Report of the Supervisory Board

In 2006, the operations of Luka Koper, d. d. (hereinafter: Luka Koper/the Company), the parent company of the Luka Koper Group, were supervised by the Supervisory Board composed of the following members: Marko Starman, MSc, president, Peter Verlič, Phd, vice-president, Tatjana Jazbec, member, Robert Jerman, member, Metod Mezek, member, Alverino Pavletič, member, Boris Popovič, member, Marko Valentinčič, member, and Bojan Zadel, member.
The Supervisory Board's activities mostly reflected the provisions of the Companies Act and the Company's Articles of Association. In its work, the Supervisory Board monitored and supervised the Company's operations while taking into account the Company's long-term interests and providing for the implementation of the 2006 business plan and the Company's strategy.

Members of the Supervisory Board held eight regular sessions (on 20 January, 6 March, 4 April, 6 June, 21 July, 15 September, 23 November and 20 December) and one correspondence session in 2006.

At its January session, the Supervisory Board adopted the 2006 business plan, which is the Company's principal annual document. The document outlined the business activities of Luka Koper and the group for 2006. The Management Board informed the Supervisory Board of the Company's operations on a quarterly basis so that the latter was able to regularly monitor the implementation of the business plan. In March, the Supervisory Board approved the Business strategy of Luka Koper for the period of up to 2015, which was adopted by the General Meeting in August. The Supervisory Board also acted in accordance with Article 22 of the Articles of Association which stipulates in its point 13 that upon the proposal by the Management Board the Supervisory Board shall adopt a decision on the Company's equity participation in domestic and foreign legal entities. It also gave consents under Article 22(15) of the Articles of Association which stipulates that the Supervisory Board shall grant subsequent approval to the Management Board for the conclusion of transactions related to investments and the purchase or sale of fixed assets, irrespective of their value, if such transactions are not included in the Company's development or business plan. In addition to its regular activities, i.e. discussing quarterly reports, taking decisions in accordance with Article 22 of the Articles of Association and approving the strategy, the Supervisory Board also addressed the following important items (in chronological order):

- approved the 2005 annual report,
- supported the Management Board's proposal on the allocation of distributable profit for 2005,
- took note of the tax inspection report,
- took note of the Information on applicable commercial contracts of PC European Energy Terminal,
- took note of the infrastructure utilisation presentation,
- took note of the Information on preparations for the euro introduction,
- took note of the Management Board's activities concerning possible equity participation or the acquisition of companies operating in the area of the Company's activities,
- took note of the Report on the measurement of dust particles and noise,
- adopted a revised plan of investments in equipment and buildings,
- took note of the Report on Luka Koper's equity participation,
- adopted the 2007 business plan.

At its last session held in December, the Supervisory Board adopted a plan for the Supervisory Board's activities in 2007 and appointed the following committees:
- audit committee,
- environment committee,
- committee for spatial issues.

Evaluation of the Supervisory Board's work

The Supervisory Board performed its function prudently, diligently and fairly, and acted to the benefit of the Company and its shareholders. The work performed by the Supervisory Board as whole was professional, independent and responsible. Decisions were taken after careful consideration of all facts and arguments, and were as a rule adopted by common consent.

Highlights from the 2006 annual report

In 2006, Luka Koper generated EUR 97.4 million (SIT 23.3 billion) in operating revenues, which is 13 percent more than in the previous year. This was partly a result of maritime throughput exceeding a record 14 million tonnes. The majority, over 90 percent of total operating revenue was generated in the European Union markets.
The share of key markets has not changed significantly in recent years. The cargo handled for the Slovenian market accounts for 30 percent of the market structure and amounts to 4 million tonnes. Austria has been

traditionally the most important foreign market, followed by Italy, Hungary, former Yugoslavian states, Slovakia, Germany and the Czech Republic. Maritime throughput continues to grow and increase in volume. Total 2005 turnover was exceeded by 7 percent in 2006. This is a result of successful operations in all commodity groups. Containers, dry bulk cargoes, cars and general cargoes contributed the most to the results.
Successful operations are best reflected in the net profit which was 14 percent higher than in 2005 and totalled EUR 19.95 million (SIT 4.8 billion). The professional competence and commitment of employees, and a high rate of innovations and efficiency they achieved is reflected in increased added value per employee, which totalled EUR 76.8 thousand (SIT 18.4 million) in 2006, exceeding the last year's figure by 12 percent.
The asset structure is predominantly composed of non-current assets which account for 90 percent of total assets. Non-current assets are financed entirely from the long-term sources. High equity financing rate indicates that the equity's share in liabilities stands at 84 percent. This reflects a high degree of financial stability and financial strength of the Company. Current assets are twice the current liabilities, meaning that the Company is capable of financing its business cycle on its own.

