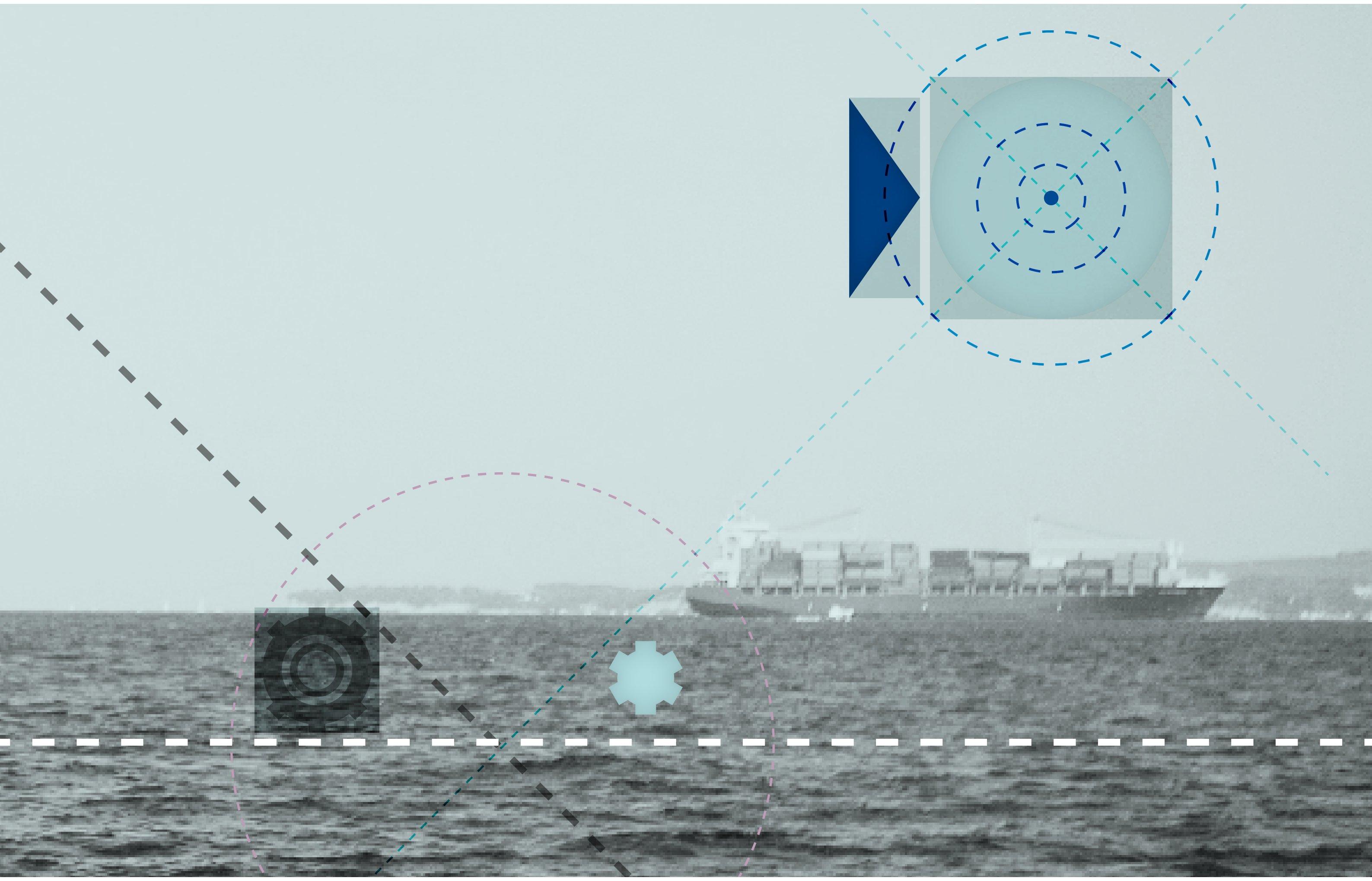

Much more than an exellent location

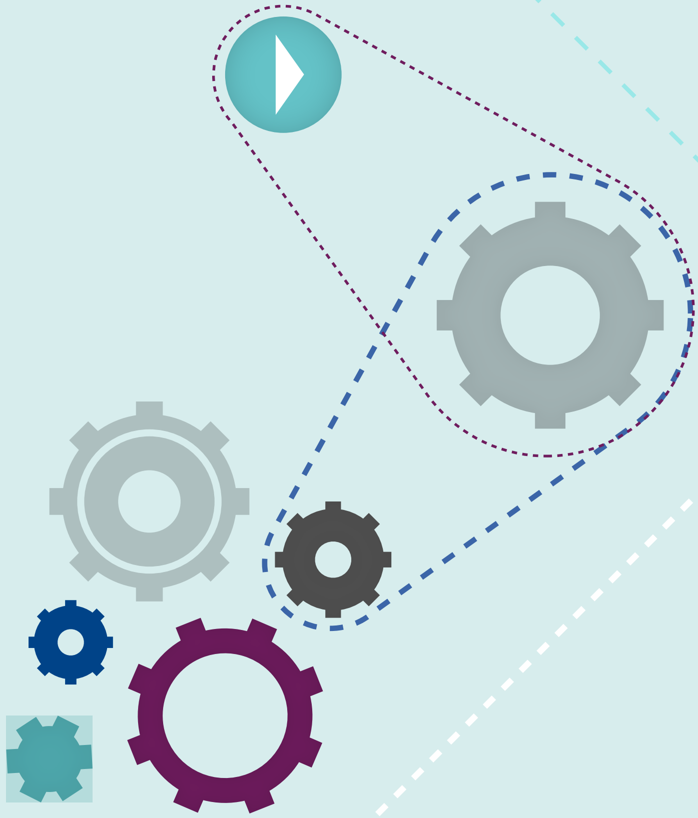


Annual Report 2011

LUKA KOPER
Port of Koper

Much more than an excellent location

Among the things that define us, our location is by far the one we talk about most, but it is not the sole quality that leads our work. As often said - the essential is invisible to the eye. And while our location is a still and anchored quality, the Port of Koper is anything but still - there is hustle and bustle, the buzzing of ideas, the dialogues and business moves - they make us who we are and no doubt we have much more than an excellent location to show.



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Much more than just plain thoughts

An ever-changing environment brings the need for constant learning, clear thinking. Every project brings new insight, and we seldom regard it as a given fact. We like to come to the end of its journey with an even clearer vision, ready for the next one, richer for much more than plain thoughts.

