



**NON-AUDITED INTERIM REPORT**

**OF**

***LUKA KOPER D.D.***

**AND THE**

***LUKA KOPER GROUP***

**JANUARY – JUNE 2008**

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## 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 the performance of the *Luka Koper Group*, the analyses of *Group* performance simultaneously provides insight into the performance of the parent company.

Table 1: Performance indicators of *Luka Koper Group*

(in thousands of euros)	January - June 2008	January - June 2007	Indices 2008/2007
Operating revenues	69,319	60,806	114
EBIT	16,281	13,436	121
EBITDA	25,449	22,730	112
Net profit	15,673	21,480	73
(in thousands of euros)	30 <sup>th</sup> June 2008	31 <sup>st</sup> December 2007	Indices 2008/2007
Balance Sheet Total	500,073	461,159	108
Long-term assets	442,796	421,422	105
Short-term assets	54,483	39,538	138
Equity	333,918	340,664	98
Long-term liabilities	63,660	17,927	355
Short-term liabilities	90,477	90,488	100
Indicators	January - June 2008	January - June 2007	Indices 2008/2007
Net return on equity (ROE) <sup>1</sup>	9.29%	13.75%	68
Net return on assets (ROA) <sup>2</sup>	6.52%	10.87%	60
Return on sales (ROS)	23.48%	22.10%	106
Value-added per employee (in EUR)	38,358	35,438	108
Net profit per employee (in EUR)	14,209	20,264	70
Operating efficiency	1.31	1.28	102
Total efficiency ratio	1.33	1.52	88

<sup>1</sup> Net profit calculated per year / average balance of equity over the period

<sup>2</sup> Net profit calculated per year / net balance of assets over the period

Figure 1: Vehicle throughput in the first half of 2006, 2007 and 2008 (units)

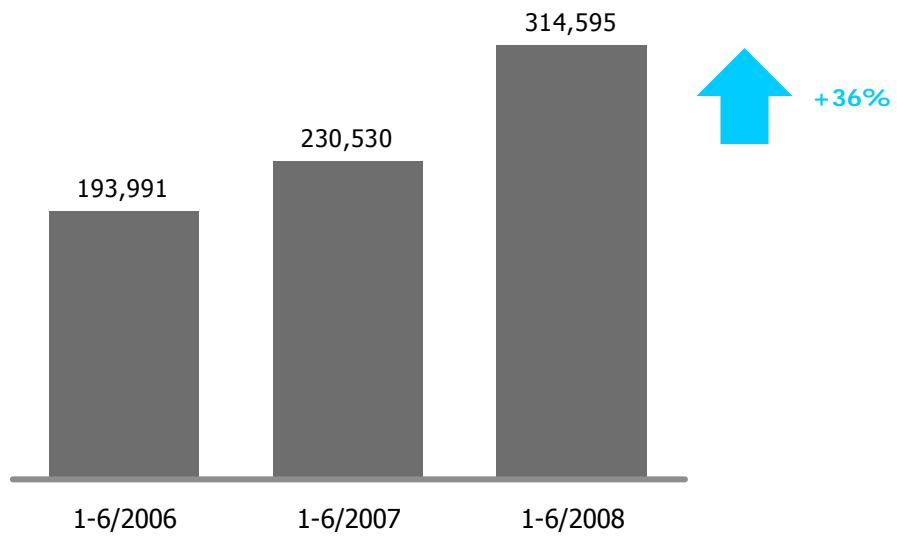
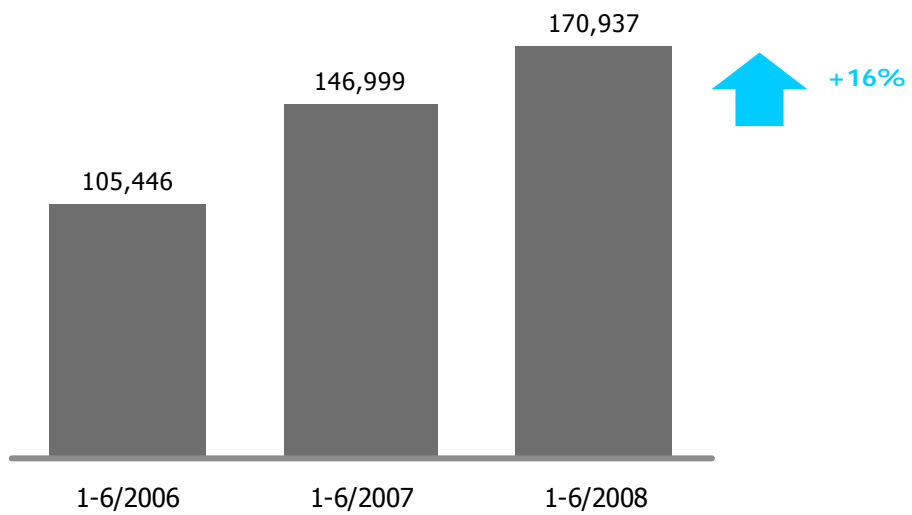


Figure 2: Container freight throughput in the first half of 2006, 2007 and 2008 (TEUs)



## 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* for the half-year January to June 2008.

The Non-audited Interim Report of *Luka Koper d.d.* and *Luka Koper Group* for January to June 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](http://www.luka-kp.si) from 12<sup>th</sup> August 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 LUKA KOPER GROUP

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

Parent company's ID as of 30<sup>th</sup> June 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: +386 (0)5 66 56 100
	Fax: +386 (0)5 63 95 020
	E-mail: <a href="mailto:portkoper@luka-kp.si">portkoper@luka-kp.si</a>
	Website: <a href="http://www.luka-kp.si">www.luka-kp.si</a>
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
Shares listing	Ljubljana Stock Exchange, prime market
Share ticker symbol	LKPG
President of the Management Board	Mr Robert Česar
President of the Supervisory Boards	Mr Boris Popovič
No. of consolidated companies	9
Basic activity of Luka Koper d.d.	Seaport and logistics system operator and service provider
Activities of other Group companies	Provision of various ancillary services

*A Non-Audited Interim Report, January – June 2008*

As of 30<sup>th</sup> June 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.

Subsidiary	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	
Avtoservis d.o.o.	49.00
SC Trade Trans Terminal s.r.l.	43.18
Railport Arad s.r.l.	26.00
Adriazole 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	
Adria Transport d.o.o.	50.00
Kopininvest Netherlands B.V	50.00
Adriaфин d.o.o.	50.00

\* During the period January to June 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 June 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 20<sup>th</sup> June 2008, the company *Investicije Novamark, d.o.o.* changed its title to *Adria Investicije d.o.o.*

## **CORPORATE MANAGEMENT AND GOVERNANCE**

### **Management Board of Luka Koper d.d.**

As of the 30<sup>th</sup> June 2008, the four-member Management Board of *Luka Koper d.d.* was comprised of 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 9<sup>th</sup> 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 24<sup>th</sup> regular session on 22<sup>nd</sup> 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 employees' representatives are appointed by the Workers Council. Supervisory Board members are elected for a four-year term.

During January to June 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,
- Tatjana Jazbec, member, employees representative,
- Robert Jerman, member, employees representative,
- Alverino Pavletič, member, employees representative.

### **Management and Governance of Subsidiaries**

As to *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.* also 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.

Subsidiary	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 Gerč
Adria Investicije d.o.o.	Marjan Babič
Luka Koper Beograd, d.o.o. *	

\* dormant company

## SIGNIFICANT EVENTS - JANUARY TO JUNE 2008

### January

Based on the safety report, the Ministry of Environment and Spatial Planning, the Environmental Agency of the Republic of Slovenia, issued an environmental permit, which applies to the entire port area and facilitates building permission for the construction of an oil derivatives terminal at Pier No. II. The permit encompasses the constructions of six tanks (20,000 m<sup>3</sup> each). The first stage, concluded this May, witnessed the construction of three tanks.

In conjunction with the company *Ekološka Energija d.o.o.*, *Luka Koper d.d.* established *Ecoporto Koper d.o.o.*, an 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.

### February

*Luka Koper's* 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 outright *Investicije Novamark d.o.o.*

*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 in Arad (Romania) at a strategic point on the 4<sup>th</sup> European Transport Corridor. The new terminal, with an anticipated cargo throughput capacity of 60,000 TEUs per annum, is a EUR 1.5 million investment. The project will 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.



*Luka Koper d.d.* was granted ISO 22000:2005 certification, a new ISO standard which makes uniform all the previous food safety standards. *Luka Koper* is among the first in Slovenia and indeed the first company in the international trade and transport sector to have successfully acquired this food-safety management system certificate. Furthermore, it is also the first port in the world to boast the new standard.

## **March**

Koper Customs Authority has issued *Luka Koper d.d.* a permit for the operation of a so-called VAT warehouse, which provides its EU customers with the possibility of VAT exemption in the charging and payment 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, and 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 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 clients and 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 and Pomurje's favourable location in the proximity of the company's two single most important markets – Austria and Hungary.

On 7<sup>th</sup> March, Koper hosted the country's principal celebration of National Maritime Day. During the event a new environmental-protection vessel, purchased by *Luka Koper d.d.* as part of its maritime protection service, was christened. 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 24<sup>th</sup> regular session on 22<sup>nd</sup> 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. In addition the Supervisory Board endorsed two ecological projects, both of which are related to the accomplishment of *Luka Koper's* strategy to become an environment-friendly "green" port.

On 22<sup>nd</sup> 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 28<sup>th</sup> April 2008. Construction work on this EUR 10 million investment is anticipated to commence in January next year and be completed by December 2009. A 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 21<sup>st</sup> 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.

### RELEVANT POST-BALANCE-SHEET EVENTS

At its 25<sup>th</sup> regular session on 2<sup>nd</sup> July 2008, the Supervisory Board endorsed the proposal of the Management Board as to amendments of the company Statute which, among other things, now provides - in Article 33 - that "A portion of profit may, in compliance with the *Employee Participation in Profit Act*, be used for employee participation in profit." The final decision as to this proposal has to be made by the General Assembly.

At the same session, the members of the Supervisory Board were also presented the project for the establishment of *Ekopark d.o.o.*, a company which shall operate at the periphery of the port zone and foster the exploitation of alternative and renewable sources in the generation of energy. Namely, at three of its prior sessions, the Supervisory Board supported the establishment of three companies: one engaged in the generation of alternative energy, the second in the processing of oily waste waters into fuel oil, whilst the third will be a research institute that will become a part of the future *Ekopark*. This project, which is also supported by the Koper Municipality, is a step in achieving *Luka Koper's* strategy of becoming a green port. Furthermore, the Supervisory Board members endorsed the establishment of *Eko Morje*, an enterprise which is to take over *Luka Koper's* marine protection operations within the port area.

On 10<sup>th</sup> July 2008, the Government of the Republic of Slovenia proposed a new Concession Contract for the operation of the Port of Koper, as well as endorsed the Regulation on the Management of the Port. All of this provides a new legal basis, compliant with Slovenia's Maritime Code, for the comprehensive regulation of relations between the state and the company. In conjunction with the proposed Concession agreement, the Regulation shall determine the mutual rights and responsibilities of *Luka Koper* and the Republic of Slovenia in the operation and management of the Port of Koper. Based on the Management Regulation, the Concession Contract determines the minimum fee that *Luka Koper* - as the concessionaire - is bound to pay the state for the award of a concession. This fee is established as 3.5% of annual operating revenues, reduced by the amount of collected duties, with the concession being awarded for a 35-year term.

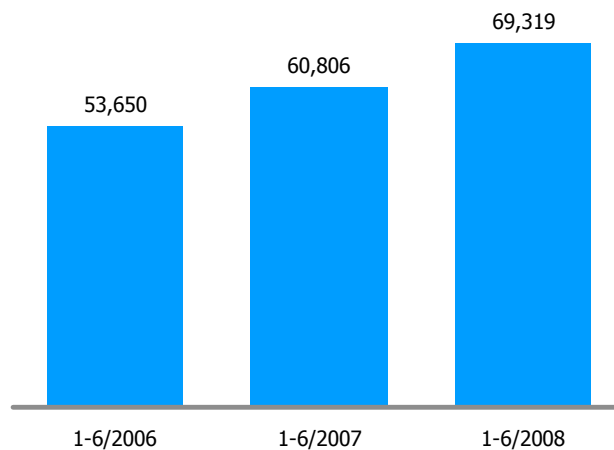
**BUSINESS REPORT**

**ANALYSES OF THE PERFORMANCE OF 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 will simultaneously provide an insight into the performance of *Luka Koper d.d.*

**Revenues**

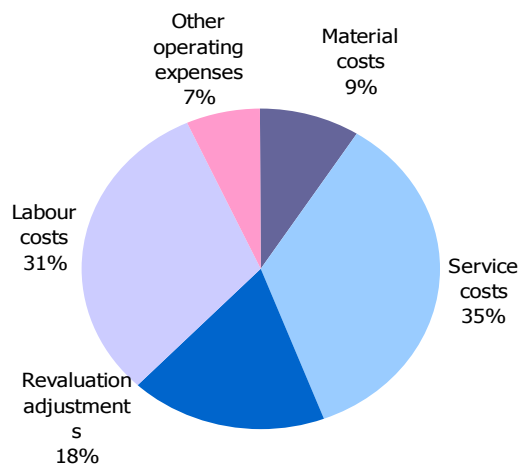
Figure 3: Operating revenues in the first half of 2006, 2007 and 2008 (in thousands of euros)



The positive trend in operating revenue growth has continued throughout the first half of 2008. The company generated EUR 69.3 million across the first two quarters of 2008, which is 14% ahead of January to June 2007. Basic activities - i.e. cargo throughput - account for 82% of total operating revenues. During the first six months of 2008, the company handled 8.1 million tonnes of cargo, which is a year-on increase of 4%. The disclosed operating revenues can also be attributed to other operating revenues generated through the sale of some fixed assets, as well as rewards for rapid turnaround times for vessels using the Port.

