

Private and confidential

Luka Koper d.d.
Uprava družbe
Vojkovo nabrežje 38
6501 Koper

For the attention of Gregor Veselko, PhD, Chairman of the Board

12 Februar 2010

Subject: Extract of the Report on special audit of Luka Koper for the purpose of public notice

Dear Sir(s),

In response to your claim, dated 10th February 2010, we are delivering you the extract of the Report on special audit of Luka Koper for the purpose of public notice.

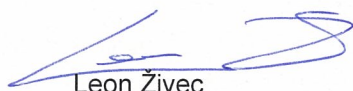
The extract of the Report on special audit of Luka Koper is prepared for the purpose of public notice and by that with accordance to Companies Act (Article 320 paragraph 5 and clauses in Article 185), which defines that a public notice of the special auditor conclusions shall be given.

For the purpose of public notice we summarised only the key chapters from the final report (which together with annexes consists of 170 pages), so the reader will understand the scope of special audit work and its limitations, and the summary of the special audit final conclusions. There was also specifically prepared appendixes to the final report to clarify some of the conclusions.

Extract of the Report on special audit of Luka Koper fully summarises next three sections:

- Section 1 - Introduction (2 pages)
- Section 2 - Work Performed and Limitations in Scope (3 pages)
- Section 3 - Executive Summary (4 pages)

Yours sincerely,



Leon Živec

Certified auditor

PRICEWATERHOUSECOOPERS  d.o.o.
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Francois D. Mattelaer

Partner

Extract of the report on special audit of Luka Koper

For the purpose of official publication on SEONET

Introduction

- We understand that Luka Koper's shareholders, the Ministry of Transport of the Republic of Slovenia, Kapitalska družba, d.d and Slovenska Odkodninska družba, d.d., together hold a 67.11% stake in LK, decided at its Extraordinary General meeting on 20th Mar 2009 ("EGM") to perform a special audit of Luka Koper.
- Following to this decision, PwC was engaged on 24th Jun 2009 to perform a special audit. We agreed on a phased approach with Phase 1 as a scoping phase to identify key areas to focus and Phase 2 was a more detailed review of those areas. Initial scoping phase included fourteen areas identified by the decision of the EGM. Following our presentation on Phase 1 findings, dated 23rd Jul 2009, and subsequent discussions with Mr. Gregor Veselko, we signed an addendum to the Engagement letter. Within the addendum we were asked to perform a detailed review ("Phase 2") for the following ten areas (together "Areas of Concern"):
 1. Purchase of 10% share in Trade Trans Invest, a.s. ("TTI" or "Trade Trans Invest");
 2. Purchase of assets from BTC Terminal Sezana d.d. ("BTC");
 3. Investment into Adriasole, d.o.o. and Ecoporto, d.o.o. ("ECO Companies");
 4. Investment into Railport Arad, S.r.l. and Trade Trans Terminali, S.r.l. ("Romanian Companies");
 5. Investment into construction of passenger terminal ("Passenger Terminal");
 6. Investment into construction of bulk cargo terminal ("BCT");
 7. Purchase of coastal post-panamax cranes ("Post-panamax Cranes");
 8. Transactions with Grafist d.o.o. ("Grafist");
 9. Overview of current balance on fixed assets under construction ("Fixed Assets under Construction"); and
 10. Development of LK's debt position ("Debt Position").

Introduction

- The primary goal of the detailed review was to analyse available evidence to establish the facts and to form our view as to:
 - The reasons for each of the transactions entered into;
 - The procedures undertaken;
 - Whether there are any indications as to the legality of the transactions; and
 - Whether funds have been misappropriated and, if so, by whom.
- The details of procedures performed, as well as limitation in scope are included within the Section II – Work Performed and Limitation in Scope.
- We understand that the Slovenian Criminal Police (“Police”) raided offices of Luka Koper on 15th Apr 2009 and seized documentation which is primarily related to some of the Areas of Concerns identified above. We further understand that the Police raid was related to a criminal investigation into certain activities of the former members of LK’s Management Board. At the time of the Police raid the MB consisted of the following members:
 - Mr. Robert Casar (chairman of the Management Board; relieved from his position on 15th Jun 2009);
 - Mr. Aldo Babic (deputy chairman of the Management Board; relived from his position on 15th Jun 2009);
 - Mr. Marjan Babic (member of the Management Board responsible for finance; relieved from his position on 28th Aug 2009); and
 - Mr. Boris Marzi (member of the Management Board; relieved from his position on 28th Aug 2009)(collectively “Former management”).

Work Performed

Documents

- We have requested and obtained and analyzed a large volume of documents in relation to the Areas of Concern. The documentation included, for example, business agreements, tender documentation, invoices, bank statements, business plans, feasibility studies, and meeting minutes from the Supervisory Board ("SB") and the Management Board ("MB").
- We have also conducted multiple visits to the Police in order to search through documents secured by the Police in attempt to find documents relevant to the Areas of Concern, which appeared to be missing at LK.
- The list of key documents obtained is attached as Appendix A to our report.