INTRODUCTION

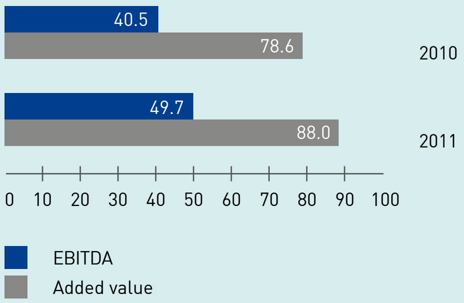
1 OPERATIONAL HIGHLIGHTS OF THE LUKA KOPER GROUP

Despite the still low economic growth and extremely dynamic market, the Luka Koper Group ended the year 2011 successfully.

1.1 FINANCIAL INDICATORS

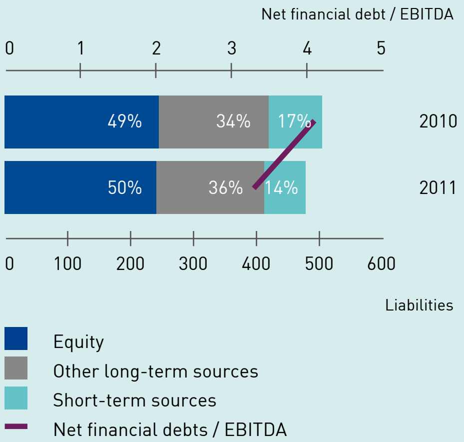
(In €)	2010	2011	Index 2011/2010
Income statement			
Operating revenues	127,346,489	143,633,226	113
Operating profit (EBIT)	14,193,939	22,383,700	158
Earnings before interest, taxes, depreciation and amortization (EBITDA)	40,462,737	49,675,239	123
Financial result	-17,495,591	-20,450,291	117
Total profit/loss	-3,301,652	1,933,409	-
Net profit/loss	-2,903,652	447,729	-
Balance sheet (as at 31 December)			
Assets	502,345,304	478,271,061	95
Long-term assets	459,124,856	445,905,231	97
Short-term assets and short-term deferred expenses and accrued revenues	43,220,449	32,365,831	75
Equity	244,056,503	240,796,819	99
Long-term liabilities and long-term provisions	173,829,649	171,108,726	98
Short-term liabilities and accrued expenses and deferred revenues	84,459,152	66,365,517	79
Financial liabilities	226,269,650	205,799,473	91
Cash flow statement			
Investments in intangible assets, tangible assets and investment property	20,157,813	19,834,054	98
(in percent)			
Return on sales (ROS)	11.2%	15.6%	140
Return on equity (ROE)	-1.2%	0.2%	-
Return on assets (ROA)	-0.6%	0.1%	-
EBITDA margin	31.8%	34.6%	109
Financial liabilities/equity	92.7%	85.5%	92
Dividend payout ratio	0%	0%	-

EBITDA and added value
(in million €)



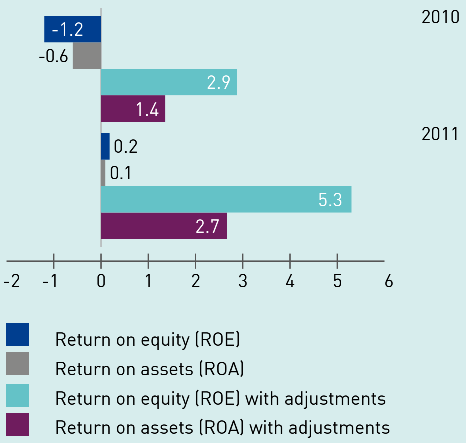
The economic indicators that reflect the performance of our core activities show an increase for 2011, primarily as a result of increased maritime throughput. Compared with 2010, earnings before interest, taxes, depreciation and amortisation (EBITDA) increased by €9.2m, and compared to the forecast 2011 value by €6.9m. Added value (operating profit before write-downs and labour costs) increased by €9.5m in comparison to the previous year, and by €9m according to the 2011 plan.

Liabilities and net financial debt / EBITDA
(in million €)



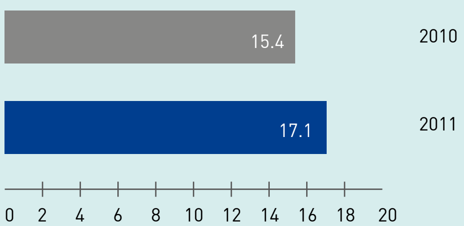
As at 31 December 2011, the equity of the Luka Koper Group totals €240.8m and constitutes 50.3% of the balance sheet, thereby safeguarding financial safety.

Return on equity (ROE) and return on assets (ROA)
(in percent)



In 2011, the return on equity and return on assets were positive although substantially decreased due to impairments and write-offs of financial investments. The net profit or loss of the Luka Koper Group in 2011 less the impairments and write-offs of investments would be €13.2m, and the adjusted ROE 5.3% and ROA 2.7%. The adjusted indicators are calculated on the basis of the net operating result less the expenses due to impairments and write-offs of investments (which do not include financial expenses from assets classified at the fair value through the profit or loss) and a large part of revaluation operating expenses in working capital that is unrelated with regular operations. The adjustments also include the effects on deferred taxes related to impairments and write-offs of investments and revaluation operating expenses.

Maritime throughput
(in million tonnes)



We concluded 2011 with a throughput of 17 million tonnes, exceeding the previous year by 11% and the forecast quantities by 4%.

2 BUSINESS DEVELOPMENT STRATEGY

The main goal of the Company and the Luka Koper Group is to maximise its value. This is incorporated in other long-term goals, which also follow the fact that Luka Koper d. d. is the manager of the only cargo port in the Republic of Slovenia. The Port is of a strategic national importance and often affects the development of other economic activities in the local and wider national area.

From the development and strategic views, 2011 was a very important year for the Luka Koper Group, due to the adoption of three key documents:

- The five-year strategic plan of the Luka Koper Group for the 2011–2015 period. It was confirmed by the Supervisory Board of the Company, which determines strategic guidelines and targets of the Luka Koper Group, and the strategy for realising the targets;
- The National Spatial Plan for a comprehensive development of the port of Koper, which was adopted by the Government of the Republic of Slovenia. It determines the limits of a long-term spatial expansion of the Port,
- The 2011–2015 development programme for the port of Koper, which was confirmed by the Government of the Republic of Slovenia in accordance with the concession agreement, and which provides for individual infrastructural interventions in the area of the port, since it comprises all future investment projects.

2.1 VISION, MISSION AND STRATEGIC ORIENTATIONS OF THE LUKA KOPER GROUP FOR THE PERIOD 2011–2015

VISION

We want to become the leading port and logistics system servicing Central and Eastern Europe.

MISSION

With a reliable port system we promote logistics solutions on the shortest route to the heart of Europe.