**Operating expenses**

Figure 4: Structure of operating expenses in the first half of 2008

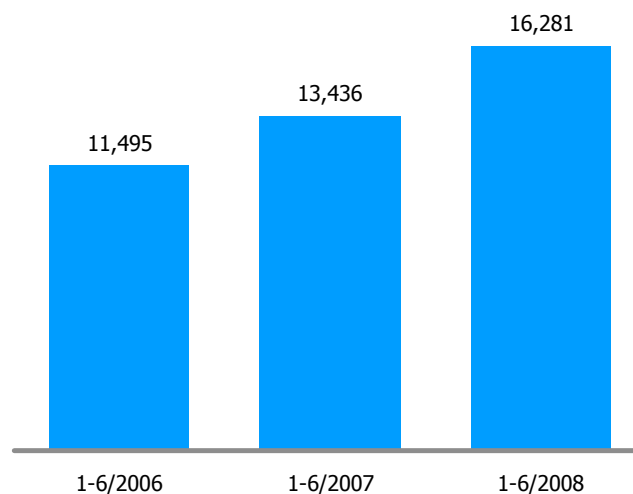


Operating expenses in the amount of EUR 53 million were 12% ahead of the same period 2007 and are equivalent to 77% of realised operating revenues, which is a single percentage point lower than during January to June last year. Compared to the same period in 2007, the proportion of material costs increased on account of the lower portion of revaluation adjustment.

Material costs grew faster than cargo throughput, which may in part be attributed to the increase in energy prices on the world market, but in the main it is related to the increased use of fuels in internal transport, this as a consequence of the optimisation of warehousing facilities. Warehousing occupancy also impacted service costs, in particular the cost of port services providers.

### **Profits**

Figure 5: Operating profit in the first half of 2006, 2007 and 2008 (in thousands of euros)



*Luka Koper Group* operating profit in the amount of EUR 16.3 million was 21% ahead of the first half of 2007 level. The return on sales (ROS) index for January to June 2008 reveals that for every EUR 100 of operating revenue, the *Group* generated EUR 23.4 in operating profit, which is 6% up on the equivalent period of 2007.

Between January and June 2008, the *Group* generated EUR 18.4 million in pre-tax profit, and EUR 15.7 million in net profit, thus generating 73% of that recorded for the first six months of 2007. In evaluating the performance it should be taken in consideration that by selling its holding in *Banka Koper* in April 2007, *Luka Koper d.d.* generated a one-off windfall of EUR 5.2 million, while attributable profit from associated companies entered into the *Group's* consolidated statements, in accordance with the equity method, amounted to EUR 5.1 million. Upon the exclusion of both of the aforementioned factors, the total operating profit for the first half of 2008 is 24% ahead of the equivalent result for the same period last year.

### **Assets**

As of 30<sup>th</sup> June 2008, the balance-sheet total of the *Group* amounted to EUR 500 million, which is 8% (EUR 38.9 million) ahead of the balance as of 30<sup>th</sup> December 2007. The assets structure is dominated by long-term assets, which account for 89% of total.

The portion of tangible fixed assets in the assets structure is 19% ahead of the level recorded as of 31<sup>st</sup> December 2007, and accounts for 65% of the *Group's* long-term assets,

which already reflects the intense investment cycle that is now well underway. Financial investments account for EUR 147 million, a level equivalent to 29% of total assets.

### Equity and liabilities

As of 30<sup>th</sup> June 2008, *Group* equity amounted to EUR 333.9 million, which accounts for 67% of the balance sheet total. The trend of a declining portion of equity in the balance sheet total is still evident and is the result of the growth in financial and operating liabilities; nevertheless, the level also reflects financial stability as well as continued opportunity to exploit leverage. The increase in short-term operating liabilities can be partially attributed to the extension of payment terms to suppliers, whilst through increasing financial liabilities in such a manner, the company balances the financing of its planned investments.

Short-term liabilities account for 18% of the balance sheet total, while 51% of total short-term liabilities can be attributed to short-term financial liabilities, which is a consequence of raising cheaper, short-term loans. The increase in short-term operating liabilities can be attributed to the extension of payment terms to suppliers. Short-term operating liabilities are fully covered by short-term operating receivables.

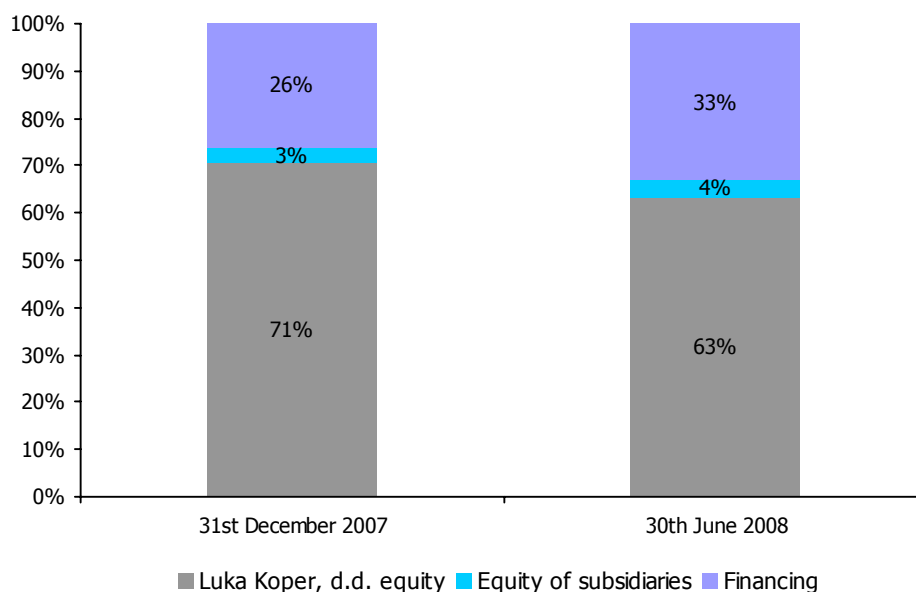
## FINANCIAL MANAGEMENT

The balance sheet items of the *Luka Koper Group* are overwhelmingly influenced by the parent company, due to the fact that its balance sheet total amounts to over 94% of *Group* balance sheet total, whilst parent-company equity amounts to 95% of the total equity of the *Luka Koper Group*.

### Sources of financing

The company's policy of increasing resort to cheaper financing, and by way of that the exploitation of leverage, is reflected in the performance for the first half of the year. The portion of equity financing fell by seven percentage points between January and June 2008, and as of 30<sup>th</sup> June amounted to 67%.

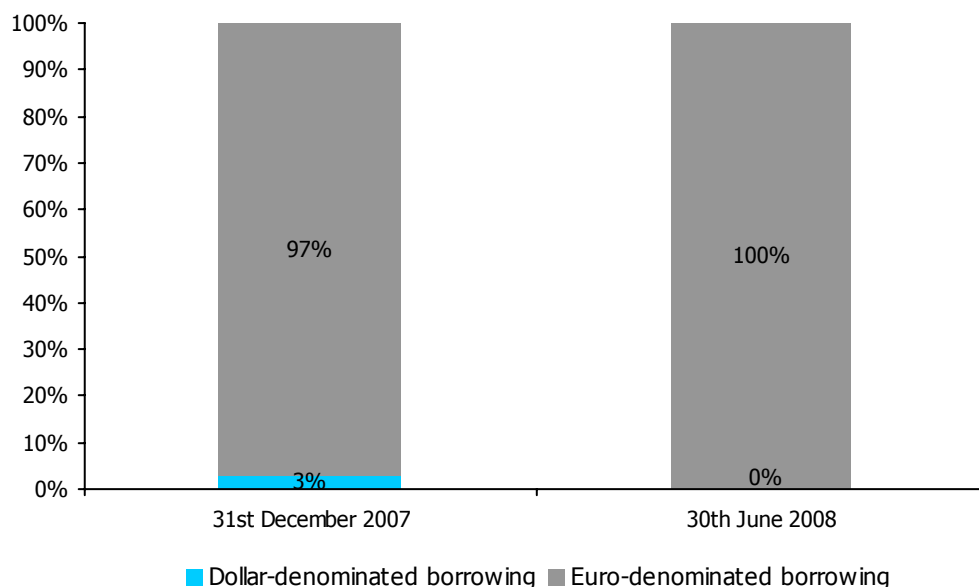
Figure 6: Structure of equity and liabilities



### Currency composition of sources of financing

As of 30<sup>th</sup> June 2008, all the debt financing of the *Luka Koper Group* is raised in the domestic currency (euro). In order to hedge trade receivables denominated in US dollars, the parent company last year raised a one-year dollar-denominated loan in an amount equivalent to average monthly turnover. This loan fell due at the beginning of June. Also this year, the company managed to come to an agreement with a number of its clients to change the settlement currency from US dollars to euros. Exposure to currency risk decreased by nearly 50% as a result, and as of 30<sup>th</sup> June 2008 amounts to 2.32 million dollars, which simultaneously accounts for 95% of the *Group's* dollar-denominated trade receivables. According to the changes in the economic environment, the company may again decide to include a dollar-denominated liability item. On this occasion the policy allowed the *Group* to offset 61% of foreign exchange losses.

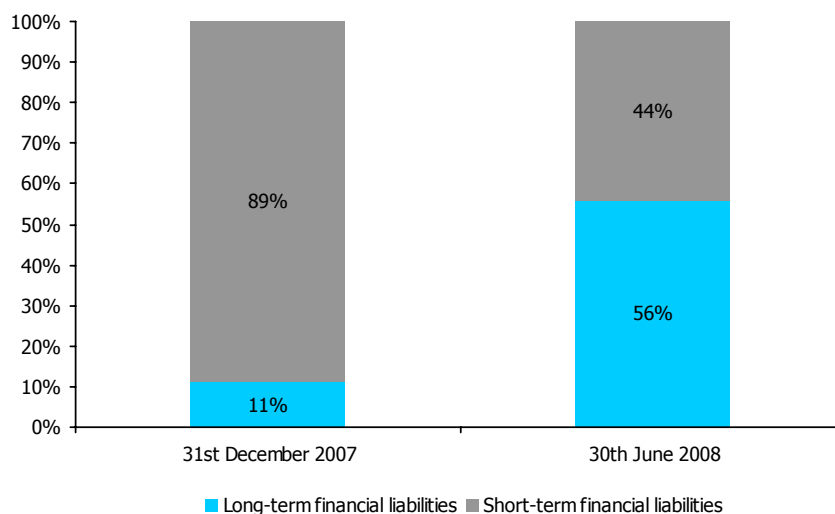
Figure 7: Currency composition of sources of financing



### Maturity of financial liabilities

During the first six months of 2008, the structure of financial liabilities as to their maturity has significantly changed from the structure as at 31<sup>st</sup> December 2007. Compliant with the business plan, a number of investments in the basic port and development activity were financed by long-term bank loans which exerted a beneficial effect on the calculated ratios. Thus the portion of long-term bank sources increased by 45 percentage points and as of 30<sup>th</sup> June 2008 amounted to 56% which has a positive effect on the entire *Luka Koper Group* financial stability.

Figure 8: Structure of financial liabilities by maturity



### RISK MANAGEMENT

All pertinent types of risk are systematically monitored and managed at the level of *Luka Koper Group*. They are divided into the following three groups:

- strategic risks
- business risks, and
- financial risks.

Assessment of exposure to various types of risk is set forth in the table below.

Table 2: Assessment of exposure to various types of risk

Type of Risk	Risk Exposure		
	Low	Moderate	High
<b>Strategic risks:</b>			
- development risks			
<b>Business risks:</b>			
- investment risks			
- human resources risks			
- information system risks			
- sales risks			
- environmental risks			
- legislative risks			
- profitability risks			
<b>Financial risks:</b>			
- fair value risks			
- currency risks			
- interest rate risks			
- liquidity risks			
- credit (trust) risks			

The company's Management Board estimates that *Luka Koper Group's* exposure to key identified risks in the period January to June 2008 hasn't significantly altered from the previous reporting period.

Congruent with a clearly defined and focused strategy to 2015, the intense investment cycle, which commenced in 2007, has intensified during 2008. As a result, attention and measures aimed at controlling investment risks have also been intensified in terms of:

- content - a balanced planning of investments in port infrastructure and development activities;
- examination as to the economic viability of investments;
- achieving the anticipated commercial performance of investments;
- constantly improving the quality of preparation, implementation, activation and monitoring of investments.

The successful implementation of a development strategy for the Port of Koper is also directly affected by the adoption of national spatial plan which is anticipated in 2009.

The forthcoming signing of a Concession Contract with the Republic of Slovenia significantly diminishes profitability risk, due to the fact that the amount of Concession fee is predictable, and, in future, a clearly determined expense. By way of an increased volume of cargo throughput, as well as a greater proportion of high-value-added cargos and efficient cost management, the company shall certainly continue to maintain the erstwhile rate of operational profitability, and through accomplishing investment plans pertaining to the basic port and development activities, also improve upon it.

Particular attention will be paid to the various financial risks, namely:

- fair value risk,
- currency risk,
- interest rate risk,
- liquidity risk,
- credit (trust) risk.

As of 30<sup>th</sup> June 2008, the *Luka Koper Group* had EUR 64 million of financial investments **carried at a fair value**. Falls in share prices on the Slovene stock market affects the value of this balance sheet item and hinders any planned balanced disinvestment of such financial investments on behalf of the investment cycle financing.

The only **currency risk** faced by the *Luka Koper Group* pertains to US dollars. Dollar-denominated trade receivables translated into the domestic currency (euros), account for only 7.9% of the *Group's* total receivables. Due to potential losses arising from unfavourable movements in the exchange rate, this balance sheet item has been secured by means of a financial liability - a loan - in the amount of average monthly turnover denominated in US dollars. Accordingly, 61% of exchange rate losses were offset by way of this facility.

Additional sources of financing *Luka Koper d.d.'s* strategic development project were also secured through increasing the volume of debt financing. As of 30<sup>th</sup> June 2008, financial liabilities amounted to 21% of the balance sheet total, which is an increase of 8 percentage points on 31<sup>st</sup> December 2007. The majority of loan agreements are linked to the variable interest rate.



Regular planning and reconciliation of cash flows on the basis of matching maturities facilitates efficient management of **liquidity risk**. Previously established and anticipated disparities are balanced by drawing revolving loans and provision of short-term deposits.

**Credit risk** is reduced through the constant monitoring of the financial discipline of business partners, and a situation in which the failure of counterparties to fulfil their obligations may lead to additional borrowing and consequently additional financing costs. A systematic approach to receivables management allows the maintenance of a relatively high level of financial discipline on the part of customers.

## INVESTMENT POLICY

Last year, the company embarked on a new and intensive investment cycle encompassing large strategic projects which shall facilitate a significant acceleration in the growth of the port and the provision of logistics services by the *Luka Koper Group*.