Interviews

- During the course of our work, we interviewed over 30 employees of LK group and 3 members of the SB. Some individuals, depending on their roles and responsibilities in terms of the Areas of Concern, were, where necessary, interviewed more than once.
- We have further interviewed Mr. Marjan Babic and Mr. Marzi, both of which continued to be employed by LK in course of our work. Both of them were interviewed multiple- times.
- In addition, we have also approached Mr. Casar and Mr. Aldo Babic to provide them with an opportunity to comment on Areas of Concerns and provide us his views on certain transactions. Mr. Casar agreed with an interview, while Mr. Aldo Babic did not. We interviewed Mr. Casar twice, on 4th and 10th Nov 2009, in presence of his legal representative. Comments and explanations of Mr. Casar were incorporated into this report, but neither Mr. Casar nor his legal representative were provided access to our findings and/or this report.
- The list of individuals interviewed is attached as Appendix B to our report.

Work Performed (cont.)

E-mails

- Following consents from individuals concerned, we have processed and analyzed electronic evidence (i.e. emails) of 8 custodians.
- The analysis of electronic evidence was performed using keyword searches, which were tailored to specific Areas of Concern and were defined in multiple languages in order to identify relevant communication not only in Slovene but also foreign languages. The necessity of multi language keywords stemmed from the fact that some Areas of Concern related to financial investments outside Slovenia.
- In summary, we searched using 115 keywords and reviewed over 3,600 emails. The overview of custodians and the list of keywords is attached as Appendix C to our report.
- The copy of mailboxes of selected custodians was provided to us by LK and its IT service provider (Mr. Boris Susmak) and was based on the latest back-up of the email server available at Luka Koper.

Background search

- In order to obtain additional information about certain individuals or companies relevant to the Areas of Concern, we performed a search within publicly available information sources, such as information filed on the Commercial registers in four countries (Slovenia, Poland, Slovakia and Romania), internet and various knowledge databases.

Limitations in Scope

- The information contained within this report is based on the scope of work performed and the documents made available to us. In particular:
 - Our review was focused on ten Areas of Concern, in accordance with our Engagement letter and its later addendum. We have not reviewed matters outside of the Areas of Concern;
 - We have not performed our own search of the business premises of LK and therefore cannot exclude the possibility that some potentially relevant documents were not provided to us or were withheld from us; and
 - Due to the ongoing Police investigation a significant volume of documents were provided to or taken by the Police during its raid on 15th Apr 2009. A portion of these documents relates to the Areas of Concern selected for our review. Although we were given access to these documents and despite our best effort, due to the rather unstructured manner of organization of these files, we cannot exclude the possibility that some potentially relevant documents were not identified.
- We have not been able to interview Mr. Aldo Babic. Neither Mr. Aldo Babic nor Mr. Casar provided their consent to analyze the electronic evidence from their email boxes.
- We did not seek any third party explanations in course of our work.
- Our analysis of electronic evidence is based on copies of mailboxes from selected custodians, as provided to us by LK and its IT service provider. This copy is based on data from the latest available back-up of e-mail server performed in May 2009. We did not verify completeness of this evidence, neither we performed any forensically sound capture of any electronic data. Rather, we have fully relied on the copy provided to us.
- We understand that the additional copy of some e-mails was taken by Police during its raid on 15th Apr 2009. Therefore it is possible that this evidence includes additional e-mails which were later deleted from the e-mail server. We have requested access to the mailboxes held by the Police but were not granted such consent.
- This report does not represent a legal opinion nor does it constitute anything in nature a statutory audit; and is a presentation of facts and key findings.

Executive Summary

- Most of the Areas of Concern are related to investment activities of Former management in relation to construction projects and financial investments. These investment activities significantly increased during years 2007 and 2008 and were financed from a mixture of short and long terms loans resulting in a considerable increase of LK's debt position.
- The investment activities represent a mixture of planned projects to develop the port and non-core opportunistic investments. Many of these investment activities were not well prepared, discussed and did not appear to have a clear business rational. Former management did not follow required approval process in authorizing transactions under these investment activities.
- LK's Article of Association, Article 22 (point 15), based on our interpretation, require that certain transactions to be approved by the SB prior to execution and not after, as we understand some other parties' interpretation is. We have identified the following four transactions which were not approved by the SB prior to execution which, according to our interpretation, is not in accordance with this Article:
 - Contract with Sintesi Pen, d.o.o. ("Sintesi Pen") (related to Passenger Terminal);
 - Contract with Ponting, d.o.o. ("Ponting") (related to Bulk Cargo Terminal);
 - Purchase of the later two post-panamax cranes (related to Post-panamax Cranes); and
 - Contract with Grafist for landfill (related to Grafist).
- Based on our understanding of LK's Article of Association, Article 22 (point 13), SB approval is further required for all LK's equity participation in domestic as well as foreign legal entities. We have identified the following four transactions (related to two Areas of Concerns) for which we found no evidence of SB approval:
 - Sale of 49% share in Adria Terminali, logistické storitve, d.o.o. ("Adria Terminali") (related to BTC);
 - Second share capital increase in Adria Terminali (related to BTC);
 - Increase in share capital in Railport Arad, S.r.l. ("Railport Arad"), (related to Romanian Companies); and
 - Increase in share capital in Trade Trans Terminali S.r.l. ("TTT Romania"), (related to Romanian Companies).