STRATEGY

In 2010, we started renewing the business strategy of the Company, finishing it in August 2011 with the adoption of the strategic plan of the Company and the Luka Koper Group for the 2011–2015 period (link: http://seonet.ljse.si/Default.aspx?doc=PUBLIC_ANNOUNCEMENTS_BY_PRIME_MARKET_ISSUERS&doc_id=46179).

The realisation of the set targets will contribute to a long-lasting stability of operations and development of the entire Group, the local community and Slovenian logistics.

Strategic orientations of the Luka Koper Group are based particularly on the coordination of the following four systems:

- The Port system, which is put to the forefront; the emphasis will be put on its efficiency and the development of the role as a trade port,
- The logistics system, which will support the cooperation between individual providers in the logistics chain on the transportation route through Koper,
- The business system, which will take care of a long-lasting performance, and
- The institutional system, which will be focused on sustainable development, cooperation with institutions and wider spatial placement.

In order to ensure the comprehensiveness of the development, we divided strategic goals in three groups: marketing, corporative, and institutional.

Marketing goals:

1. Increased turnover	- 21.4 million tonnes by 2015 - To keep the multi-purpose characteristics of the Port (risk management, synergies, cost-effectiveness)
2. Development of services	- The growth of and balanced throughput and storage activities - To promote distribution => trade port - Higher expectations in RO-RO area and project cargoes

3. Management of markets	- The expansion of the gravitational market to the hinterland:
	    - Traditional markets – increase the current market shares
	    - Newer European (transitional) markets – commence new business operations
	- To strengthen the role in the Mediterranean

4. Customer satisfaction	- To keep the clients (increase their turnover), good references for new clients and business operations - To improve the reliability and efficiency of port services
5. Efficiency of the Port community	- To maintain relationships with forwarding agencies, agents, control houses, customs offices and the police
6. Connections with transporters	- Shipping companies – to maximise the occupancy of existing and obtaining new lines - Railway transporters and operators – proactivity for new regular connections (devote attention to relationships with the Slovenian Railways)
7. Connections with global logistics providers	- Regular promotion and strengthening of cooperation with the main players and key accounts - To enter into strategic partnerships
8. Establishing strategic partnerships	- For new cargoes/filling the vacant port capacities - For new capacities (the possibility of joint investment to support new business)
9. Keeping up-to-date with the development of competition	- To ensure better conditions/offer from the competition
10. Established and respected trademark	- Recognisability for all stakeholders: buyers, suppliers, investors, the local community, EU and others - Regular public appearance with a clear message: stable company, better than the competition, socially responsible, internationally oriented and with excellent services

Corporative goals:

1. Positive EVA	Positive EVA, ROS 15%
2. Sound financial foundations	40% share of debt sources in total sources of finance Net debt / EBITDA = 3 X Average maturity of debt sources > 3 year
3. Loyalty and motivation of employees	Creative and innovative business culture (joint values) Better efficiency (performance) of employees Optimal HR structure and use of available resources Dialogue with social partners
4. Knowledge as the key value	Concentration of know-how/specialisation of new knowledge Upgrading of experiences and ensuring their transfer Generating new ideas and solutions (promoting creativity and creating environment)
5. Effective and bold business system	To increase the productivity and manage risks To focus on ensuring safe conditions for work in the operative segment To improve organisation of process implementation The possibility of outsourcing non-strategic processes (partnerships) To create synergies, carry out regular communication, monitor results and take actions
6. Increased cost-effectiveness	Process reorganisation of key processes
7. Managing subsidiaries and controlled companies	The organisation of the Luka Koper Group in the form of a concern of companies with centralised control Control over companies with activities of strategic importance Core activities controlled by the parent company/strategic partnerships for other activities
8. Effective management of supplier relationships	Encouraging competitiveness among suppliers; cooperation with suppliers and performers of port services who are most cost-effective in a long run (risk management) Sustainable policy to port service performers (control over the key processes with internal staff)
9. Investment management	Effective disposal of portfolio and non-strategic investments and investment property
10. Regular dividend payout	Payment of 1/3 of net profit

Institutional goals:

1. Responsible relationship to the social environment	Continued and balanced dialogue
2. Port's establishment in the international area	To be involved in transport corridors and infrastructural projects To be acquainted with news, which will have to be implemented; to actively cooperate on EU projects, NAPA, ESPO, FEPORT To safeguard business interests of the company and the concession agreement
3. Infrastructural connection of the Port outwards	Shorter transit time to hinterland markets; to eliminate the problems in the railway infrastructure To maintain waterways and draughts
4. Proactive relationships with the state	To reach support in developmental activities, the National Spatial Plan and other projects To increase the understanding of our activity To speed up the issuing of licenses and document confirmation To arrange for the possibility of pre-customs clearance To get help with solving our disputed projects outside the port (status of land, spatial acts) To have the compliance of the concession agreement confirmed with certain corrections
5. Proactive relationships with the local community	To get the local communities to understand the importance of the Port's development To prepare joint development projects and co-create a modern port city
6. Environmental protection	To comply with all the required standards, introduce new rules and measurements to ensure safeguarding of the environment and the sea To introduce green logistics concepts – the Port as the greenest part of the logistics chain
7. Safeguarding the Port's environment	To follow all the required standards, introduce new rules, which will ensure safety of the area To recognise and manage safety risks
8. Effective drawing of grants	To solve the issue of national aid and mass financing of the port's infrastructure through grants To make an agreement on concrete financing projects proper (at least 30%) financing of the public port infrastructure from the funds of the European cohesion policy in the Republic of Slovenia

2.1.1 THE NATIONAL SPATIAL PLAN

The long-term development plan of the Port is based on spatial possibilities and limitations determined by the National Spatial Plan (NSP), which was adopted by the Government of the Republic of Slovenia in June 2011. The NSP determines the port area, maritime conditions, the supplementation and expansion of the activities on existing piers, the construction of new piers, the arrangement of the connecting areas between the Port and the urban environment, and the connection to the external infrastructural network. The development of the Port set in the NSP proportionately considers the needs, requirements and limitations of the economy, the population and the natural environment of the Port.

2.1.2 THE PORT OF KOPER DEVELOPMENT PROGRAMME FOR THE PERIOD 2011–2015

Based on the requirements of the concession agreement, a coherent document, which comprehensively discusses the possibilities and planned guidelines of the Port's development, was created.

The document The Port of Koper Development Programme for the Period 2011–2015 was confirmed by the Government of the Republic of Slovenia in April 2011, and is focused on the extension and modernisation of the Port's infrastructural capacities at individual terminals, and the common infrastructure intended for public and non-public transport. The document determines the time and value frames of investments into the Port's infrastructure, which will be implemented in the area of the Port within the next five years in the total estimated value of €199m.

