	-442,928
7. VALUE WRITE-OFFS	-2,400,193	-2,405,424
a) Depreciation and revaluation of operating expenses for fixed assets	-2,336,686	-2,338,212
b) Revaluated operating expenses for intangible and tangible fixed assets	-1,216	-2
c) Revaluated operating expenses for current assets	-62,291	-67,210
8. OTHER OPERATING EXPENSES	-1,447,901	-934,226
OPERATING PROFIT	3,375,951	3,106,135
9. FINANCIAL REVENUES FROM PARTICIPATION IN EQUITY	682,163	947,126
a) Financial revenues from participation in equity of Group companies	0	0
b) Financial revenues from participation in equity of associated enterprises	0	0
c) Financial revenues from participation in equity of other companies	636,765	912,342
d) Financial revenues from other investments	45,398	34,784
10. FINANCIAL REVENUES FROM LOANS GRANTED	203,755	233,849
c) To others	203,755	233,849
11. FINANCIAL REVENUES FROM OPERATING RECEIVABLES	70,979	164,013
c) From others	19,934	17,114
d) Exchange-rate gains	51,044	146,899
12. FINANCIAL EXPENSES FROM FINANCIAL INVESTMENTS, IMPAIRMENTS AND WRITE-OFFS	0	-89,965
13. FINANCIAL EXPENSES FROM FINANCIAL LIABILITIES	-194,017	-190,065

a) Loans granted by Group companies	-11	-30,119
b) Loans granted by associated enterprises	-1,029	-4,698
c) Loans granted by banks	-191,948	-154,875
d) Bonds issued	-1,030	-373
e) From other financial liabilities	0	0
14. FINANCIAL EXPENSES FROM OPERATING LIABILITIES	-112,345	-151,395
a) To Group companies	0	0
b) To suppliers and bills payable	0	0
c) To others	-15,641	-398
d) Exchange-rate losses	-96,704	-150,997
NET PROFIT FROM ORDINARY ACTIVITIES	4,026,486	4,019,698
15. EXTRAORDINARY REVENUES	0	0
16. EXTRAORDINARY EXPENSES	0	0
PRE-TAX PROFIT	4,026,486	4,019,698
17. CORPORATION TAX	-724,770	-715,553
18. DEFERRED TAXES	-11,159	-11,101
19. NET PROFIT FOR THE ACCOUNTING PERIOD	3,290,557	3,293,044

Table 9. Cash Flow Statement, January to September (in thousands of tolar)

		January - September 2006	January - September 2005
A.	<i>Cash flow from operating activities</i>		
a)	Balance of items in Cash Flow Statement	5,040,215	4,784,905
	Operating revenues (excluding revaluations) and financial revenues from operating receivables	17,332,073	15,017,026
	Operating expenses without depreciation (excluding revaluations) and financial expenses from operating liabilities	-11,555,929	-9,505,467
	Corporation tax and other taxes not itemised under operating expenses	-735,929	-726,654
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)	994,841	-1,296,478
	Changes in operating receivables	-384,756	707,653
	Changes in deferred expenses and accrued revenues	-46,015	-102,800
	Changes in deferred tax assets	11,160	11,102
	Changes in assets (disposal group) held for sale	-12,515	0
	Changes in inventories	0	0
	Changes in operating liabilities	304,960	-2,186,737
	Changes in accrued expenses and deferred revenues, and provisions	381,168	285,693
	Changes in deferred tax liabilities	740,839	-11,389
c)	Net inflows from operating activities (a+b)	6,035,056	3,488,427

B.	<i>Cash flows from investment activities</i>		
a)	Inflows from investments	5,343,116	2,354,818
	Inflows from interest and participation in equity pertaining to investments	956,896	1,344,987
	Inflows from disposal of intangible fixed assets	61,968	
	Inflows from disposal of tangible fixed assets	0	
	Inflows from disposal of real-estate investments	0	
	Inflows from disposal of long-term financial investments	0	
	Inflows from disposal of short-term financial investments	4,324,252	1,009,831
b)	Outflows from investments	7,554,347	4,189,054
	Outflows for acquisition of intangible fixed assets	0	140,792
	Outflows for acquisition of tangible fixed assets	3,283,686	3,388,170
	Outflows for acquisition of real-estate investments	0	0
	Outflows for acquisition of long-term financial investments	4,270,661	660,092
	Outflows for acquisition of short-term financial investments	0	0
c)	Net inflows from investment activities (a+b)	-2,211,231	-1,834,236
C.	<i>Cash flows from financing activities</i>		
a)	Inflows from financing activities	0	2,336,992
	Inflows from paid-up capital	0	
	Inflows from increased long-term financial liabilities	0	2,336,992