Executive Summary

- Internal policies of LK (OP15 – Preparation of contracts) require contracts should be reviewed and approved by LK's finance and legal departments. We identified the following five transactions (related to three Areas of Concerns) which did not appear to adhere to this internal policy:
 - Contract for acquisition of 10% of TTI shares (related to TTI);
 - Contract for loan provided to Adriasole (related to Eco Companies);
 - Contract for loan provided to Ecoporto (related to Eco Companies);
 - Contract for loan provided to Railport Arad, later modified to capital injection (related to Romanian Companies); and
 - Contract for loan provided to TTT Romania, later modified to capital injection (related to Romanian Companies).
- Moreover, four of the above contracts (contracts related to Eco Companies and Romanian Companies) were signed despite concerns expressed by Mrs. Mojca Pucer (Director for finance) related to the financial viability and the risk exposure these transactions presented to Luka Koper.
- We also noted that the SB was provided with limited and potentially misleading information related to the following two transactions:
 - Acquisition of 10% share in TTI (related to TTI); and
 - Investment in Adriasole (related to Eco Companies).
- The insufficient time allowed to review the valuation report, together with the lack of understanding of the report due to missing Slovene translation was subject to criticism from three SB members, namely Mrs. Olga Franca, Mr. Bojan Zadel and Mr. Metod Mezek. However, this did not prevent them from providing their consent with this transaction. The Slovene version was provided to them more than 6 months later.

Executive Summary

- It is our understanding that LK already invested Euro 61,368 thousand in relation to these transactions and have entered into additional capital commitments amounting Euro 15,915 thousand. The table below summarizes the amounts already invested as well as the level of further commitment we identified:

Transactions	Area of Concern	Ref. to Section	Transaction Amount in EUR'000	Related commitments in EUR'000	Description of related commitment
Acquisition of 10% share in TTI Group	TTI	Section 5.1	25,800	-	
Second increase in share capital	BTC	Section 5.2	408	-	
Loan to Adriasole	ECO Companies	Section 5.3	2,739	8,375	Unpaid part of Adriasole's contracts with Robotina d.o.o. and Robotina Inzeniring d.o.o.
Loan to Ecoporto	ECO Companies	Section 5.3	1,370	3,220	Unpaid part of Ecoporto's contract with Nill-Tech GmbH
Increase in share capital in Railport Arad	Romanian Companies	Section 5.4	1,500	2,250	Initial share capital and bank guarantee
Increase in share capital in TTT	Romanian Companies	Section 5.4	1,300	1,390	Initial share capital and bank guarantee
Contract with Sintesi Pen	Passenger Terminal	Section 5.5	3,200	-	
Contract with Ponting	Bulk Cargo Terminal	Section 5.6	5,482	-	
Purchase of the later two cranes	Post-panamax cranes	Section 5.7	14,600	-	
Contract with Grafist for landfill	Grafist	Section 5.8	3,969	680	Penalties for missing construction permit
Total			60,368	15,915	

Executive Summary

- We have noted that some of the investments which LK management entered into in past seem to be unrecoverable or not providing an economical value to LK. Payments related to these investments represent a maximum damage which company may incur or already incurred. This report deals with circumstances which have lead to the conclusion of such contracts. We also understand that some of the damages or its portions may be mitigated by current management and therefore the amount of final damage may reduce.
- The following table provide our estimate of such damages and also refers to potential mitigation actions which may reduce the final amount of damage. We could not estimate total value of these potential reductions due to their dependency on current management decisions in respect to the further strategy.
- Some of the damages could not be estimated due to insufficient information. These are noted at the table below, too.

Transactions	Area of Concern	Maximum damage in EUR'000	Mitigation available
Acquisition of 10% share in TTI Group	TTI	25,800	Proceed from sale of 10% share in TTI.
Second increase in share capital	BTC	n/a	
Loan to Adriasiole	ECO Companies	Could not be identified	Technical valuation of project would be required to determine fair market value of technology and services supplied by Robotina.
Loan to Ecoporto	ECO Companies	Could not be identified	Technical valuation of project would be required to determine fair market value of technology and services supplied by Robotina.
Increase in share capital in Railport Arad	Romanian Companies	n/a	
Increase in share capital in TTT	Romanian Companies	n/a	
Contract with Sintesi Pen	Passenger Terminal	3,200	Amount to be obtained from sale of the project or proceed from Terminal should it be constructed
Contract with Ponting	Bulk Cargo Terminal	5,482	Utilisation of part of the project.
Purchase of the later two cranes	Post-panamax cranes	n/a	
Contract with Grafist for landfill	Grafist	4,649	Damage is equal to price differential plus amount of penalties paid.
Total		39,131	

- Should you determine with your legal advisors that our findings constitute breach of fiduciary duties, and should you decide to pursue civil actions a quantification of final damages may need to be recalculated.