In case of any changes, the Development Programme may be updated at the Government of the Republic of Slovenia once a year.

2.2 FORECASTS FOR THE MACROECONOMIC ENVIRONMENT IN 2012

A high level of general insecurity points to the slowdown in the growth of the global trade in 2011, but despite the negative prospects, we can expect its growth.

In the winter forecast of economic trends, published in January 2012, the Office of the Government of the Republic of Slovenia for Macroeconomic Analysis and Development (IMAD) assessed the expected drop in the gross domestic product (GDP) in the Euro area of -0.1% in 2012. The expected growth of GDP in 2012 for the area of the European Union is 0.2%, and 2.1% for the US market. According to IMAD, Slovenia will experience a 0.2% growth of GDP in 2012.

GDP growth by important hinterland markets (in percent)[1]

Country	Assessment 2011	Forecast 2012	Index 2012/2011
Slovenia	0.5	0.2	40
Austria	3.2	0.8	25
Italy	0.6	-1.0	-167
Hungary	1.5	-0.3	-20
Slovakia	3.0	1.7	57
Germany	3.0	0.5	17
The Czech Republic	1.8	0.3	17

The expected GDP growth for 2012 in Austria is 0.8%. According to the Austrian Economic Chamber WKO, the export will be by 4.5% and the import by 4% higher than in 2011, although growth is lower compared to growth in the 2011/2010 period. The forecast GDP growth for the German economy is 0.5%. According to OECD, the economy is facing a period of weakness, which is a reflection of the lost confidence globally and a lower growth of the global trade, which is usually felt more in Germany than elsewhere. The slow growth of Germany as the largest European economy makes also the recuperation of other European countries difficult.

The 2012 drop in GDP for the Hungarian market is forecast to -0.3%. The Government of the Republic of Hungary is more optimistic and forecasts a 1.5% growth of GDP. The reasons for such poor forecast are mainly in the external environment with severe political instability on the domestic market. Thus, besides the slowdown on the export markets, Hungary has been facing liquidity problems of banks and higher costs of financing, which continues to prevent giving loans to the economy.

1 Source: UMAR, Zimska napoved gospodarskih gibanj 2011/2012, January 2012

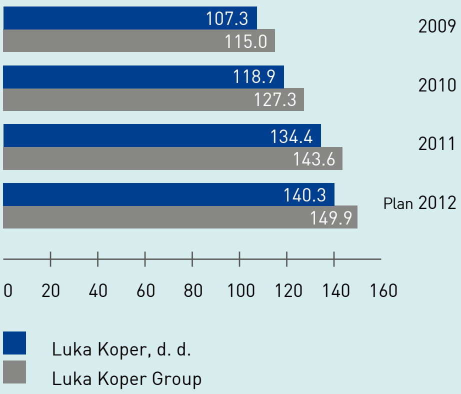
The Ministry of Finance of the Republic of Slovakia forecasts a 1.7% GDP growth, which will be based primarily on new investments into the automotive industry and the electronics industry, as well as on obtaining European funds for the economy. The economic growth on the Czech market will slow down resulting from lower import and the fiscal consolidation, which has still not ended. For 2012, a 0.3% GDP growth is forecast as compared with 1.8% growth in 2011.

2.3 BUSINESS OBJECTIVES FOR 2012

The business plan of the Luka Koper Group for 2012 follows the policies and targets of the strategic business plan. Despite the awareness of the intensified macroeconomic conditions and the forecast, the plan is prepared ambitiously. A summary of the 2012 business plan is published at http://seonet.ljse.si/Default.aspx?doc=PUBLIC_ANNOUNCEMENTS_BY_PRIME_MARKET_ISSUERS&doc_id=47095.

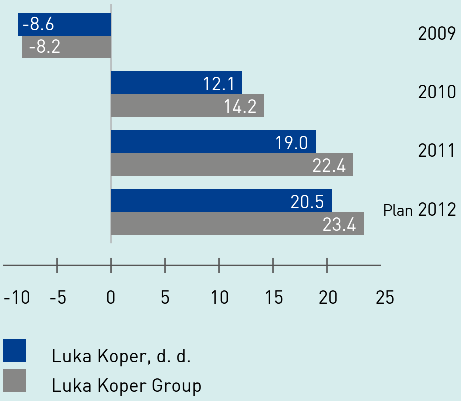
In 2012, operating expenses of the Luka Koper Group will be €149.9m, and €140.3m of Luka Koper, d. d., exceeding those from 2011 by 4% in the Group and the Company. The highest increase in revenues is expected in container throughput.

Operating revenue
(in million €)

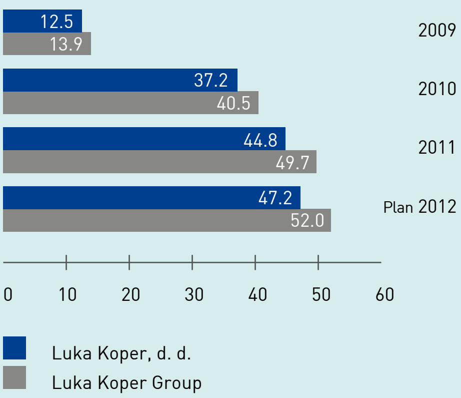


The planned EBIT of the Group is €23.4m, exceeding that from 2011 by 4%. At the level of Luka Koper, d. d., the planned profit or loss is €20.5m, i.e. 7.8% more than in 2011. On account of relatively unfavourable macroeconomic forecasts on key hinterland markets, we expect the growth of ROS to settle down.

Operating profit (EBIT)
(in million €)



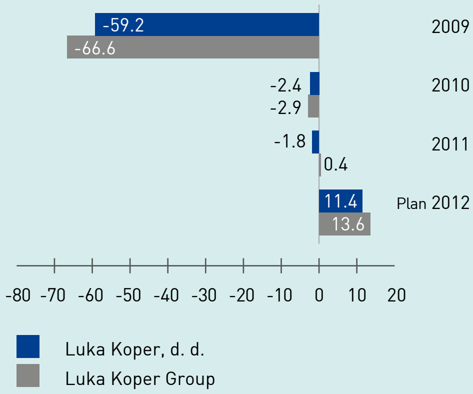
Earnings before interest, taxes, amortization and depreciation (EBITDA)
(in million €)



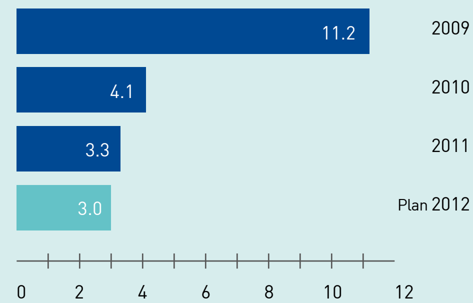
The planned net profit or loss of the Luka Koper Group is €13.6m, and €11.4m of Luka Koper, d. d.