	Inflows from increased short-term financial liabilities	0	
b)	Outflows from financing activities	4,067,739	3,923,281
	Outflows for interest payable pertaining to financing	306,363	341,459
	Outflows for equity redemptions	2,308,181	2,201,096
	Outflows for the payment of long-term financial liabilities	1,230,160	
	Outflows for the payment of short-term financial liabilities	223,035	1,380,726
	Outflows for the disbursement of dividends and other participation in equity	0	
c)	Net inflows from financing activities (a+b)	-4,067,739	-1,586,289
Č.	Closing balance of cash and cash equivalents	84,284	298,509
x)	Net cash inflow for the accounting period (Ac + Bc + Cc)	-243,914	67,902
y)	Opening balance of cash and cash equivalents	328,198	230,608

Table 10. Statement of Changes in Equity, January to September 2005

(in thousands of tolar)

	Share capital	Capital reserves	Legal reserves	Other retained earnings	Retained net profit	Net profit for the financial year	Revaluation surplus	Total
	I/1	II/1	III/1	III/4	IV/1	V/1	VI/1	
A. Opening balance as of 1 January 2005	14,000,000	21,462,806	4,496,872	15,777,624	1,221,493	2,090,797	1,401,906	60,451,498
B. Transfer to equity	0	0	0	0	0	3,293,044	0	3,293,044
Net profit for the financial year						3,293,044		3,293,044
General equity revaluation adjustment								0
Specific equity revaluation adjustment								0
C. Transfer within equity	0	0	0	2,000,000	90,797	-2,090,797	0	0
Appropriation of net profit upon a resolution by the Management Board and Supervisory Board								0
Appropriation of net profit for the formation of additional reserves upon a resolution by the General Assembly				2,000,000	90,797	-2,090,797		0
Other appropriations of portions of equity								0
Č. Transfer from equity	0	0	0	-2,201,096	0	0	-34,163	-2,235,259

	Distribution of dividends				-2,201,096				-2,201,096
	Disposal of specific equity revaluation adjustment							-34,163	-34,163
	Distribution to employees								0
	Closing balance								
D.	as of 30 September 2005	14,000,000	21,462,806	4,496,872	15,576,528	1,312,290	3,293,044	1,367,743	61,509,283

Table 11. Statement of Changes in Equity, January to September 2006

(in thousands of tolar)

	Share capital	Capital reserves	Legal reserves	Other retained earnings	Retained net profit	Net profit for the financial year	Revaluation surplus	Total
	I/1	II/1	III/1	III/4	IV/1	V/1	VI/1	
A. Opening balance as of 1 January 2006	14,000,000	21,462,806	4,496,872	17,671,019	1,344,177	2,094,490	1,824,840	62,894,204
B. Transfer to equity	0	0	0	0	0	3,019,776	2,222,513	5,242,289
							2,222,513	2,222,513
Net profit for the financial year						3,019,776		3,019,776
General equity revaluation adjustment								0
Specific equity revaluation adjustment								0
C. Transfer within equity	0	0	0	2,000,000	94,490	-2,094,490	0	0
Appropriation of net profit upon a resolution by the Management Board and Supervisory Board				2,000,000	2,094,490	-2,094,490		2,000,000
Appropriation of net profit for the formation of additional reserves upon a resolution by the General Assembly					-2,000,000			-2,000,000
Other appropriations of portions of equity								0
Č. Transfer from equity	0	0	0	-2,308,197	0	0	0	-2,308,197
Distribution of dividends				-2,308,197				-2,308,197

	Premiums paid to the members of the Management Board and Supervisory Board								0
	Distribution to employees								0
	Closing balance								
D.	as of 30 September 2006	14,000,000	21,462,806	4,496,872	17,362,822	1,438,667	3,019,776	4,047,353	65,828,296

BUSINESS PERFORMANCE OF SUBSIDIARY ENTERPRISES

Luka Koper INPO d.o.o.

From 1st January to 30th September 2006, *Luka Koper INPO d.o.o.* generated operating revenues in the amount of 1.1 billion tolar, which is 18 percent ahead of projections. The company's net profit for the period totaled 297 million tolar. The operating expenses of *Luka Koper INPO d.o.o.* were 6 percent below projections.

Luka Koper Pristan d.o.o.

In the first nine months of 2006, *Luka Koper Pristan d.o.o.* generated 167.6 million tolar in operating revenues, which was 26 percent ahead of expectations. The company's operating profits for the January – September 2006 period amounted to 25.8 million tolar, 39 percent ahead of projections. A net profit of 23.3 million tolar was accrued during this period.

Adria-Tow d.o.o.

Between January and September 2006, *Adria-Tow d.o.o.* generated operating revenues in the amount of 670.2 million tolar, which is 10 percent ahead of expectations, and 20 percent up on the same period last year. The company's operating expenses were 17 percent below projections, and operating profits amounted to 275.6 million tolar. Upon the deduction of taxes, the net profit for January – September 2006 amounted to 190.7 million tolar.

Management Board of *Luka Koper d.d.*