An intensive development-oriented investment policy has continued over the first half of this year, and the *Luka Koper Group* allocated EUR 54.9 million to investments, of which *Luka Koper d.d.* invested EUR 53.7 million in the construction and modernisation of infrastructure and premises, as well as the extension of facilities and modernisation of plant and machinery for a wide variety of cargo handling and warehousing in order that customers and clients are provided with integrated logistics support.

### **Investments in operations infrastructure**

Investments in facilities, plant and equipment between January and June 2008 comprised the following:

- acquisition of six tractor units with semi-trailers for internal transport within the port area
- purchase of fork-lift trucks of various loading capacities to further improve handling operations efficiency
- procurement of two transtainer cranes for the more efficient management of container freight
- takeover of the newly renovated *Al Barone* restaurant at Sečovlje airport by *Luka Koper Pristan d.o.o.*
- completion of basement garage and creation of above-ground structure of the company's new three-storey headquarters in Koper
- renovation of *Luka Koper's* Budapest office.

### **New capacities at the Fruit Terminal**

In October 2006, *Luka Koper* opened a modernised warehouse for perishable goods, replete with temperature and humidity regulation, at its Fruit Terminal; renovation of banana ripening facilities as well as warehouse Nos. 9 and 10, also with temperature and humidity regulation, was completed this March. The banana ripening capacity thus increased from the erstwhile 1,500 tonnes to 1,800 tonnes per month. Further to this, new refrigeration technology was implemented which instead of ammonia utilises the ecologically safe R404 cooling agent. The Terminal also acquired a new fruit and vegetable distribution centre, as well as five new loading bays for trucks and electrical power points for 76 reefer containers.

## **Oil Derivatives Terminal**

The first stage, completed this May, witnessed the construction of three tanks for oil derivatives at Pier No. II, which received operating permits in June. The remaining three tanks will be completed by 2010. Further to this, preparations for the construction of a tank for alcohols and oil derivatives at Pier No. I are now underway.

## **Vehicle warehouse**

Phase 1A of construction works for the provision of a new multi-storey storage facility for vehicles have been completed. The six-level car park, which also encompasses a roof-top area, is to open in November and will provide 2,750 parking places for shipped vehicles.

Photo 1: Construction of the new vehicle warehouse



## **Investments in port infrastructure**

### **Extension of Pier No. I**

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

Construction 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. Together with the construction of the new quay, which shall bear two already commissioned post-panamax cranes for container freight, the infill of new hinterland area created by the new extension is underway.

Photo 2: Construction of the extension to Pier No. I



## **Investment in development**

### **Arad Container Terminal, Romania**

Operated by the company *Trade Trans Terminal*, in which *Luka Koper d.d.* holds 26% share, the new inland container terminal at Arad, in the far west of Romania, forms part of a larger logistics centre operation. The developing terminal will ultimately extend over 10,000 m<sup>2</sup> of land. Basic earthmoving works are well underway, and the construction tender has been prepared. In addition, the basic terminal equipment - cranes and transporters etc. - have also been ordered, and the first storage facility within the logistics centre is under construction.

### **Sežana European Distribution Centre, Slovenia**

Additional land required for the development of the Sežana logistics centre was purchased during the first half of 2008. Site preparation works for the construction of an initial series of three storage facilities is underway. The future high-bay distribution warehouse will be 220 x 75 x 20 metres, thus extending the full length of the railhead. In addition, completion of the refurbishment and conversion of existing warehousing into cold stores, thus facilitates the storage of fruit, vegetables and other perishables at the Sežana Distribution Centre.

**INFORMATION ON OWNERSHIP AND SHARES**

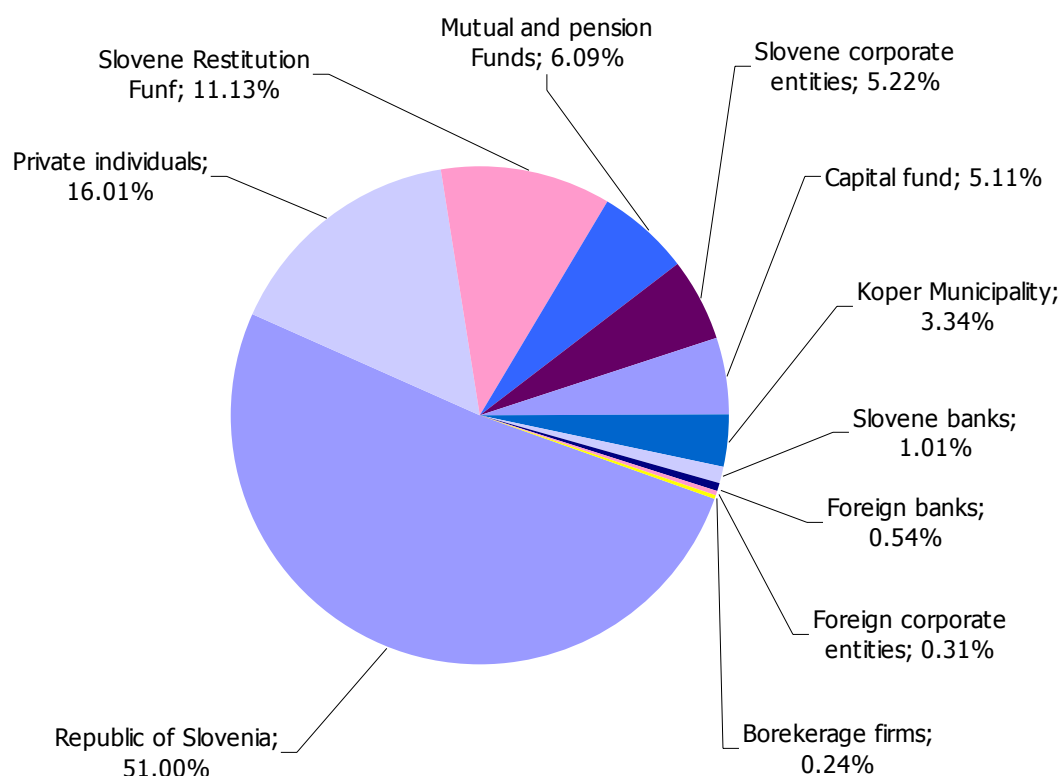
As of 30<sup>th</sup> June 2008, the ten largest shareholders in *Luka Koper d.d.* held 10,629,772 shares, namely 75.93 percent of issued share capital.

Table 3: The largest shareholders as of 30<sup>th</sup> June 2008

No.	Shareholder title	Shareholder address	No. of shares	Voting rights
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	114,077	0.81 %
9.	ZAVAROVALNICA TRIGLAV D.D.	Miklošičeva 19, 1000 Ljubljana	104,756	0.75 %
10.	HYPO BANK D.D.	Dunajska cesta 117, 1000 Ljubljana	99,690	0.71 %
<b>TEN LARGEST SHAREHOLDERS TOTAL</b>			<b>10,629,772</b>	<b>75.93 %</b>
<b>TOTAL SHARES</b>			<b>14.000.000</b>	<b>100.00 %</b>

At the end of June 2008, 14,461 shareholders were entered in the shareholder register of *Luka Koper d.d.*, which is a year-on increase of 20.9%. The total number of shareholders increased by 2,506, in particular private individuals whose aggregate holding now stands at 16.01% of total.

Figure 9: Ownership structure as of 30<sup>th</sup> June 2008



### Number of shares held by members of the Management and Supervisory Boards

As of 30<sup>th</sup> June 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

As of 30<sup>th</sup> June 2008, the following members of the Supervisory Board held shares *Luka Koper d.d.*:

Alverino Pavletič	1,567
Robert Jerman	704
Tatjana Jazbec	412
Metod Mezek	150
Marko Valentinčič	100

**LKPG share price movements**

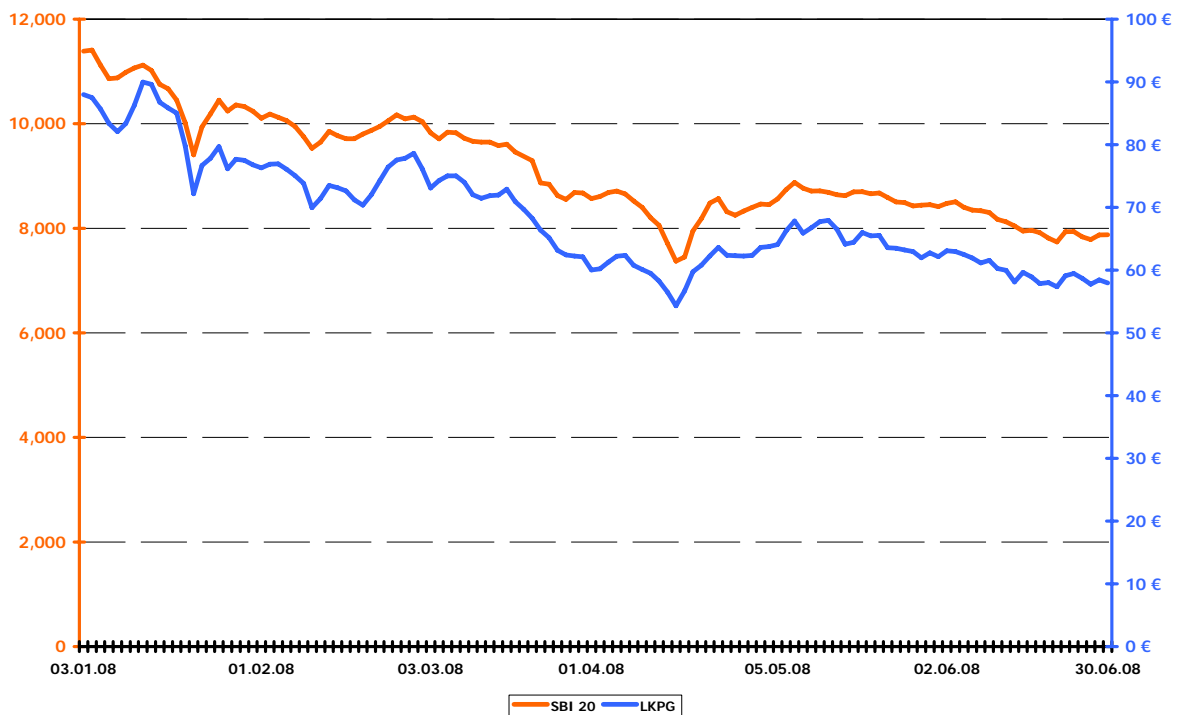
Table 4: Information on the LKPG share

	2008	2007
No. of shares issued as of 30 <sup>th</sup> June:	14,000,000	14,000,000
ordinary shares	14,000,000	7,140,000
Preference shares	0	6,860,000
Market capitalisation as of 30 <sup>th</sup> June (in million EUR)	811.4	703.4
Turnover (all transactions) January – June period (in million EUR)	23	66
The lowest trading price in January – June period (in EUR)	54.33	48.11
The peak trading price in January – June period (in EUR)	89.97	102.36
Average price as at 30 <sup>th</sup> June (in EUR)	57.96	98.51

Across the first half of 2008, the average trading price of the *Luka Koper d.d.* share amounted to EUR 68.59. On the last trading day of the period – 30<sup>th</sup> June 2008 – the LKPG share was trading at EUR 57.96, which is 35% lower than at the end of 2007, and 41% lower than on 30<sup>th</sup> June 2007.

A total of 6,059 transactions and block trades were accomplished with the LKPG share during the first half of 2008, and the total turnover of these transactions amounted to EUR 23,003,205, with 331,082 shares changing ownership.

Figure 10: Movement of LKPG share price in relation to the Slovenian Stock Exchange Index (SBI 20)

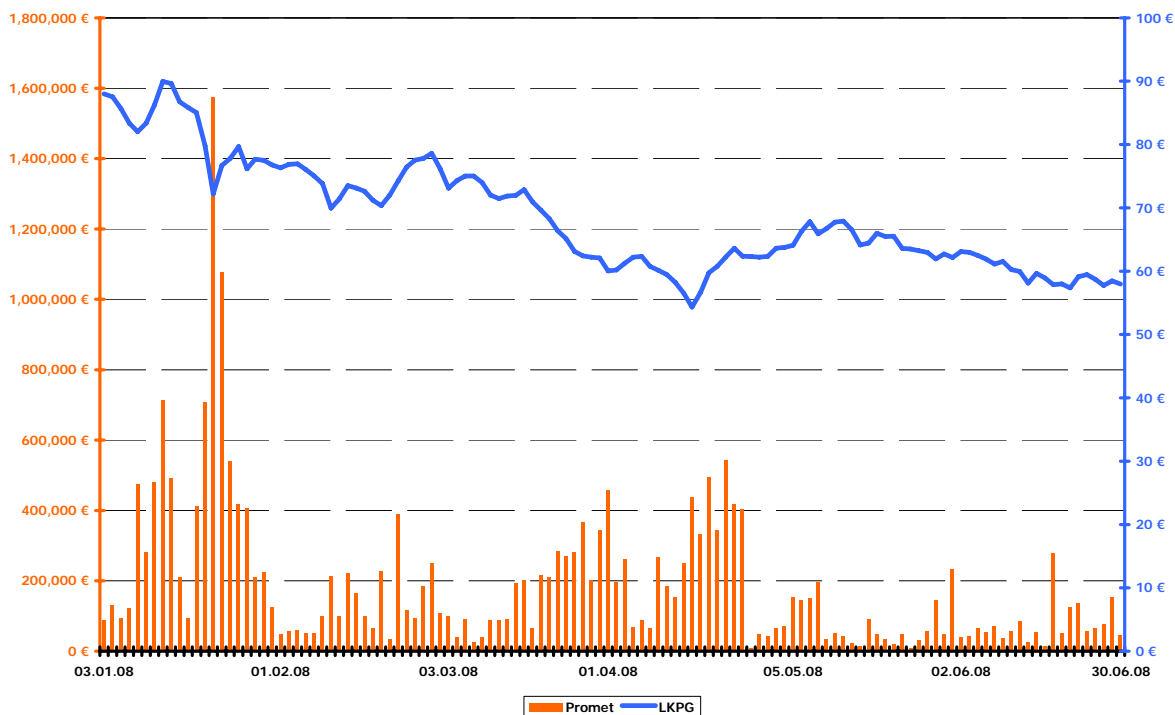


Despite continued growth in operations and profitability, the value of *Luka Koper d.d.* shares fell by 35% during the first half of 2008. Such can be attributed to market sentiment and was reflected in the general trend affecting the Ljubljana Stock Exchange, and indeed markets the world over. Despite suggestions of a downturn in the broader economic environment, the performance of *Luka Koper d.d.* as well as the *Group* remained buoyant throughout the entire first two quarters.