The planned net profit or loss for 2012 is better than that generated in 2011, where additional impairments of the investment in Intereuropa, d. d. were already considered.

Net profit/loss
(in million €)

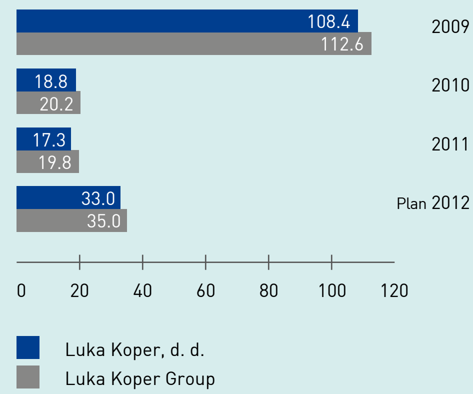


Net financial debt/EBITDA ratio for the Luka Koper Group



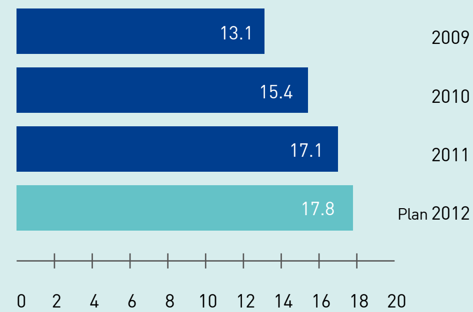
In 2012, the Group plans €35m of investments in intangible and tangible assets, exceeding those realised in 2011 by 77%. A majority part of investments (€33m) is planned within the company Luka Koper. In accordance with the strategic business plan, we will focus our investment activities particularly into eliminating the problems at the container terminal. In the first half of 2012, an economic viability study will be prepared for the increase in the capacities of the container terminal, and it will also include the construction of pier III.

Investment in intangible assets and tangible assets
(in million €)



In 2012, we plan 17.8 million tonnes of maritime throughput, exceeding that realised in 2011 by 4% (€17m). We expect container transport to increase also in 2012, although at a lower growth rate than in 2011.

Maritime throughput in million tonnes
(in million tonnes)



A summary of the key data from the 2012 Luka Koper Group business plan

The Luka Koper Group (in €)	**2011**	**2012**	**Index Plan 2012/2011**
Operating revenue	143,633,226	149,892,117	104
Operating profit (EBIT)	22,383,700	23,382,499	104
Net profit/loss	447,729	13,619,075	3,042
Return on sales (ROS)	15.6%	15.6%	100
Earnings before interest, taxes, amortization and depreciation (EBITDA)	49,675,239	51,993,729	105
EBITDA margin	34.6%	34.6%	100
Added value	88,019,564	92,531,753	105
Investment in intangible assets, tangible assets and investment property	19,834,054	35,012,263	177
Maritime throughput (in tonnes)	17,051,314	17,810,980	104
Number of employees	1,020	1,046	103
	31.12.11	**Plan 31 December 2012**	**Index Plan 2012/ 2011**
Return on equity (ROE)	0.2%	5.5%	3,056
Equity share in balance sheet total	50.4%	51.8%	103
Financial liabilities	205,799,473	202,917,228	99
Financial liabilities / equity	85.5%	79.9%	93
Financial and operating liabilities / equity	92.2%	87.9%	95
Net financial debt / EBITDA	3.3	3.0	90

2.4 REALISATION OF PLANS, STRATEGIC OBJECTIVES AND ORIENTATIONS

In view of strategic policies, we intensively and efficiently managed four systems that the company meets on a daily basis: the port, logistics, business and institutional systems. We made every effort to keep a balance between them.

With a record-breaking annual throughput, we again strengthened the activities of the **port system,** where the growth of container and automobile throughput particularly stand out in accordance with the strategic policies. We assess our services as being highly competitive, since we managed to keep our market position despite the lasting global economic crisis.

In order to ensure advanced operation of the support **logistics system,** which integrates our Port into international logistics chains, we focused in 2011 most on the multimodality, efficient connections between the Port, operators and transporters, and on partnerships in the Port's community.

We invested much effort into setting up a successful and stable **business system** in a long run, since intensive growth of transport affects also other internal processes, relationships and values in the company. We estimate that we have achieved positive effects in the area of financial results, and important activities were performed as regards the optimisation of certain processes.

We were active also at the **institutional level.** We cooperated constructively with local and national bodies, and we also increased activities at the European level. We are becoming increasingly involved in European projects, and are also actively cooperate with NAPA, ESPO and FEPORT.

We successfully realised the strategic goals in all areas: marketing, corporative and institutional.

The planned maritime throughput for 2011 was exceeded by 4%, container throughput by 9.7% and automobile throughput by 6%. We paid attention to customers and systematically made sure they were satisfied with our services. We managed the domestic market very well, and endeavoured to expand our hinterland, where we have been actively marketing our transportation route through the port of Koper. In order to increase the quality of services, we invested much in partnerships with logistics operators, transporters and the Port community. Based on in-depth knowledge of our customers' needs and regular monitoring of the competition, we have been actively taking care for the development of services.

We generated good results in 2011 also in the corporative sense. The planned return on sales (ROS) was exceeded by 33 percentage points, the planned EBITDA margin by 6 percentage points, and by drawing the entire loan, which was taken at the end of the year, we extended the average maturity of loans to 5.3 years. We already took some measures to reach cost efficiency, process organisation and systematic management of investments. We invested much effort in setting up a sustainable policy towards outsourcers of port services.