Verification of the annual report

The Supervisory Board monitored the implementation of the 2006 business plan, as well as management and operations of the Company and the Group on a regular basis throughout the year. The Supervisory Board notes that most of the planned economic categories were exceeded. The Management Board supplied the Supervisory Board with all information required or requested for the performance of its activities. Contributing to the verification of the annual report was also the audit committee which focused, among other things, on the following topics: methods and subject of auditing procedures performed by the auditing company, disclosure of effects of transition to International Financial Reporting Standards carried out by Luka Koper, effect of tax reliefs claimed in accordance with the Economic Zones Act on the corporate income tax, financial discipline of customers, methods for determining distributable profit and allocation of available net profit, contractual relationship with the government and revenue and expenses arising therefrom, debt structure and methods of addressing this issue. The Supervisory Board determined that the annual report presented fairly the Company's financial position.
The Supervisory Board also noted that the annual report was unambiguous and transparent and that it gave a true and fair view of the Company's and the group's operations.
Against this background, the Supervisory Board had no objections to the audited annual report of Luka Koper, d.d. and the Luka Koper Group for 2006, which was submitted by the Management Board, and approved it unanimously on 28 February 2007.

Auditor's Report

The financial statements of Luka Koper and the Luka Koper Group, including the balance sheet as at 31 December 2006, the income statement, the statement of changes in equity, the cash flow statement, the summary of significant accounting policies, other explanatory notes and the business report, were audited by Deloitte revizija, d.o.o., Ljubljana, Dunajska 9. The auditing company issued an opinion that the financial statements gave a true and fair view of the financial position of Luka Koper and the Luka Koper Group as at 31 December 2006, and their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union. The business report was consistent with the audited financial statements.

The Supervisory Board took note of the auditing company's report and made no comments thereon.

Proposal for the allocation of distributable profit

In 2006, Luka Koper generated SIT 4,781,578,855.35 in net profit. The Management Board and the Supervisory Board earmarked 50% of the 2006 net profit in the amount of SIT 2,390,789,427.68 for the increase of other profit reserves. The remaining portion of the net profit was allocated to distributable profit. The distributable profit has been further increased by the profit brought forward from 2005 in the amount of SIT 1,438,667,524.42 SIT. In addition, a portion of other profit reserves from previous years in the amount of SIT 2,308,196,151.14 was also allocated to distributable profit. Total distributable profit for 2006 thus amounts to SIT 6,137,653,103.24.

(in SIT)	2006	2005
Total distributable profit	**6,137,653,103.24**	**5,988,243,661.49**
Other profit reserves	2,308,196,151.14	2,308,196,151.14
Net profit for the year	2,390,789,427.68	2,094,490,404.76
Net profit brought forward from 2005	1,438,667,524.42	1,585,557,105.59

The Management Board and the Supervisory Board propose to the General Meeting to allocate the 2006 distributable profit in the amount of SIT 6,137,653,103.24 as follows:

- a portion of distributable profit in the amount of SIT 2,308,196,151.14 shall be allocated to shareholders from other profit reserves formed on the basis of equity items from previous years;
- a portion of distributable profit in the amount of SIT 2,500,000,000.00 shall be allocated to other profit reserves, namely, the net profit brought forward from 2005 in the amount of SIT 1,438,667,524.42 and the net profit from 2006 in the amount of SIT 1,061,332,475.58;
- the allocation of the remaining portion of distributable profit (net profit for the year 2006) in the amount of SIT 1,329,456,952.10 shall be decided in the upcoming financial years.

The decision by the Supervisory Board to support the Management Board's proposal considers the goals included in Luka Koper's strategy for the period of up to 2015, as well as shareholders' interest to increase the share value in the long-term.

The Supervisory Board proposes that, taking into account the Annual report of Luka Koper, d.d. and of the Luka Koper Group for 2006, the auditor's report and this report, the General Meeting give a discharge to the Management Board and the Supervisory Board.

This report of the Supervisory Board has been prepared in accordance with Article 282 of the Companies Act and is intended for the shareholders of Luka Koper.

Marko Starman, MSc
president of the Supervisory Board