The reasons behind the decrease in share price during the first half of 2008 are undoubtedly commensurate with general stock market trends; indeed, a similar fate was shared by most shares, including the largest and most successful corporate entities in the country.

Despite such short-term downturns we firmly believe that the year-on-year trend of ever improving performance and results, together with the exceptional development opportunities for the Port of Koper in the years ahead, are guarantee of the long-term stable growth of *Luka Koper d.d.* and, accordingly, the value of its shares.

Figure 11: Movement of LKPG share price in relation to the daily trade in its stock during the first half of 2008



### **Dividend policy**

*Luka Koper d.d.* annually apportions approximately one half of net profits as dividends to its shareholders. The gross dividend for 2007 is anticipated to amount to EUR 0.55.

### **Net earnings per share**

Calculated at the annual level for improved clarity, net earnings per share - the ratio between the net profit for January to June 2008 and the total number of shares issued - amounts to EUR 1.87.

### **Book value of share**

As of 30<sup>th</sup> June 2008, the book value of the LKPG share, calculated as the total value of equity divided by the total number of shares issued, amounts to EUR 22.54.

### **Treasury stock, authorised capital, and conditional share capital increases**

As of 30<sup>th</sup> June 2008 the company didn't hold treasury stock. The *Luka Koper d.d.* statute doesn't anticipate any category of authorised capital to which the company's Management may increase share capital. The company has had no grounds for any conditional increase in share capital during the first half of 2008.

### **Expansion of listing with transformed shares**

At its 13<sup>th</sup> AGM, held on 19<sup>th</sup> 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 at Slovenia's central registry of dematerialised securities was accomplished on 20<sup>th</sup> 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.

### **Meetings with investors**

Three meetings of *Luka Koper d.d.* representatives with investors are anticipated by year's end; namely: within the context of the *Days of Slovene Capital Market*, an event organised by Ljubljana Stock Exchange in Vienna (most likely in September), as well as in Stockholm and London (most likely in November). Further to this, *Luka Koper d.d.* will participate at the *Erste Bank Investor Conference* which shall take place on 1<sup>st</sup> October in Stegersbach in Austria.



## **CUSTOMERS, CARGOS AND MARKETS**

### **Marketing strategy**

Of late, *Luka Koper* has implemented a somewhat more aggressive marketing strategy in relation to its logistics and ancillary service provision. The company systematically follows global trends in demand for freight management, services which it accordingly promptly provides and adapts to the requirements of customers and markets. It also participates at trade fairs attended by potential customers, and engages in a variety of promotional activities.

A significant element in the company's marketing strategy is the undisputed quality and total reliability of service provision, as well as flexibility in accordance with the desires of the client.

### **Cargo throughput**

*Luka Koper d.d.* achieved a significant strategic leap in upgrading the structure of cargo throughput. By increasing the portion of quality, more environmental-friendly cargos with higher value-added, such as cars, container freight and general cargos (which also encompasses perishable goods) *Luka Koper* is upgrading its business operations. During the first half of 2008, the company handled a total of 8,069,639 tonnes of cargo, which is 4% ahead of the same period last year.

### **Structure of cargo throughput by type**

#### **Vehicles**

The throughput of cars at *Luka Koper d.d.* has been on the increase for some time now, and its growth dynamics across the first two quarters have become even more intensive than at any time in recent years. 314,595 vehicles were handled during the first half of 2008, a figure which is 36% ahead of the same period last year.

The vehicles business appears to be destined to grow further, in particular as a consequence of deals to handle new brands, increased international demand for used cars, as well as the growth of new and emerging markets, such as the Ukraine.

The consequent increase in vehicle storage facility requirements at the Port of Koper are being met through expansion, including the reclamation of some unused land within the Port zone and accelerated investment into the construction of new multi-storey garage facilities.

#### **Containers**

The company handled 170,937 TEUs in the first six months of 2008, up from 146,999 TEUs in the first half of 2007, and accordingly a year-on increase in throughput volume of 16%.

All the shipping lines using the Port are recording growth in their business through Koper; some are increasing their capacities by introducing larger ships on the existing services, whilst others are providing additional regular container freight links, such as the new feeder lines with Malta. *Luka Koper d.d.* is also strengthening its position through the conclusion of new business, such as handling container freight for the new Hyundai plant in the Czech Republic.

At the end of May, the company broke yet another record by loading and unloading nearly 3,000 TEUs in a mere two days. Such a volume accounts for one tenth of average monthly throughput at the Container Terminal.

### **General cargos**

General cargos are handled by three terminals at the Port of Koper:

- Fruit Terminal (perishable goods)
- Timber Terminal, and
- General Cargo Terminal (other goods).

The Fruit Terminal witnessed a year-on increase in throughput of 374%. This rise can, in particular, be attributed to the growth in banana imports. Today four leading banana traders are using Koper as the entrepôt for distribution to the markets of Central and Eastern Europe. During January this year, Koper's Fruit Terminal handled the same volume of bananas for Slovenia, Croatia, Serbia, Hungary, Italy and Romania as it had throughout the whole of 2007.

During the first half of 2008, anticipated volumes of steel stock were accomplished, while throughputs of paper also increased. Despite the decrease in timber storage facilities at the Timber Terminal, trade in sawn timber is still on the increase.

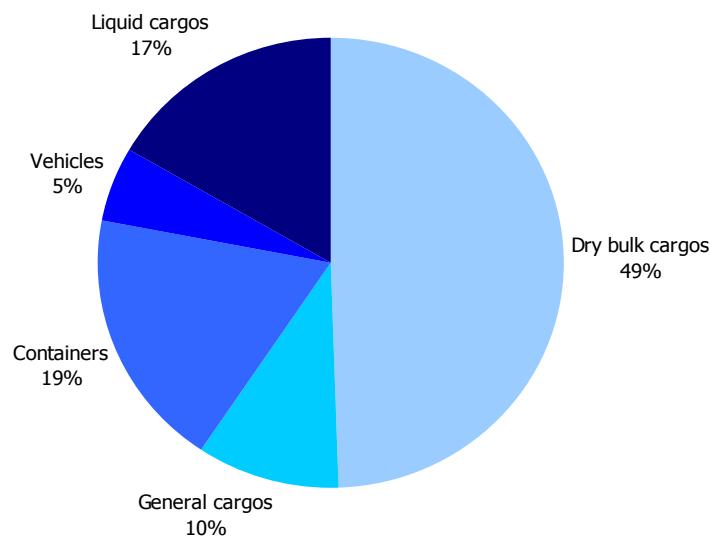
### **Liquid cargos**

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 the Slovene, Italian and Austrian markets, and more precisely the airports in Venice, Ljubljana and Vienna. This business looks set to double throughput at the Terminal, which will additionally increase upon the completion of three more such vessels over the coming months.

### **Dry and bulk cargos**

The European Energy Terminal, which handles iron ore and coal imports, didn't record any significant increase in throughput during the first half of 2008; the Bulk Cargo Terminal recorded a slight increase in its handling of scrap iron, fertilizers and marble.

Figure 12: Structure of cargo throughput, January to June 2008 - by type

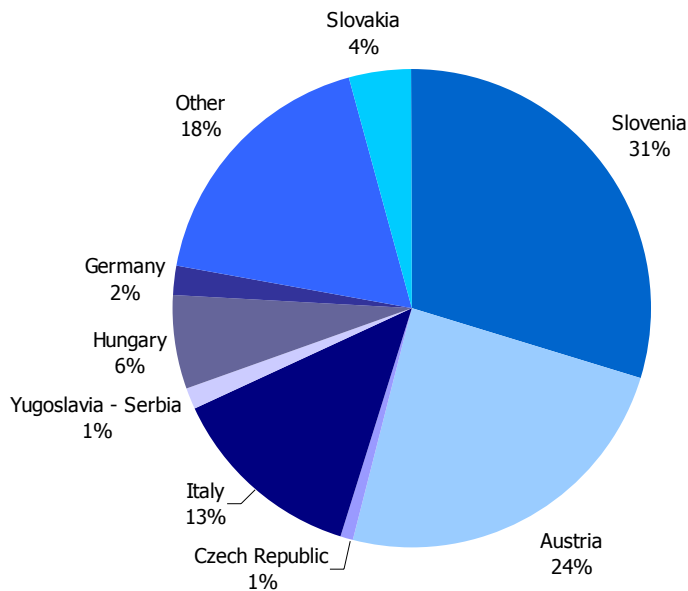


As regards tonnage, dry and bulk cargos account for the single largest portion in throughput structure at the Port of Koper, but its overall proportion is down by six percentage points in comparison with the first half of 2007; this has been caused, in particular, by the rise in container freight and liquid cargos.

Between January and June 2008, the number of freight wagons loaded and unloaded at the Port of Koper increased by 8.4% on the same period last year (from 97,828 in 2007 to 106,088 in 2008). A total of 38,678 wagons were unloaded, which is 2.7% ahead year-on, and 67,410 wagons loaded, a 10.7% increase on last year's level.

31% of the total throughput pertains to the Slovene market, whilst 69% is transit cargo pertaining to Austria, Italy, Hungary and other countries. The proportions of individual markets in the cargo structure hasn't changed significantly over the last year, though the continued solid growth in throughput for the Hungarian market is worthy of note.

Figure 13: Structure of cargo throughput, January to June 2008 - by European market



**BUSINESS EXCELLENCE**

The very best of companies carefully nurture the culture of ongoing improvement across all areas of their business operations, and they use a variety of techniques, tools, standards and methods in order to achieve this.

The *Luka Koper Group* has operated in compliance with ISO standards for over a decade. Back in 1997 the company was granted ISO 9002 quality certification, which has been upgraded by the implementation of other standards and awards:

- **1997** – award of ISO 9002 quality certificate
- **2000** – award of ISO 14001 environmental management certificate
- **2003** – award of ISO 9001 quality management certificate

- **2004** – award of non-GMO certification, for handling non-genetically modified cargos
- **2004** – award of HACCP food safety certificate
- **2007** – award of ISO 22000 certification for food safety management system
- **2008** – award of BS OHSAS 18001 certification for occupational health and safety management.

*Luka Koper d.d.* was awarded OHSAS 18001 certification for its occupational health and safety management system in May this year; this said, however, the company already provided occupational health and safety compliant with legislation as well as within the ISO 14001 environmental management standard. The award of the OHSAS 18001 certificate proves that *Luka Koper* is able to fully manage all health and safety related risks pertaining to its employees as well as other uses of the port area.

Both the sheer 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. Furthermore, within the European ports sector it is difficult to find one that boasts such a number of certified systems as *Luka Koper d.d.* does. Even the Port of Bilbao in Spain's Basque Country, a European region with the highest concentration of excellence, doesn't surpass the standards attained by *Luka Koper*.

In addition to standards, the *Luka Koper Group* recourses to other approaches in order to obtain requisite levels of service quality, such as the ongoing improvement of processes, team work as well as various improvement measures:

- The *Business Processes Improvement* project has been introduced in order to stimulate efficient communication between processes within the company, and achieve a higher level of harmonisation between primary and supplementary (ancillary) operations; the first phase of the project has been completed. Through structured discussion with management at the container, vehicle, timber and fruit terminals, as well as within marketing, supply, investment and development divisions, an array data was collected which will be analysed over the ensuing stages. By way of this process, the fundamentals of potential challenges will be identified, and improvement measures determined in the project's final stage.
- Quality teams have been active ever since the implementation of quality management across the *Luka Koper Group* of companies. The primary aim of these teams is to develop the culture of quality and excellence across all levels and cadres, as well as promote teamwork in the workplace. The number of such teams witnessed another increase (17) this year, and their formation in particular environments required ample systemic content-related assistance. The mature teams, formed in past years, were regularly visited in order to further promote their activities.

## PUBLIC AND INVESTOR RELATIONS

The communication policy of the *Luka Koper Group* is based on transparency and openness to 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. Due to the nature of *Luka Koper's* operations, both its site and its ownership, undergo constant scrutiny, and such is also evident from the extensive media coverage the company receives within Slovenia.

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. The *Open Door Day*, which was first organised for the first time last year, will be repeated again this autumn, and all those who were interested shall again have the opportunity to visit the Port of Koper and see operations at first hand. The number of guided tours of the Port is increasing every year; 8,822 visited in the first six months of this year, a figure which is 28% ahead last year's visitor numbers.

### Communication with investors

*Luka Koper d.d.* participated in presentations to investors on the *Day of Slovene Capital* organised in April (in Ljubljana) and in June (in Zagreb) by the Ljubljana Stock Exchange. Three other such presentations are anticipated - in Vienna, Stockholm and London - prior to the end of 2008.

In May the company organised its first ever *Open Day for Investors*, which was attended by a number of representatives of brokerage firms and other financial institutions. In addition to a tour of the Port of Koper and a general presentation, there were numerous individual discussions. In order to better meet investors' requirements for information, the company website was overhauled and the first issue of *Notice*, a quarterly web publication aimed at investors, was published.

## INFORMATION TECHNOLOGY SUPPORT

A number of development activities, planned for first half of 2008 in the field of IT support, were successfully accomplished.

### *TinO* – advanced information solutions

*TinO* the company's new information support system for operations and marketing, continued to be rolled out during 2008, and a number of new functionalities came on stream. The most significant of these include:

- Implementation of the **tax warehouse** module (to ensure operational compliance with ZDDV-1 – Slovenia's Value Added Tax Act), which is the first business system of its kind in Slovenia. The so-called tax warehouse system was introduced in 2007. Tax warehouses have a status similar to that of customs warehouses, with the exception

that only EU goods are stored there (i.e. domestic wares or wares arriving from or destined for other EU member states).