Key performance indicators of the Luka Koper Group in 2011 compared to the plan for 2011

The Luka Koper Group (in €)	2011	Plan 2011	Index 2011/2011 Plan
Operating revenue	143,633,226	131,480,518	109
Operating profit (EBIT)	22,383,700	15,419,253	145
Net profit/loss	447,729	7,602,680	6
Return on sales (ROS)	15.6%	11.7%	133
Earnings before interest, taxes, amortization and depreciation (EBITDA)	49,675,239	42,758,085	116
EBITDA margin	34.6%	32.5%	106
Added value	88,019,564	78,994,058	111
Investment in intangible assets, tangible assets and investment property	19,834,054	32,360,089	61
Maritime throughput (in tonnes)	17,051,314	16,457,236	104
Number of employees	1,020	974	105
	31. 12. 11	**Plan 31 December 2011**	**Index 2011/ Plan 2011**
Return on equity (ROE)	0.2%	3.0%	6
Equity share in balance sheet total	50.4%	50.2%	100
Financial liabilities	205,799,473	218,211,025	94
Financial liabilities/equity	85.5%	81.9%	104
Financial and operating liabilities/ equity	92.2%	90.4%	102
Net financial debt/EBITDA	3.3	3.5	94

3 STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

In 2011, the Luka Koper Group generated record-breaking operating revenues of €143.6m, exceeding those from 2008, i.e. before the outbreak of the global economic crisis, by 4.7%, and those planned by 9%. Our 2011 EBITDA also surpassed the one from 2008 (€49.7m in 2011 compared to €42.7m in 2008, or 16% above the plan), thus enabling us to decrease our debt (from €226.2m in 2010 to €205.8m in 2011) and continue with our strategic investments, particularly in the container terminal.

Nevertheless, we cannot be entirely satisfied, since the net profit or loss does not yet meet our plans or the level that would satisfy our owners. We are aware of this and will do everything in our power to realise it. The strategy adopted last year helps and supports us in our efforts, and most of all, it sets clear goals to us.

We are also satisfied with the throughput, which in 2011 exceeded the Port's previous record. Growth was recorded in all product groups, except the group of general cargoes which is still negatively affected by last year's political crisis in the countries of the North Africa, where are export construction wood. I have exposed this issue because it serves as a nice example for how much the port industry depends on the situation on the global market or how a port is only one of many links in a long chain from the seller to the buyer of goods.

In 2011, the parent company's revenues grew faster than throughput as a result of the corporate strategy, which focuses on more profitable cargoes. We will pursue this also in 2012, which is evident already in the plan of investments intended in first line for strengthening the container throughput. This is the area where we kept our leading position among North Adriatic ports in 2011, and we plan to stay on this position with marketing activities, investments and improvements at the container terminal.

The port of Koper, which tranships two thirds of goods intended for import or export to hinterland markets of the Central and East Europe, heavily depends on good and efficient inland connections. Therefore, we look forward to the year 2012, which will mark the beginning of the construction of the second railway track to Divača. Moreover, we look forward to a constructive dialogue and support by the local community, with which we communicate transparently and wish to become involved in its daily life.

In the past year, the study made by the Institute for Economic Research within the framework of the European project called Backgrounds shows that every € made at the port delivers additional €1.12 of value added at the national level, and additionally employs 1.6 persons. The Port's activity is important for the entire Slovenian economy. At Luka Koper, d. d., we believe that the state – our largest owner – is aware of this; therefore we expect it to support and help realise our ambitious plans, which have received with last year's adoption of the National Spatial Plan the long expected foundation for further development and strengthening of the competitiveness of the only Slovenian cargo port.

Gregor Veselko, DSc
Chairman of the Management Board

4 REPORT OF THE SUPERVISORY BOARD FOR 2011

COMPOSITION OF THE SUPERVISORY BOARD

Prior to the General Meeting of Luka Koper, d. d., held on 11 July 2011, the Supervisory Board of the Company consisted of the following members: Janez Požar, DSc, Bojan Brank, DSc, Marko Simoneti, Jordan Kocjančič, Tomaž Može as the representatives of capital, and Mladen Jovičič, Stojan Čepar, and Nebojša Topič, MSc, as the representatives of workers.

At the 19th session of the General Meeting of Shareholders, Sabina Mozetič was appointed a representative of the Municipality of Koper on the proposal by the Municipal Council. She took over the position of Boris Popovič, who resigned from the position of a Member of the Supervisory Board in October 2010. The eight Members of the Supervisory Board in place in the interim still ensured a quorum.

WORK OF THE SUPERVISORY BOARD

In 2011, the Supervisory Board monitored the operations of the Company and the Group with due diligence and care, and assessed the operations of the Management of the Company. It supported the realisation of valid strategic and business objectives through its resolutions and decisions. The Supervisory Board obtained all the information required from the Management Board concerning the current operations of the Company.

The Supervisors met at eleven regular and five correspondence sessions in 2011. The Supervisory Board participated at the majority of its sessions with a full turnout, with none of its Members absent on a regular basis. The sessions were attended by the Chairman of the Supervisory Board and the remaining Members, and by expert company colleagues who, in lieu of the content of the daily agendas, provided any additional explanations and information necessary to reach decisions.

All members actively participated in and monitored the realisation of adopted resolutions. They were well-prepared at the sessions and obtained all the additional information on discussed topics. The composition and organisation of the Supervisory Board facilitated the effective implementation of the supervisory function.

During the year, the Supervisory Board focused primarily on the realisation of the set goals, on obtaining new sources of finance, further on the measures for cost reduction, risk management and current investments. It paid special attention to the issues related with the strike and arranging the relationships between the Company and port service contractors.

At its sessions, the Supervisory Board discussed the following:

- It discussed the interim reports on the operation of the parent company and the Luka Koper Group.
- It was informed with the report of the Management Board about the course of negotiations and with the adopted agreements between Luka Koper, d. d., and the Luka Koper Crane Operators' Trade Union. The Supervisory Board instructed the Management Board to order its outsourcer to prepare a report on contractual relationships between Luka Koper, d. d., and port service performers, and to present the proposals of long-term system solutions. Furthermore, the Supervisory Board instructed the Management Board to rearrange contractual relationships about the lease of services between Luka Koper, d. d., and port service performers, and supplement them with control mechanisms.
- It was informed on the selling process of the Intereuropa, d. d. shares.

- It consented to taking a long-term loan of €35m at the European Investment Bank.
- At the April session, the Supervisory Board endorsed the audited Annual Report of the Luka Koper Group and Luka Koper, d. d., for 2010 and was informed of the decision of the Management Board regarding covering the net loss for 2010.
- It discussed and adopted the report on its work for 2010, and proposed that the General Meeting discharge the Management and Supervisory Boards for 2010.
- At the session held in May, the Supervisory Board discussed the 5-year strategic plan of the Company and the Luka Koper Group by 2015, and when amended, it confirmed the plan at the August session.
- It was informed on the call of the 19th General Meeting of Shareholders.
- It confirmed the targets and measures of the variable part of the Management Board Members' salaries for 2011, and the effectiveness in accordance with the measures for the variable part of the Management Board Members' salaries for 2010 based on the achieved results.
- It consented to the procurement of equipment for the container terminal and to taking a loan of €37m at three business banks.
- At its session in December, it approved the business plan of the Company and the Luka Koper Group for 2012.