- The automation of particular operations within the system, which has accelerated the logistics of goods dispatch to the benefit of freight forwarding agents and customers.
- Implementation of the **e-inventory** module, developed as a consequence of customer requirements for instant access to their inventories. The *TinO* system differentiates stored goods by customer, factor and owner. The e-inventory application thus provides - by way of special authorisation schemes via a web portal - the owners of goods with ongoing access to their inventories.
- Introduction of the **ELM** module in the *Lunaris* application. This module tracks and facilitates input and output modifications to a ship's manifest electronically. Final consent still has to be obtained from the Customs Administration of the Republic of Slovenia in order that this system can be fully activated in day-to-day operations.
- Optimisation of the *TinO* support system for some business partners using bar code solutions.
- Additional functionality of the invoicing module.
- Performance of invoicing operations for *Adria Transport d.o.o.*

### **Ongoing information system upgrade**

The entire information system of *Luka Koper d.d.* is constantly being improved and updated. In 2008, the integrated *SAP* enterprise resource planning (ERP) application was upgraded and complemented in accordance with the most recent available version of the product; a new module for occupational safety was also introduced.

The container terminal features the **e-container** web solution, which provides business partners with an overview as to the status of their containers.

A new warehousing information system was implemented within *Adria Terminali d.o.o.*, a *Group* subsidiary involved in the **management of distribution warehouse operations**. The info system utilises bar codes within warehouses replete with wireless networks.

**SUSTAINABLE DEVELOPMENT**

**HUMAN RESOURCES MANAGEMENT**

**Employees**

Table 5: *Luka Koper Group* companies - Employees

Company	30 <sup>th</sup> June 2008	31 <sup>st</sup> Dec. 2007	Index
Luka Koper d.d.	787	774	102
Luka Koper INPO d.o.o.	237	228	104
Luka Koper Pristan d.o.o.	15	9	167
Adria Terminali d.o.o.	35	35	100
Adria Tow d.o.o.	26	24	108
Toc d.o.o.	3	-	-
<b>Luka Koper Group - Total</b>	<b>1,103</b>	<b>1,070</b>	<b>103</b>

As of 30<sup>th</sup> June 2008, the *Luka Koper Group* of companies had a total of 1,103 employees, which is 3% more than on 31<sup>st</sup> December 2007.

During the first half of 2008, *Group* companies took on 59 new employees, of whom *Luka Koper d.d.* recruited 29. Employment relations also ended for 26 *Group* employees, including 16 at *Luka Koper d.d.* during this period.

Employee turnover respectively amounted to 2.4% (*Group*) and 2% (*Luka Koper d.d.*) during the first half of 2008, very similar percentages to those recorded a year earlier.

The average age of personnel somewhat decreased on the 2007 mean; falling from 43.3 to 43.0 years for the *Group* companies, and from 40.7 to 40.2 for *Luka Koper d.d.*. Between January and June 2008, sick-leave related absenteeism as regards total hours of work amounted to 6.9% within the *Group*, and 4.13% in *Luka Koper d.d.*.

**Human resources education and development**

Table 6: Employee education

Level of education	<i>Luka Koper d.d.</i>		<i>Luka Koper Group</i>	
	30 <sup>th</sup> June 2008	Proportion as %	30 <sup>th</sup> June 2008	Proportion as %
VIII. or more	16	2	18	2
VII.	193	25	215	19
VI.	46	6	58	5
V.	244	31	291	26
IV.	200	25	284	26
III.	25	3	36	3
II.	53	7	143	13
I.	10	1	58	5
<b>Total</b>	<b>787</b>	<b>100</b>	<b>1,103</b>	<b>100</b>

	Key:
I – III	Primary education
IV	Occupational education
V	High school / Grammar school
VI	Technical college / University college
VII	Bachelor's degree
VIII or more	Master's degree / Doctorate

Congruent with the recruitment policy, the education structure of employees within the *Group* is constantly improving, in particular as regards the increasing proportion of employees with university degrees. At the same time there is also a gradual decrease in the number of personnel who have only the most basic levels of education.

Education and training activities were performed in compliance with *Luka Koper's* annual plan. In-house courses pertained to such disciplines as the provision of basic qualifications, machinery and vehicle operation, process management, refresher courses, quality standard implementation, management and communications skill development, as well as lessons in foreign languages. Development courses in particular specialist areas, organised by external education institutions, were, in particular, attended by management and specialist personnel.

At the *Group* level, an average 6.7 hours of education and training were provided per employee over the first two quarters of 2008, and an average of 9 hours per employee at *Luka Koper d.d.*. The decrease in the average provision per employee (in the first half of 2007, *Luka Koper Group* allocated on average 8.1 hours per employee, as opposed to 13 hours for *Luka Koper d.d.*) is the consequence of an improvement in the quality of the approach to gaining knowledge; namely, there has been a move towards an increasingly individual approach, as well as more active forms of education and training). Further to this, and due to the increase in recruitment in 2007, a significant number of hours were aimed at providing new personnel with basic instruction and qualification (such as machinery operation, railhead goods yard operations, and security).

At the *Group* level, EUR 112,000 were allocated to education and training during the first half of 2008, as opposed to EUR 106,000 in the same period the year before.

### **Modification of the corporate collective agreement and reorganisation of employment systematisation**

During the first half of 2008, *Luka Koper* became engaged in two important projects of major significance to its workforce, namely:

1. *Modification of the corporate collective agreement* – the current agreement dates back to 1997. The new corporate collective agreement should, in particular, regulate working hours in compliance with new legislation, as well as remuneration through the partial adjustment of the wage system.
2. *Reorganisation of employment evaluation and systematisation*, across a series of positions, with particular emphasis on the more exact definition of competences and responsibilities, as well as accordant modification of the wage system. The proposals were submitted to trade unions and the Workers' Council, which gave its consent to the proposed systematisation and also provided its own recommendations that the company has, to a large degree, taken into consideration. Accordingly, the new systematisation is now in its concluding stage.

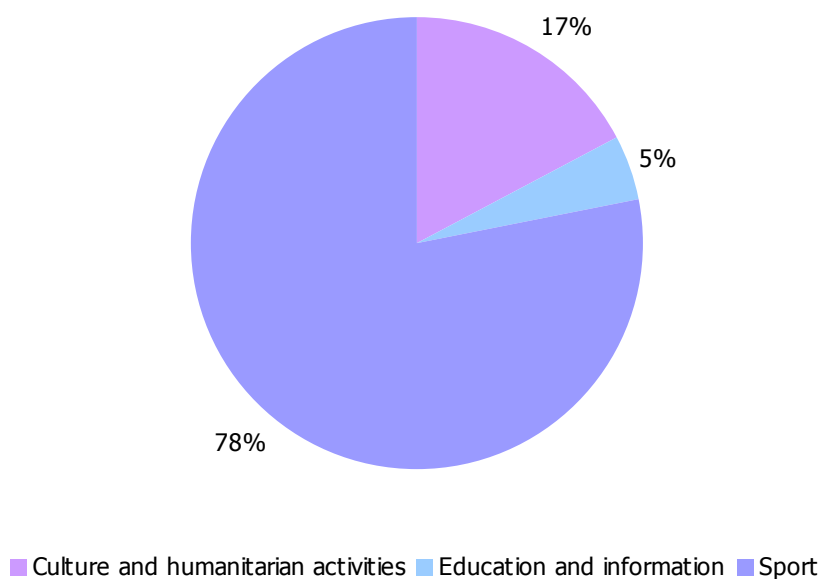


**SOCIAL PARTNERSHIP**

**Social responsibilities**

*Luka Koper Group* is committed to the development of the immediate and broader social milieu and environment in which it operates. As a sponsor and patron, *Luka Koper* supports the development of sport, culture, healthcare, education, as well as invests in various humanitarian projects and activities in the field of environment protection. The *Luka Koper Group* apportioned EUR 473,000 in sponsorship and donations during the first half of 2008.

Figure 14: Sponsorship and donations - by field



In this Olympic year, *Luka Koper d.d.* extended its four-year agreement with the Olympic Committee of Slovenia, and supported individual athletes - including Matic Osovnikar, Gašper Vinčec, Klara Maučec, Špela Ponomarenko and Matjaž Markič - participating at the Beijing Games.

Further to this, the *Luka Koper* participates in projects which have a significant impact on Koper's development as well as improve the quality of life of local inhabitants. This year the company participated in the regeneration of the Sveta Katarina *mandrač* - a small harbour and recreational area near Ankaran. It also co-funded the construction of a modern roundabout in the city centre from where the main artery leads to the Port entrance; the company has also started work on a new highway and entrance to the Port, which shall relieve heavy traffic from the town.

**ENVIRONMENTAL AWARENESS**

*Luka Koper, d.d.* is the only port in the Northern Adriatic to operate in compliance with ISO 9001 and ISO 14001 standards. 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.

Compliant with the European *Seveso II Directive* on the prevention of major accidents and limitation of their consequences, and due to the fact that it operates a commercial port facility, *Luka Koper d.d.* is regarded as an establishment of major risk, thus its operations require an environmental permit. Based on a safety report, the Environmental Agency of the Republic of Slovenia, part of Slovenia's Ministry of Environment and Spatial Planning, issued an environmental permit that applies to the entire Port area. The acquisition of such an authorization implies that the establishment is both technically, as well as in terms of personnel, competent to manage operations involving hazardous substances.

### **Air quality**

Air quality is monitored annually through measurements of emissions performed by competent institutions. Control measurements carried out in November, December and January, prove that the statutory limits were not exceeded. In March, the annual report on air quality was submitted to the Environmental Agency of the Republic of Slovenia at the Ministry of Environment and Spatial Planning.

In February, with the financial support of *Luka Koper d.d.* and the *Slovenian Research Agency*, the *Primorska Institute of Natural Sciences (PINT)*, part of the *University of Primorska*, fitted out and installed a new mobile ecological-meteorological station (TEOM) within the port zone. Half-year results of measurements taken by the mobile station indicate that emissions are below the prescribed maximum levels.

### **Waste management**

The company introduced a waste management system, which provides for the separate collection of compostable and non-compostable materials. Further to this, *Luka Koper* performs the mandatory public utility service of collecting solid and liquid wastes from vessels within the Port of Koper. In early 2008, the annual report on waste levels was submitted to the Environmental Agency of the Republic of Slovenia at the Ministry of Environment and Spatial Planning.

### **Noise pollution**

Measurements of noise levels in the natural and urban environment have been carried out regularly at three locations at the periphery of the Port zone, as well as local housing areas, since 1998. Despite increasing traffic, the impact of port activities on the acoustic environment is relatively low. Three new noise-measuring devices have been installed at the aforementioned locales for continuous metering of noise levels; thus far *Luka Koper* is the only company in Slovenia to use such modern devices.

### **Energy efficiency**

*Luka Koper* constantly strives to reduce energy consumption through ongoing improvement in the efficiency of all its operations; at the same time it stimulates the management of

organisational units to identify key indicators in the establishment and accomplishment of objectives. Establishing such objectives promote improvement programmes that yield quantifiable results which provide the basis for annual analyses and environmental reports.

At its April session, the company's Supervisory Board endorsed an ecological scheme to install a 2 MW solar power plant within the port zone. The project anticipates the installation of 14,000 m<sup>2</sup> of photovoltaic arrays on the roofs of warehouses - of which there are over 200,000 m<sup>2</sup> available within the entire area of the Port of Koper. Further to this, the eco-project for processing oily bilge water into diesel fuel and bunkering oil was also endorsed by the Supervisory Board.

### **Maritime protection**

Services related to the prevention and elimination of the effects of sea pollution are provided on the basis of a contract between the state and *Luka Koper d.d.*. Inspection and regulation of the maritime environment is provided 24 hours a day, 365 days per year.

In March 2008 *Luka Koper* put into service an *Omnia 10.60* fast patrol boat which shall be used for prompt intervention upon any emergency at sea. Another, larger *Gabbiano* class environment-protection vessel has been ordered and this new craft will be supplied to *Luka Koper* by year's end.

In July 2008, the *Luka Koper d.d.* Supervisory Board gave its consent to the establishment of *Eco Morje*, a company that will take over *Luka Koper's* marine protection services within the port area. The new enterprise, which will be in 100% ownership of *Luka Koper*, will also undertake three mandatory public utility service concessions on a commercial basis, namely, protection of the coastline and coastal waters, collection of wastes and refuse from vessels using the Port of Koper, as well as the maintenance of navigation and shipping facilities. The decision to establish *Eco Morje* came about by the need to rationalize and improve resources in the aforementioned fields, as well as to lower costs in the expectation of obtaining a concession to manage all of Slovenia's coastal waters.

**FINANCIAL REPORT**

**NON-AUDITED CONSOLIDATED FINANCIAL STATEMENTS  
OF LUKA KOPER GROUP**

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

(in thousands of euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>Operating revenues</b>	<b>69,319</b>	<b>60,806</b>	<b>114</b>
1. Net sales revenues	68,034	59,687	114
2. Change in the value of inventories	-	-	-
3. Capitalised own products and services	6	1	558
4. Other operating revenues	1,279	1,118	114
<b>Operating expenses</b>	<b>53,038</b>	<b>47,370</b>	<b>112</b>
5. Costs of goods, material and services	23,440	19,996	117
6. Labour costs	16,678	14,613	114
7. Value write-offs	9,350	9,516	98
8. Other operating expenses	3,570	3,245	110
<b>Operating profit</b>	<b>16,281</b>	<b>13,436</b>	<b>121</b>
<b>Financial revenues</b>	<b>4,779</b>	<b>12,810</b>	<b>37</b>
9. Financial revenues from profit participation	3,912	12,140	32
10. Financial revenues from loans granted	522	503	104
11. Financial revenues from operating receivables	345	167	207
<b>Financial expenses</b>	<b>2,664</b>	<b>1,065</b>	<b>250</b>
12. Financial expenses from impairments and write-offs of financial investments	233	19	1,226
13. Financial expenses from financial liabilities	2,064	796	259
14. Financial expenses from operating liabilities	367	250	147
<b>Financing gain</b>	<b>2,115</b>	<b>11,745</b>	<b>18</b>
<b>PRE-TAX PROFIT</b>	<b>18,396</b>	<b>25,181</b>	<b>73</b>
15. Corporation tax	2,692	3,585	75
16. Deferred taxed	31	116	27
<b>Net profit for the period</b>	<b>15,673</b>	<b>21,480</b>	<b>73</b>
<b>Net profit – majority shareholder</b>	<b>15,438</b>	<b>21,187</b>	<b>73</b>
<b>Net profit – minority shareholder</b>	<b>235</b>	<b>293</b>	<b>80</b>
<b>Basic net earnings per share (in euro)</b>	<b>2,20</b>	<b>3,03</b>	<b>73</b>