WORK OF SUPERVISORY BOARD COMMITTEES

In 2011, three Committees operated within the framework of the Supervisory Board, namely the Audit Committee, the Human Resource Committee, and the Committee for Infrastructure, all contributing positively to the work of the Supervisory Board.

The Human Resource Committee prepared proposals of criteria for remuneration for Members of the Management of Luka Koper, d. d., as outlined in the government recommendations on the limits of salaries, remuneration and other benefits in state-owned companies.

The Audit Committee met on eight occasions in 2011, focusing in accordance with its competences primarily on:

- Monitoring and supervising the financial reporting with regular treatment of annual as well as interim Reports on the operations of the parent company and the Group,
- Monitoring and supervising the internal auditing by discussing the Internal audit report, the Rules on the work of internal audit, and the internal audit plan for 2012,
- Discussing individual issues based on internal audit findings.

The Committee for Infrastructure met on two occasions. It discussed the investing system in the Luka Koper Group, was informed on the implementation of the concession agreement regarding investments into port infrastructure, and it also discussed the investments planned in the five-year strategic plan of the company and the in the 2012 annual plan.

ASSESSMENT OF THE WORK OF THE MANAGEMENT AND SUPERVISORY BOARDS

In 2011, the work of the Supervisory Board and its committees was performed in accordance with the law, the Code of Governance of Public Limited Companies, the Code of Governance for Companies with Capital Investments by the State and other recommendation by the Association of Supervisory Board Members of Slovenia.

Throughout the year, the Supervisory Board monitored the management of the Company. It cooperated with the Management Board and was informed of the results of the latter's work on a constant basis. The Management Board notified the Supervisory Board of business results, key plans and decisions in a timely manner, and obtained consent in accordance with the Articles of Association.

The Supervisory Board assessed its level of cooperation with the Management Board as being good. The Chairman of the Supervisory Board also cooperated with the Management Board within the scope of his competence during the periods between Supervisory Board sessions.

The Supervisory Board assessed the work of the Management Board during each interim report on the operations, and in particular when determining the variable part of the salary for the performed work in 2010.

Based on the development steps outlined and taking the current business conditions into consideration, the Supervisory Board assessed the Management Board's work in 2011 to have been good.

In accordance with the Supervisory Board Assessment Manual, which was prepared by the Slovenian Director's Association, the Supervisory Board adopted the decision on the assessment of the Supervisory Board at its 24th session. Self-assessment is a systematic process of assessment and evaluation of the Supervisory Board, its committees and members in order to improve the effectiveness of their activities. The goal of such procedure is to identify the areas requiring improvement, and to specify the priorities and necessary measures. The result of this process is elevated standards of the Supervisory Board's work and of corporate governance in the Company.

Self-assessment was done by all nine Supervisory Board Members. The final average grade of all Members is 2.96 of the highest possible 4. The Supervisory Board gave the highest grade in section B (Composition of the Supervisory Board) and K (Contribution by Individual Supervisory Board Member), and the lowest in section C (Appointment of Supervisory Board Members).

The Chairman of the Supervisory Board presented the self-assessment analysis at the 26th session of the Supervisory Board. This was followed by an in-depth analysis of the possible improvements of work.

REMUNERATION OF THE SUPERVISORY BOARD

The General Meeting defined the gross attendance fee for Supervisory Board Members already at its session held in July 2009. The fee applied until July 2011, when the General Meeting adopted a new decision. Prior to the new decision, the attendance fee for the Chairman of the Supervisory Board amounted to €429 gross and €330 gross per Member per session. Remuneration for the correspondence sessions comprised 80% of the regular attendance fee. The Chairman of the Supervisory Board received a grow payment €286 and the members received a grow payment of €220 for their participation in committee sessions. Travel costs and daily allowances were paid out to the Supervisory Board Members in accordance with company regulations. On the basis of the provisions of Article 25 of the Articles of Association of Luka Koper, d. d., the General Meeting of Shareholders adopted on 11 July 2011, a decision on determining the payment for carrying out the function of and attendance fee to the Supervisory Board Members and Members of the Supervisory Board Committees for the period of the next twelve (12) months. As of July, the Supervisory Board Members receive €275 per session, and 80% of such amount for correspondence sessions. Remuneration for participation in committee sessions for an individual committee member is €220 gross. Travel costs and daily allowances were paid out to the Supervisory Board Members in accordance with company regulations.

Besides attendance fees, each Supervisory Board Member received the basic payment for carrying out their functions in the amount of €11,000 gross annually. The Chairman of the Supervisory Board receives a supplement of €5,500 for carrying out his function. Members of the Supervisory Board Committee receive a supplement of €2,750 for their functions, the Chairman of the Committee €1,375, and the external member of the Audit Committee a payment of €11,000 gross for carrying out his function.

ENDORSEMENT OF THE ANNUAL REPORT AND OPINION OF THE AUDITOR'S REPORT

The Supervisory Board reviewed the Annual Reports of Luka Koper, d. d., and the Luka Koper Group for 2011, and the proposal of the Management Board regarding the allocation of the accumulated loss at its 29th regular session, held on 20 April 2012. It was also acquainted with the Auditor's Report and found no objections. While examining the Annual Report, the Supervisory Board found the report on the operations of Luka Koper, d. d., and the Luka Koper Group to be clear and transparent, and that it represented an accurate overview of the business position. The Supervisory Board unanimously approved the Annual Reports of Luka Koper, d. d., and the Luka Koper Group for 2011. Luka Koper, d. d., generated a net loss of €1,849,205 in 2011. Following the adoption of the decision of the Management Board, the company covered the net loss through a release of profit reserves accumulated in the past. The Company confirms that the accumulated profit for 2010 is zero.

The Supervisory Board proposes that, on the basis of the Annual Reports of Luka Koper, d. d., and the Luka Koper Group, the Auditor's Report and this report of the Supervisory Board, the General Meeting discharge the Management and Supervisory Boards for their work performed in 2011.

Janez Požar, DSc
Chairman of the Supervisory Board of Luka Koper, d. d.

5 PRESENTATION OF THE LUKA KOPER GROUP

In its role as the developmental holder of Slovenian port activity, Luka Koper, d. d., ranks among the most important port and logistics systems in the Northern Adriatic. With its strategic development, the Group represents an increasingly strong link in the logistics chain between Central Europe, Eastern Europe, the Mediterranean, the Middle East and the Far East. On the basis of the Concession Agreement with the Republic of Slovenia, Luka Koper takes care of port infrastructure and development. Since the Port's activity forms part of the wider area, the Group assumes increasing responsibility in terms of environmental protection.