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

<b>ASSETS</b> (in thousands of euros)	<b>30.06.2008</b>	<b>31.12.2007</b>	<b>Indices</b> <b>2008/2007</b>
<b>ASSETS</b>	<b>500,073</b>	<b>461,159</b>	<b>108</b>
<b>A. Long-term assets</b>	<b>442,796</b>	<b>421,422</b>	<b>105</b>
I. Intangible fixed assets and long-term deferred costs	1,628	1,078	151
II. Tangible fixed assets	288,128	242,250	119
III. Real-estate investments	4,734	3,732	127
IV. Long-term financial investments	146,973	172,998	85
V. Long-term operating receivables	219	217	101
VI. Deferred tax assets	1,115	1,146	97
<b>B. Current assets</b>	<b>54,483</b>	<b>39,538</b>	<b>138</b>
I. Assets (disposal group)	11	104	11
II. Inventories	13	10	130
III. Short-term financial investments	7,584	8,625	88
IV. Short-term operating receivables	44,963	28,544	158
V. Short-term corporation tax assets	-	243	-
VI. Cash and liquid assets	1,912	2,013	95
<b>C. Deferred expenses and accrued revenues</b>	<b>2,793</b>	<b>199</b>	<b>1,403</b>
<b>D. Off-balance-sheet assets</b>	<b>22,390</b>	<b>14,900</b>	<b>150</b>
<b>LIABILITIES</b> (in thousands of euros)	<b>30.06.2008</b>	<b>31.12.2007</b>	<b>Indices</b> <b>2008/2007</b>
<b>EQUITY AND LIABILITIES</b>	<b>500,073</b>	<b>461,159</b>	<b>108</b>
<b>Equity</b>	<b>333,918</b>	<b>340,664</b>	<b>98</b>
<b>A. Equity – majority shareholder</b>	<b>330,542</b>	<b>337,792</b>	<b>98</b>
I. Called-up capital	58,421	58,421	100
II. Capital reserves	89,563	89,563	100
III. Legal reserves	18,868	18,868	
IV. Revenue reserves	95,729	95,729	100
V. Revaluation surplus	21,912	44,599	49
VI. Retained net profit	30,612	13,026	235
VII. Net profit for the period	15,438	17,586	88
<b>B. Equity – minority shareholder</b>	<b>3,376</b>	<b>2,872</b>	<b>118</b>
<b>C. Provisions</b>	<b>11,823</b>	<b>11,719</b>	<b>101</b>
<b>D. Long-term liabilities</b>	<b>63,660</b>	<b>17,927</b>	<b>355</b>
I. Long-term financial liabilities	58,023	6,623	876
II. Long-term operating liabilities	159	154	103
III. Deferred tax liabilities	5,478	11,150	49
<b>E. Short-term liabilities</b>	<b>90,477</b>	<b>90,488</b>	<b>100</b>
I. Short-term financial liabilities	46,137	52,014	89
II. Short-term operating liabilities	42,877	38,028	113
III. Short-term corporation tax liabilities	1,463	445	329
<b>F. Accrued expenses and deferred revenues</b>	<b>196</b>	<b>363</b>	<b>54</b>
<b>G. Off-balance-sheet liabilities</b>	<b>22,390</b>	<b>14,900</b>	<b>150</b>

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

(in thousands of euros)	January – June 2008	January – June 2007
<b><i>Cash flows from operating activities</i></b>		
<b>Net profit</b>	<b>15,673</b>	<b>21,480</b>
Pre-tax profit	18,396	25,181
Corporation taxes and other taxes not included in operating expenses	-2,723	-3,701
<b>Adjustments for</b>	<b>6,979</b>	<b>-2,675</b>
Amortisation (+)	8,931	9,163
Operating revenue revaluation of related to investing and financing items (-)	150	268
Operating expense revaluation related to investing and financing items (+)	98	41
Financial revenues, less financial revenues from operating receivables (-)	-4,434	-12,643
Financial expenses, less financial expenses from operating liabilities (+)	2,534	1,032
<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)</b>	<b>-18,516</b>	<b>11,826</b>
Changes in operating receivables	-16,178	-5,268
Changes in deferred expenses and accrued revenues	-2,594	449
Changes in deferred tax assets	31	116
Changes in assets (group for disposal) held for sale	93	34
Changes in inventories	3	1
Changes in operating liabilities	5,870	9,973
Changes in accrued expenses and deferred revenues, and provisions	63	3,418
Changes in deferred tax liabilities	-5,672	4,003
<b>Net inflows (outflows) from operating activities (a + b)</b>	<b>4,136</b>	<b>30,631</b>
<b><i>Cash flows from investment activities</i></b>		
<b>Inflows from investments</b>	<b>19,007</b>	<b>13,311</b>
Inflows from interest and profit participation pertaining to investments	-137	7,564
Inflows from disposal of intangible fixed assets	0	0
Inflows from disposal of tangible fixed assets	604	0
Inflows from disposal of real-estate investments	0	0
Inflows from disposal of long-term financial investments	12,088	5,747
Inflows from disposal of short-term financial investments	6,452	0
<b>Outflows from investments</b>	<b>-66,311</b>	<b>-48,038</b>
Outflows for acquisition of intangible fixed assets	-687	-171
Outflows for acquisition of tangible fixed assets	-54,427	-36,181
Outflows for acquisition of real-estate investments	-1,237	-6,932
Outflows for acquisition of long-term financial investments	-5,070	0
Outflows for acquisition of short-term financial investments	-4,890	-4,754
<b>Net inflows (outflows) from investment activities (a + b)</b>	<b>-47,304</b>	<b>-34,727</b>
<b><i>Cash flows from financing activities</i></b>		

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<b>Inflows from financing activities</b>	<b>131,786</b>	<b>5,218</b>
Inflows from paid-up capital	0	45
Inflows from increased long-term financial liabilities	62,000	4,381
Inflows from increased short-term financial liabilities	69,786	792
<b>Outflows from financing activities</b>	<b>-88,719</b>	<b>-1,046</b>
Outflows for interest payable pertaining to financing	-1,762	-1,046
Outflows for capital refunds	0	0
Outflows for payment of long-term financial liabilities	-10,600	0
Outflows for payment of short-term financial liabilities	-76,357	0
Outflows for payment of dividends and other profit participation	0	0
<b>Net inflows (outflows) from financing activities (a + b)</b>	<b>43,067</b>	<b>4,172</b>
<b><i>Closing balance of cash and cash equivalents</i></b>	<b>1,912</b>	<b>0,697</b>
Net cash inflow (outflow) for the period (sum total of net cash Ac, Bc & Cc)	-101	76
<b><i>Opening balance of cash and cash equivalents</i></b>	<b>2,013</b>	<b>622</b>

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

STATEMENT OF CHANGES IN EQUITY (in thousands of euros)	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	
<b>Opening balance as of 1<sup>st</sup> Jan 2007</b>	<b>58,421</b>	<b>89,563</b>	<b>18,865</b>	<b>82,430</b>	<b>13,530</b>	<b>9,945</b>	<b>20,189</b>	<b>292,944</b>
<b>Transfer to equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,945</b>	<b>11,242</b>	<b>13,400</b>	<b>34,587</b>
Net profit for the financial year						21,187		21,187
Change in the fair value of available-for-sale investments					9,945	-9,945	13,400	13,400
<b>Transfer within equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>45</b>	<b>0</b>	<b>0</b>	<b>45</b>
Formation of other revenue reserves upon the resolution of Management and Supervisory Boards								
Transfer to other revenue reserves upon the resolution of General Assembly								
Transfer of net profit for the previous year to retained net profit					45			45
<b>Transfer from equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Distribution of dividends								
<b>Balance as of 30<sup>th</sup> June 2007</b>	<b>58,421</b>	<b>89,563</b>	<b>18,865</b>	<b>82,430</b>	<b>23,520</b>	<b>21,187</b>	<b>33,589</b>	<b>327,576</b>
<b>Capital – minority shareholders</b>								
<b>Balance as of 30<sup>th</sup> June 2007</b>	<b>50</b>	<b>26</b>	<b>5</b>	<b>1,087</b>	<b>776</b>	<b>293</b>	<b>0</b>	<b>2,237</b>
<b>Capital – Total</b>	<b>58,471</b>	<b>89,589</b>	<b>18,870</b>	<b>83,517</b>	<b>24,296</b>	<b>21,480</b>	<b>33,589</b>	<b>329,813</b>



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

STATEMENT OF CHANGES IN EQUITY (in thousands of euros)	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	
<b>Opening balance as of 1<sup>st</sup> Jan. 2008</b>	<b>58,421</b>	<b>89,563</b>	<b>18,868</b>	<b>95,729</b>	<b>13,026</b>	<b>17,586</b>	<b>44,599</b>	<b>337,792</b>
<b>Transfer to equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>15,438</b>	<b>-22,687</b>	<b>-7,249</b>
Net profit for the financial year						15,438		15,438
Change in the fair value of available-for-sale investments							-22,687	-22,687
<b>Transfer within equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>17,586</b>	<b>-17,586</b>	<b>0</b>	<b>0</b>
Formation of other revenue reserves upon the resolution of Management and Supervisory Boards								
Transfer to other revenue reserves upon the resolution of General Assembly								
Transfer of net profit for the previous year to retained net profit					17,586	-17,586		
<b>Transfer from equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Distribution of dividends								
<b>Balance as of 30<sup>th</sup> June 2008</b>	<b>58,421</b>	<b>89,563</b>	<b>18,868</b>	<b>95,729</b>	<b>30,612</b>	<b>15,438</b>	<b>21,912</b>	<b>330,542</b>
<b>Capital – minority shareholders</b>								
<b>Balance as of 30<sup>th</sup> June 2008</b>	<b>825</b>	<b>26</b>	<b>5</b>	<b>1,764</b>	<b>521</b>	<b>235</b>	<b>0</b>	<b>3,376</b>
<b>Capital – Total</b>	<b>59,246</b>	<b>89,588</b>	<b>18,873</b>	<b>97,493</b>	<b>31,133</b>	<b>15,673</b>	<b>21,912</b>	<b>333,918</b>

## NOTES TO THE FINANCIAL STATEMENTS OF LUKA KOPER GROUP

The financial statements of the *Luka Koper Group* for the first half of 2008 – i.e. as at 30<sup>th</sup> June 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 for 1<sup>st</sup> January to 30<sup>th</sup> June 2008, prepared in accordance with the same accounting policies as were applicable in fiscal 2007, are not 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 have been 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 during the first half of 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

#### Operating revenues: EUR 69,318,515

During the first half of 2008, the *Luka Koper Group* generated operating revenues from its basic activities in the amount of EUR 68 million, and thus - in comparison against the same period last year - increased revenues by 14%. The major portion of revenues (67%) was generated on foreign markets.

Inter-company operating revenues of the *Group* during the first half of 2008 totalled EUR 1,861,120.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>OPERATING REVENUES</b>	<b>69,318,515</b>	<b>60,806,236</b>	<b>114</b>
Revenues from services sold on domestic market	21,493,986	15,231,123	141
Revenues from services sold on foreign markets	46,539,750	44,455,865	105
Capitalised own products and services	5,920	1,060	558
Other operating revenues	1,278,859	1,118,188	114

**Costs of goods, material and services: EUR 23,439,759**

The portion of costs of goods, material and services amounts to the equivalent of 34% of revenues, a rise of 17% on the same period last year. Material costs indicate an increase relative to the previous year, in particular due to energy costs.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>COSTS OF GOODS, MATERIAL AND SERVICES</b>	<b>23,439,759</b>	<b>19,996,364</b>	<b>117</b>
Material costs	4,901,162	3,587,690	137
Service costs	18,538,597	16,408,674	113

**Labour costs: EUR 16,677,885**

Labour costs amount to the equivalent of 24% of revenues, and recorded a 14% increase on the previous year. This increase can mainly be attributed to operational growth and a commensurate expansion of the workforce, together with salary increases as a consequence of inflation.

As of 30<sup>th</sup> June 2008, the number of employees totalled 1,103, which is a 4% increase on 30<sup>th</sup> June 2007 when the company had 1,060 employees.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>TOTAL LABOUR COSTS</b>	<b>16,677,885</b>	<b>14,613,162</b>	<b>114</b>
Salaries	12,297,833	10,703,507	115
Costs of social insurances	2,316,405	2,051,496	113
Other labour costs	2,063,647	1,858,160	111

**Value write-offs: EUR 9,350,038**

The intensive investment cycle has not yet been reflected in the value write-offs due to the fact that most investments are still underway, whereas investments in land are not depreciated. An increase in amortisation costs is anticipated in the second half of 2008.

(in euros)	January – June 2008	January – June 2008	Indices 2008/2007
<b>VALUE WRITE-OFFS</b>	<b>9,350,038</b>	<b>9,515,681</b>	<b>98</b>
Amortisation of fixed assets	8,931,097	9,077,134	98
Depreciation of real-estate investments	237,189	216,802	109
Revaluation of operating expenses	181,752	221,745	82

**Other operating expenses: EUR 3,570,118**

Charges unrelated to labour costs encompass, in particular, the rates payable for land and buildings which amounted to EUR 2,288,989 for the period.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>OTHER COSTS</b>	<b>3,570,118</b>	<b>3,244,718</b>	<b>110</b>
Charges unrelated to labour and other costs	2,914,605	2,344,750	124
Environment protection expenditure	260,169	282,339	92
Other costs	395,344	617,629	64

**Financial revenues: EUR 4,779,196**

Financial revenues generated in first half of 2008 amounted to EUR 4,779,196. When compared to the data for the equivalent period last year, it should be taken into consideration that the 2007 figure includes a one-off revenue in the amount of EUR 5,223,769 generated by the disposal of stock in *Banka Koper* in April 2007, as well as participation in the profit of associated companies in accordance with the equity method in the amount of EUR 5,069,572.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>FINANCIAL REVENUES</b>	<b>4,779,196</b>	<b>12,810,051</b>	<b>37</b>
Financial revenues from participation in profit	3,912,842	12,140,086	32
Financial revenues from loans granted	521,654	502,741	104
Financial revenues from operating receivables to others and foreign exchange gains	344,700	167,680	206

**Financial expenses: EUR 2,663,430**

Financial liabilities in the amount of EUR 2,296,707 account for the major portion of financial expenses. The increase in financial liabilities – 182% ahead of the same period last year – can be attributed to interest on loans raised by the parent company in order to finance the planned volume of infrastructure investments.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>FINANCIAL EXPENSES</b>	<b>2,663,430</b>	<b>1,065,122</b>	<b>250</b>
Financial expenses from financial liabilities	2,296,707	815,364	282
Financial expenses from operating liabilities and foreign exchange losses	366,723	249,758	147

**Interim net profit: EUR 15,673,232**

Net profit of the *Group* for the first six months of 2008 amounts to EUR 15,673,232, and presents 73% of that generated in the first half of 2007. 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 EUR 5,223,769 - as well as participation in the profit of associated companies by way of the equity method - amounting to EUR 5,069,572 - should be taken into consideration. If such windfall profits are excluded, net profit for January to June 2008 would be 24% ahead of those for the equivalent period last year.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>TOTAL (GROSS) PROFIT</b>	<b>18,396,481</b>	<b>25,181,445</b>	<b>73</b>
Corporation tax	2,692,425	3,585,129	75
Deferred tax	30,823	116,117	27
<b>NET PROFIT FOR THE PERIOD</b>	<b>15,673,232</b>	<b>21,480,199</b>	<b>73</b>
Net profit – majority shareholders	15,438,041	21,187,056	73
Net profit – minority shareholders	235,192	293,143	80
<b>NET EARNINGS PER SHARE</b>	<b>1.10</b>	<b>1.51</b>	<b>73</b>

### Additional notes to the Balance Sheet statements

#### Tangible fixed assets and intangible assets: EUR 289,755,890

The value of tangible fixed assets accounts to 58% of total assets, and their value increased by 19% from the beginning of the year. The increase in value of fixed assets can be attributed to intensive investments aimed at increasing infrastructure and operational expansion into the hinterland. The largest increase in value is recorded as regards tangible fixed assets under acquisition (up 91%) as a result of investment projects underway.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>INTANGIBLE LONG-TERM ASSETS AND LONG-TERM DEFERRED EXPENSES &amp; ACCRUED REVENUES</b>	<b>1,627,833</b>	<b>1,078,022</b>	<b>151</b>
<b>TANGIBLE FIXED ASSETS</b>	<b>288,128,057</b>	<b>242,250,357</b>	<b>119</b>
1. Land and buildings	149,883,110	144,855,610	103
a. Land	28,217,178	25,542,200	110
b. Buildings	121,665,932	119,313,410	102
2. Plant and machinery	58,447,040	55,599,638	105
3. Other plant and equipment	145,235	145,235	100
4. Tangible fixed assets under acquisition	79,652,672	41,649,874	191

#### Real-estate investments: EUR 4,733,662

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>REAL-ESTATE INVESTMENTS</b>	<b>4,733,662</b>	<b>3,732,466</b>	<b>127</b>

#### Long-term financial investments: EUR 146,972,802

As of 30<sup>th</sup> June 2008, long-term financial investments of the *Group* amounted to EUR 146,972,802, and accounted for 33% of all long-term assets. The major portion of long-term financial investments (99.8%) are owned by the parent company and composed in particular of *Luka Koper d.d.* investments in subsidiary enterprises, associated and jointly-controlled companies, as well as other investments in securities as well as interests in other companies.

The value of financial investments was 15% lower in comparison with the same period last year, which is the result of a withdrawal from 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.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>LONG-TERM FINANCIAL INVESTMENTS</b>	<b>146,972,802</b>	<b>172,998,338</b>	<b>85</b>
1. Long-term financial investments, excluding loans	136,188,324	161,381,205	84
2. Long-term loans to others	10,784,478	11,617,133	93

#### Short-term operating receivables: EUR 44,963,114

The disclosed increase in short-term operating receivables, which recorded a 58% rise on the 31<sup>st</sup> December 2007 level, can be attributed to the increase in advances provided for tangible fixed assets in the parent company.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>SHORT-TERM OPERATING RECEIVABLES</b>	<b>44,963,114</b>	<b>28,544,163</b>	<b>158</b>

#### Equity: EUR 333,918,205

Total *Luka Koper Group* equity equals the sum of majority and minority shareholders equity; as at 30<sup>th</sup> June 2008 it amounts to EUR 333,918,205. Minority shareholders equity encompasses stakes of minority holdings in the following subsidiaries:

- *Adria Tow d.o.o.* in the amount of EUR 2,921,025
- *TOC d.o.o.* in the amount of EUR 166,546
- *Adria Terminali d.o.o.* in the amount of EUR 288,244.

The revaluation surplus is formed on the basis of changes in the market value of financial assets. Equity, in the form of shares listed on organised 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 49% of the value disclosed as at 31<sup>st</sup> December 2007.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>EQUITY</b>	<b>333,918,205</b>	<b>340,663,798</b>	<b>98</b>
<b>EQUITY – MAJORITY SHAREHOLDER</b>	<b>330,542,390</b>	<b>337,791,792</b>	<b>98</b>
CALLED-UP CAPITAL	58,420,965	58,420,965	100
CAPITAL RESERVES	89,562,703	89,562,703	100
REVENUE RESERVES	114,597,317	114,597,317	100
1. Legal reserves	18,868,359	18,868,359	100
5. Other revenue reserves	95,728,958	95,728,958	100
REVALUATION SURPLUS	21,911,507	44,598,950	49
RETAINED NET PROFIT	30,611,857	13,025,799	235
NET PROFIT FOR THE PERIOD	15,438,041	17,586,058	88
<b>EQUITY – MINORITY SHAREHOLDER</b>	<b>3,375,815</b>	<b>2,872,006</b>	<b>118</b>
CALLED-UP CAPITAL	824,898	236,898	348
CAPITAL RESERVES	25,651	25,651	100

REVENUE RESERVES	1,768,811	1,092,539	162
1. Legal reserves	4,980	4,980	100
5. Other revenue reserves	1,763,831	1,087,559	162
RETAINED NET PROFIT	521,263	776,272	67
NET PROFIT FOR THE PERIOD	235,192	740,646	32

**Provisions + long-term accrued expenses and deferred revenues: EUR 11,822,581**

The provisions disclosed include provisions formed by *Group* companies for jubilee (compensation) benefits and severance pay upon retirement, as well as provisions for (potential) damages.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>PROVISIONS + LONG-TERM ACCRUED EXPENSES &amp; DEFERRED REVENUES</b>	<b>11,822,581</b>	<b>11,718,551</b>	<b>101</b>

**Long-term liabilities: EUR 63,659,579**

The major portion of long-term financial liabilities can be attributed to the parent company, *Luka Koper d.d.*. The long-term financial liabilities of subsidiaries amount to a mere EUR 357,452. The increase in long-term financial liabilities of the parent company is the result of its intensive investment cycle, which balances the financing of new infrastructure investments by raising bank loans.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>LONG-TERM LIABILITIES</b>	<b>63,659,579</b>	<b>17,926,907</b>	<b>355</b>
LONG-TERM FINANCIAL LIABILITIES	58,022,990	6,622,990	876
LONG-TERM OPERATING LIABILITIES	158,712	154,180	103
DEFERRED TAX LIABILITIES	5,477,877	11,149,737	49

**Short-term liabilities: EUR 90,476,564**

During the first half of 2008, short-term liabilities were similar to the same period of the previous year. A 15% increase in operating liabilities is mainly due to the increase of liabilities to suppliers for fixed assets that are related to the company's intensive infrastructure investments, as well as the extension of payment terms to suppliers.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>SHORT-TERM LIABILITIES</b>	<b>90,476,564</b>	<b>90,487,510</b>	<b>100</b>
SHORT-TERM FINANCIAL LIABILITIES	46,137,472	52,014,429	89
SHORT-TERM OPERATING LIABILITIES	44,339,092	38,473,081	115

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

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

(in thousands of euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>Operating revenues</b>	<b>62,608</b>	<b>55,949</b>	<b>112</b>
1. Net sales revenues	61,688	55,175	112
2. Change in the value of inventories	-	-	-
3. Capitalised own products and services	-	-	-
4. Other operating revenues	920	773	119
<b>Operating expenses</b>	<b>48,394</b>	<b>44,157</b>	<b>110</b>
5. Costs of goods, material and services	22,854	20,354	112
6. Labour costs	13,518	11,847	114
7. Value write-offs	8,457	8,752	97
8. Other operating expenses	3,565	3,204	111
<b>Operating profit</b>	<b>14,214</b>	<b>11,792</b>	<b>121</b>
<b>Financial revenues</b>	<b>3,975</b>	<b>7,524</b>	<b>53</b>
9. Financial revenues from profit participation	3,329	6,894	48
10. Financial revenues from loans granted	312	466	67
11. Financial revenues from operating receivables	334	164	204
<b>Financial expenses</b>	<b>2,711</b>	<b>1,043</b>	<b>260</b>
12. Financial expenses from impairments and write-offs of financial investments	233	6	3,883
13. Financial expenses from financial liabilities	2,124	793	268
14. Financial expenses from operating liabilities	354	244	145
<b>Financing gain</b>	<b>1,264</b>	<b>6,481</b>	<b>20</b>
<b>PRE-TAX PROFIT</b>	<b>15,478</b>	<b>18,274</b>	<b>85</b>
15. Corporation tax	2,321	3,289	71
16. Deferred taxes	29	102	28
<b>Net profit for the period</b>	<b>13,128</b>	<b>14,883</b>	<b>88</b>
<b>Basic net earnings per share (in euros)</b>	<b>1,87</b>	<b>2,12</b>	<b>89</b>



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

<b>ASSETS</b> (in thousands of euros)	<b>30.06.2008</b>	<b>31.12.2007</b>	<b>Indices</b> <b>2008/2007</b>
<b>ASSETS</b>	<b>472,102</b>	<b>434,313</b>	<b>109</b>
<b>A. Long-term assets</b>	<b>425,412</b>	<b>405,307</b>	<b>105</b>
I. Intangible fixed assets and long-term deferred costs	1,628	1,078	151
II. Tangible fixed assets	260,765	217,180	120
III. Real-estate investments	15,255	14,255	107
IV. Long-term financial investments	146,679	171,682	85
V. Long-term financial receivables	219	217	101
VI. Deferred tax assets	866	895	97
<b>B. Current assets</b>	<b>44,131</b>	<b>28,848</b>	<b>153</b>
I. Assets (disposal group)	11	104	11
II. Inventories	-	-	-
III. Short-term financial investments	567	43	1,319
IV. Short-term operating receivables	42,898	27,195	157
V. Short-term corporation tax assets	-	208	-
VI. Cash and liquid assets	655	1,298	50
<b>C. Deferred expenses and accrued revenues</b>	<b>2,559</b>	<b>158</b>	<b>1,620</b>
<b>D. Off-balance-sheet assets</b>	<b>17,540</b>	<b>17,540</b>	<b>100</b>
<b>LIABILITIES</b> (in thousands of euros)	<b>30.06.2008</b>	<b>31.12.2007</b>	<b>Indices</b> <b>2008/2007</b>
<b>EQUITY AND LIABILITIES</b>	<b>472,102</b>	<b>434,313</b>	<b>109</b>
<b>A. Equity</b>	<b>315,599</b>	<b>325,159</b>	<b>97</b>
I. Called-up capital	58,421	58,421	100
II. Capital reserves	89,563	89,563	100
III. Revenue reserves	114,494	114,494	100
IV. Revaluation surplus	21,912	44,599	49
V. Retained net profit	18,082	5,548	326
VI. Net profit for the period	13,128	12,534	105
<b>B. Provisions</b>	<b>4,030</b>	<b>4,160</b>	<b>97</b>
<b>C. Long-term liabilities</b>	<b>63,211</b>	<b>17,482</b>	<b>362</b>
I. Long-term financial liabilities	57,666	6,266	920
II. Long-term operating liabilities	67	66	102
III. Deferred tax liabilities	5,478	11,150	49
<b>D. Short-term liabilities</b>	<b>89,137</b>	<b>87,172</b>	<b>102</b>
I. Short-term financial liabilities	52,287	56,515	93
II. Long-term operating liabilities	36,850	30,657	120
<b>E. Accrued expenses and deferred revenues</b>	<b>125</b>	<b>340</b>	<b>37</b>
<b>F. Off-balance-sheet liabilities</b>	<b>17,540</b>	<b>17,540</b>	<b>100</b>

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

(in thousands of euros)	January – June 2008	January – June 2007
<b><i>Cash flows from operating activities</i></b>		
<b>Net profit</b>	<b>13,127</b>	<b>14,883</b>
Pre-tax profit	15,478	18,274
Corporation taxes and other taxes not included in operating expenses	-2,351	-3,391
<b>Adjustments for</b>	<b>7,189</b>	<b>1,744</b>
Amortisation (+)	8,275	8,530
Operating revenue revaluation related to investing and financing items (-)	-138	-264
Operating expenses revaluation related to investing and financing items (+)	98	41
Financial revenues, less financial revenues from operating receivables (-)	-3,640	-7,360
Financial revenues, less financial expenses from operating liabilities (+)	2,594	797
<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)</b>	<b>-17,601</b>	<b>11,381</b>
Changes in operating receivables	-15,498	- 5,112
Changes in deferred expenses and accrued revenues	-2,401	-279
Changes in deferred tax assets	29	102
Changes in assets (group for disposal) held for sale	93	34
Changes in inventories	-	-
Changes in operating liabilities	6,194	9,571
Changes in accrued expenses and deferred revenues, and provisions	-346	3,062
Changes in deferred tax liabilities	-5,672	4,003
<b>Net inflows (outflows) from operating activities (a + b)</b>	<b>2,716</b>	<b>28,008</b>
<b><i>Cash flows from investment activities</i></b>		
<b>Inflows from investments</b>	<b>16,778</b>	<b>13,259</b>
Inflows from interest and profit participation pertaining to investments	-137	7,524
Inflows from disposal of intangible fixed assets	-	-
Inflows from disposal of tangible fixed assets	592	-
Inflows from disposal of real-estate investments	-	-
Inflows from disposal of long-term financial investments	11,504	5,735
Inflows from disposal of short-term financial investments	4,819	-
<b>Outflows from investments</b>	<b>-65,321</b>	<b>-50,882</b>
Outflows for acquisition of intangible fixed assets	-550	-154
Outflows for acquisition of tangible fixed assets	-52,411	-35,430
Outflows for acquisition of real-estate investments	-1,237	-6,932
Outflows for acquisition of long-term financial investments	-6,092	-
Outflows for acquisition of short-term financial investments	-5,031	-8,366
<b>Net inflows (outflows) from investment activities (a + b)</b>	<b>-48,544</b>	<b>-37,623</b>

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<b><i>Cash flows from financing activities</i></b>		
<b>Inflows from financing activities</b>	<b>137,057</b>	<b>10,322</b>
Inflows from paid-up capital	-	-
Inflows from increased long-term financial liabilities	62,000	5,635
Inflows from increased short-term financial liabilities	75,057	4,687
<b>Outflows from financing activities</b>	<b>-91,872</b>	<b>-1,037</b>
Outflows for interest payable pertaining to financing	-1,822	-1,037
Outflows for capital refunds	-	-
Outflows for payment of long-term financial liabilities	-10,600	-
Outflows for payment of short-term financial liabilities	-79,450	-
Outflows for payment of dividends and other profit participation	-	-
<b>Net inflows (outflows) from financing activities (a + b)</b>	<b>45,185</b>	<b>9,285</b>
<b><i>Closing balance of cash and cash equivalents</i></b>	<b>655</b>	<b>333</b>
Net cash inflow (outflow) for the period (sum total of net cash Ac, Bc & Cc)	-643	18
<b><i>Opening balance of cash and cash equivalents</i></b>	<b>1,298</b>	<b>315</b>

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

STATEMENT OF CHANGES IN EQUITY (in thousands of euros)	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	
<b>Opening balance as of 1<sup>st</sup> January 2007</b>	<b>58,421</b>	<b>89,563</b>	<b>18,765</b>	<b>82,430</b>	<b>6,003</b>	<b>9,977</b>	<b>20,189</b>	<b>285,348</b>
<b>Transfer to equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>14,883</b>	<b>13,400</b>	<b>28,283</b>
Net profit for the financial year						14,883		14,883
Change in the fair value of available-for-sale investments							13,400	13,400
<b>Transfer within equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>9,977</b>	<b>-9,977</b>	<b>0</b>	<b>0</b>
Formation of other revenue reserves upon the resolution of Management and Supervisory Boards								
Transfer to other revenue reserves upon the resolution of General Assembly								
Transfer of net profit for the previous year to retained net profit					9,977	-9,977		
<b>Transfer from equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Dividend distribution								
<b>Balance as of 30<sup>th</sup> June 2007</b>	<b>58,421</b>	<b>89,563</b>	<b>18,765</b>	<b>82,430</b>	<b>15,980</b>	<b>14,883</b>	<b>33,589</b>	<b>313,631</b>

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

STATEMENT OF CHANGES IN EQUITY (in thousands of euros)	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	
<b>Opening balance as of 1<sup>st</sup> January 2008</b>	<b>58,421</b>	<b>89,563</b>	<b>18,765</b>	<b>95,729</b>	<b>5,548</b>	<b>12,534</b>	<b>44,599</b>	<b>325,159</b>
<b>Transfer to equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>13,127</b>	<b>-22,687</b>	<b>-9,560</b>
Net profit for the financial year						13,127		13,127
Change in the fair value of available-for-sale investments							-22,687	-22,687
<b>Transfer within equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>12,534</b>	<b>-12,534</b>	<b>0</b>	<b>0</b>
Formation of other revenue reserves upon the resolution of Management and Supervisory Boards								
Transfer to other revenue reserves upon the resolution of General Assembly								
Transfer of net profit for the previous year to retained net profit					12,534	-12,534		
<b>Transfer from equity</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
Dividend distribution								0
<b>Balance as of 30<sup>th</sup> June 2008</b>	<b>58,421</b>	<b>89,563</b>	<b>18,765</b>	<b>95,729</b>	<b>18,082</b>	<b>13,127</b>	<b>21,912</b>	<b>315,599</b>

## NOTES TO THE FINANCIAL STATEMENTS OF LUKA KOPER D.D.

*Luka Koper d.d.*, port and logistics system, based in Koper in the Republic of Slovenia, is the parent company of the *Luka Koper Group*. These financial statements are prepared for first half of 2008, and accordingly represent the business as at 30<sup>th</sup> June 2008.

*Luka Koper d.d.*'s financial statements for 1<sup>st</sup> January to 30<sup>th</sup> June 2008, prepared in accordance with the same accounting policies as were applicable in fiscal 2007, are not 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.* wants to provide the broadest spectrum of users pertinent information on the finances, performance and changes in financial standing during the first half of 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

#### Operating revenues: EUR 62,608,097

During the first half of 2008, *Luka Koper d.d.* generated operating revenues from its basic activities in the amount of EUR 61.7 million, and thus - in comparison to the same period last year - increased revenues by 12%. The major portion of revenues was generated on foreign markets (70%). Domestic market sales revenues were increased mainly under the charged rents item.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>OPERATING REVENUES</b>	<b>62,608,097</b>	<b>55,948,694</b>	<b>112</b>
Revenues from services sold on domestic market	17,814,649	12,836,985	139
Revenues from services sold on foreign markets	43,873,070	42,338,402	104
Other operating revenues	920,378	773,307	119

#### Costs of goods, material and services: EUR 22,853,852

The costs of goods, material and services increased by 12% on the equivalent period last year. Their portion in the total structure of costs (36%) hasn't altered compared to the first half of 2007. The major portion of costs can be attributed to service costs, which account for 81% of costs of goods, material and services.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>COSTS OF GOODS, MATERIAL AND SERVICES</b>	<b>22,853,852</b>	<b>20,353,621</b>	<b>112</b>
Material costs	4,320,058	3,176,199	136
Service costs	18,533,794	17,177,422	108

**Labour costs: EUR 13,517,815**

Labour costs amount to the equivalent of 22% of revenues, and recorded a 14% increase on the previous year. This rise can mainly be attributed to operational growth and a commensurate expansion of the workforce, together with salary increases as a consequence of inflation in 2007.

As of 30<sup>th</sup> June 2008, the number of employees totalled 787, whereas on 30<sup>th</sup> June 2007 the company had 753 employees.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>TOTAL LABOUR COSTS</b>	<b>13,517,815</b>	<b>11,847,102</b>	<b>114</b>
Salaries	10,012,029	8,721,460	115
Costs of social insurances	1,883,563	1,668,341	113
Other labour costs	1,622,223	1,457,301	111

**Value write-offs: EUR 8,456,840**

The intensive investment cycle has not yet been reflected in the value write-offs; this is due to the fact that most investments are still underway, whereas investments in land are not depreciated. An increase in amortisation costs is anticipated in the second half of 2008.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>VALUE WRITE-OFFS</b>	<b>8,456,840</b>	<b>8,751,658</b>	<b>97</b>
Amortisation of fixed assets	8,037,898	8,313,112	97
Depreciation of real-estate investments	237,189	216,801	109
Revaluation of operating expenses	181,753	221,745	81

**Other operating expenses: EUR 3,565,324**

Charges unrelated to labour costs encompass, in particular, the rates payable for land and buildings which amounted to EUR 2,278,656 for the period.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>OTHER COSTS</b>	<b>3,565,324</b>	<b>3,204,266</b>	<b>111</b>
Charges unrelated to labour and other costs	2,896,032	2,311,081	125
Environment protection expenditure	279,476	282,341	99
Other costs	389,815	610,844	63

**Financial revenues: EUR 3,975,232**

Financial revenues generated in first half of 2008 amounted to EUR 3,975,232. When compared to the data for the equivalent period last year, it should be taken into consideration that the financial revenues in the amount of EUR 7,524,381 include a one-off revenue in the amount of EUR 5,223,769 generated by the disposal of stock in *Banka Koper* in April 2007.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>FINANCIAL REVENUES</b>	<b>3,975,232</b>	<b>7,524,381</b>	<b>53</b>
Financial revenues from participation in profit	3,328,735	6,893,820	48
Financial revenues from loans granted	311,729	466,771	67
Financial revenues from operating receivables to others and foreign exchange gains	334,768	163,790	204

#### Financial expenses: EUR 2,711,364

Financial liabilities in the amount of EUR 2,357,307 account for 87% of total financial expenses, and recorded a 195% increase on the same period last year. In addition to equity financing, the company raised new loans in order to finance the planned volume of infrastructure investments, which is reflected in the increased financial liabilities and expenses related to interest on loans.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>FINANCIAL EXPENSES</b>	<b>2,711,364</b>	<b>1,042,519</b>	<b>260</b>
Financial expenses from financial liabilities	2,357,307	797,222	295
Financial expenses from operating liabilities and foreign exchange losses	354,057	245,297	144

#### Interim net profit: EUR 13,127,507

Net profit for the period amounts to EUR 13,127,507, and presents 88% of that generated in the first half of 2007. 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 EUR 5,223,769 - should be taken into consideration. If such windfall profits are excluded, net profit for January to June 2008 would be 24% ahead of those for the equivalent period last year.

In the evaluation of corporation tax, a 15% tax calculation rate was used, contrary to the 18% rate for the same period last year.

(in euros)	January – June 2008	January – June 2007	Indices 2008/2007
<b>TOTAL (GROSS) PROFIT</b>	<b>15,478,134</b>	<b>18,273,908</b>	<b>85</b>
Corporation tax	-2,321,720	-3,289,303	71
Deferred taxes	-28,907	-101,998	28
<b>NET PROFIT FOR THE PERIOD</b>	<b>13,127,507</b>	<b>14,882,607</b>	<b>88</b>
<b>NET EARNINGS PER SHARE</b>	<b>0.94</b>	<b>1.06</b>	<b>89</b>

#### Additional notes to the Balance Sheet statements

Tangible fixed assets and intangible assets: EUR 262,392,334



The value of tangible fixed assets accounts to 55% of total assets, and their value increased by 20% from the beginning of the year. The increase in the value of fixed assets can be attributed to intensive investments aimed at increasing infrastructure and facilities, as well as operational expansion into the hinterland. The largest increase in value is recorded as regards tangible fixed assets under acquisition (up 91%) as a result of investment projects underway.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>INTANGIBLE LONG-TERM ASSETS AND LONG-TERM DEFERRED EXPENSES &amp; ACCRUED REVENUES</b>	<b>1,627,533</b>	<b>1,077,540</b>	<b>151</b>
<b>TANGIBLE FIXED ASSETS</b>	<b>260,764,801</b>	<b>217,180,278</b>	<b>120</b>
1. Land and buildings	133,934,255	130,972,114	102
a. Land	22,135,786	21,542,361	103
b. Buildings	111,798,469	109,429,753	102
2. Plant and machinery	47,135,215	44,440,930	106
3. Other plant and equipment	135,220	135,220	100
4. Tangible fixed assets under acquisition	79,560,111	41,632,014	191

**Real-estate investments: EUR 14,569,205**

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>REAL-ESTATE INVESTMENTS</b>	<b>15,254,733</b>	<b>14,254,814</b>	<b>107</b>

**Long-term financial investments: EUR 146,678,961**

Long-term financial investments account for 34% of all long-term assets and 31% of total assets. The value of financial investments decreased by 15% in comparison with the same period last year, which is the result of a withdrawal from investments as well as downward movements on the stock market. This is also reflected in the decrease of the revaluation surplus item (available-for-sale financial assets) in Balance Sheet liabilities.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>LONG-TERM FINANCIAL INVESTMENTS</b>	<b>146,678,960</b>	<b>171,681,823</b>	<b>85</b>
1. Long-term financial investments, excluding loans	136,534,197	160,718,249	85
2. Long-term loans to others	10,144,763	10,963,574	93

**Short-term operating receivables: EUR 42,898,332**

The disclosed increase in short-term operating receivables, which recorded a 58% rise on the 31<sup>st</sup> December 2007 level, can be attributed to the increase in advances provided for tangible fixed assets.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>SHORT-TERM OPERATING RECEIVABLES</b>	<b>42,898,332</b>	<b>27,194,812</b>	<b>158</b>

**Equity: EUR 315,598,675**

The revaluation surplus presents fair value reserves generated from changes in the market value of financial assets available-for-sale. Due to downward trends on organised securities markets, most shares listed in this grouping lost value, thus the revaluation surplus accordingly amounts to 49% of the value disclosed for 31<sup>st</sup> December 2007.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>EQUITY</b>	<b>315,598,675</b>	<b>325,158,610</b>	<b>97</b>
CALLED-UP CAPITAL	58,420,965	58,420,965	100
CAPITAL RESERVES	89,562,703	89,562,703	100
REVENUE RESERVES	114,494,073	114,494,073	100
1. Legal reserves	18,765,115	18,765,115	100
5. Other revenue reserves	95,728,958	95,728,958	100
REVALUATION SURPLUS	21,911,507	44,598,950	49
RETAINED NET PROFIT	18,081,919	5,547,725	326
NET PROFIT FOR THE PERIOD	13,127,507	12,534,194	105

**Provisions + long-term accrued expenses and deferred revenues: EUR 4,029,923**

The major portion of formed provisions (51%) can be attributed to that accrued specifically for jubilee (compensation) benefits and severance pay upon retirement. Other provisions disclosed include provisions for damages in the amount of EUR 1,900,176.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>PROVISIONS + LONG-TERM ACCRUED EXPENSES &amp; DEFERRED REVENUES</b>	<b>4,029,923</b>	<b>4,160,511</b>	<b>97</b>

**Long-term liabilities: EUR 63,210,875**

Long-term financial liabilities include long-term loans raised at banks, and account for 91% of total *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 raising bank loans.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>LONG-TERM LIABILITIES</b>	<b>63,210,875</b>	<b>17,481,844</b>	<b>361</b>
LONG-TERM FINANCIAL LIABILITIES	57,665,538	6,265,538	920
LONG-TERM OPERATING LIABILITIES	67,461	66,569	101
DEFERRED TAX LIABILITIES	5,477,877	11,149,737	49

**Short-term liabilities: EUR 89,137,319**

During the first half of 2008, short-term liabilities increased by 2% on the 31<sup>st</sup> December 2007 level. The 20% increase in short-term operating liabilities is mainly due to the increase of liabilities to suppliers for fixed assets related to the company's intensive infrastructure investments, as well as the extension of payment terms to suppliers.

(in euros)	30.6.2008	31.12.2007	Indices 2008/2007
<b>SHORT-TERM LIABILITIES</b>	<b>89,137,319</b>	<b>87,172,026</b>	<b>102</b>
SHORT-TERM FINANCIAL LIABILITIES	52,287,141	56,514,874	93
SHORT-TERM OPERATING LIABILITIES	36,850,178	30,657,152	120