Luka Koper, d. d., also manages all the terminals and the entire port infrastructure.

Luka Koper, d. d. is listed on the Ljubljana Stock Exchange under the first quotation.

5.1 PROFILE OF THE PARENT COMPANY

Company name	Luka Koper, port and logistics system, public limited company
Abbreviated company name	Luka Koper, d. d.
Registered office	Vojkovo nabrežje 38, Koper Telephone: 05 66 56 100 Fax: 05 63 95 020 E-mail: portkoper@luka-kp.si Website: www.luka-kp.si
Entered in the register of	District Court of Koper, entry number 066/10032200
Company registration number	5144353
VAT ID no.	SI 89190033
Share capital	€58,420,964.78
Number of shares	14,000,000 ordinary no par value shares
Quotation of shares	Ljubljana Stock Exchange, first quotation
Share symbol	LKPG
Chairman of the Management Board	Gregor Veselko, DSc
Deputy Chairman of the Management Board	Capt. Tomaž Martin Jamnik
Member of the Management Board	Marko Rems
Member of the Management Board – Employee Director	Matjaž Stare
Chairman of the Supervisory Board	Janez Požar, DSc
Number of companies included in consolidation	5
Principal activity of Luka Koper, d. d.	Service company; port and logistics system
Activities performed in the Luka Koper Group	Various service activities

5.2 ORGANISATION OF THE LUKA KOPER GROUP

The Luka Koper Group's subsidiaries round up the Port's comprehensive offer with their various services. Besides the parent company, Luka Koper, d. d., the Group was composed of the following subsidiaries as at 31 December 2011:

LUKA KOPER, D. D.

PC General Cargoes
PC Container and RO-RO Terminal
PC Car Terminal
PC European Energy Terminal
PC Dry Cargoes
Expert Services

THE LUKA KOPER GROUP as at 31 December 2011

ODVISNE DRUŽBE

Luka Koper INPO, d. o. o., 100%
Adria Terminali, d. o. o., 100%
Luka Koper Pristan, d. o. o., 100%
TOC, d. o. o., 66.80%
Luka Koper Deutschland GmbH, 74.80%

*Subsidiary companies comprise also the company Luka Koper Deutschland GmbH, where the parent company has a 74.80% share and is still in the process of liquidation.

On 31 December 2011, Luka Koper, d. d. also presented information concerning the financial investments in associated and jointly-controlled companies where the Company has an important influence:

ASSOCIATED AND JOINTLY-CONTROLLED COMPANIES

Adria-Tow, d. o. o., 50%
Adria Transport, d. o. o., 50%
Adriafin, d. o. o., 50%
Avtoservis, d. o. o., 49%
Railport Arad, s. r. l., 33,33%
Golf Istra, d. o. o., 20%
Adriasole, d. o. o., 98%*

*We do not control the company Adriasole, d. o. o., in accordance with IAS 27 (13). Luka Koper, d. d. is a 98% owner of Adriasole; however, in accordance with the memorandum of association, the adoption of decisions requires consent by the partner. On this basis, we reallocated the company among the associated companies in accordance with the conditions of the IAS 28 (7). On 15 July 2011, Luka Koper, d. d., disposed of the associated company Ecoporto Koper, d. o. o. On 11 November 2011, Luka Koper, d. d., increased its share in the company TOC, d. o. o., to 66.80%, thereby making TOC a subsidiary company.

The following companies, which are allocated among assets for disposal or held for sale, are also important for the Luka Koper Group:

- Intereuropa, d. d., 24.81%,
- Logis Nova, d. o. o., 99.96%,
- Adria Investicije, d. o. o., 100%.

Further details regarding the changes in subsidiaries, associated and jointly-controlled companies are included in the Consolidated Financial Report in the Chapter Composition of the Luka Koper Group on page 111.

5.3 THE LUKA KOPER GROUP ACTIVITIES

Luka Koper is a modern, well-arranged and the only Slovenian multipurpose port. Our port activities are intended for cargo and passenger transport. Our basic activities of throughput and storage of all types of goods are supplemented by additional services and we offer our partners assistance with logistics solutions. Our basic port activity is carried out at specialised terminals, which represent complete parts of the company in terms of market, programme, and technical and technological segments.

The port is a cross-border entry point for the European Union and has the status of an economic zone.

PORT ACTIVITIES AND LOGISTICS SERVICES

The basic port activities of throughput and warehousing are carried out in twelve specialised port terminals. All the terminals are located directly along the shore and are organised in five profit centres. The terminals are technically and organisationally fit for the throughput and warehousing of individual product groups, and are equipped with state-of-the-art throughput, transport and warehousing technology. In cooperation with our business partners, we also offer our customers a wide range of additional services to increase the value of products.

The port area consists of 270 hectares of land, with 48.4 hectares of covered storage and 109.6 hectares of open storage space. We provide 28 moorings located on 3,282 metres of shoreline along 179 hectares of sea. In terms of logistics activities, our services include:

- Services provided by the collection and distribution centre for every product group;
- Additional services involving the assortment of goods (sorting, palletising, sampling, protection, labelling, weighing, cleaning and other services), which are regularly enhanced, based on the development of the transport industry and the needs of our clients;
- Management of the economic zone; and
- Integrated logistics solutions.

In accordance with the Concession Agreement concluded with the Government of the Republic of Slovenia, we manage and maintain the Port infrastructure and ensure its development.

The Concession Agreement regulates the execution of Port activities and the management, development and regular maintenance of port infrastructure. The Agreement was concluded in 2008 for a period of 35 years, as defined in the Maritime Code. The agreed concession fee is 3.5% of the Company's operating revenues, less revenues from Port fees. The concession fee also includes water rights, water taxes and other taxes related to the use of the sea, which is owned by the Republic of Slovenia. We pay the concession fee in the ratio of 50% to the Republic of Slovenia and 50% to the Municipality of Koper.

Our state-of-the-art terminal equipment ensures high-quality and efficient services, allows us to adapt quickly to the wishes of our clients, and our services are completed by our associates Adria-Tow, d. o. o. and Adria Transport, d. o. o. With its five modern tugs, Adria-Tow, d. o. o. provides vessel towing services, ship supply services, as well as sea rescue and vessel assistance at the Port. With Adria Transport, d. o. o. we have established an efficient logistics route between the Port and its hinterland and ensured a greater volume of railway traffic, both in and out of the Port.

Following the partial withdrawal of port-related activities from the western part of the city of Koper the passenger terminal was launched at Luka Koper. It was gaining increasing recognition on the world map of cruise destinations. This has been its fourth consecutive season promoting tourism in Koper and in other Slovenian cities. In 2011, we rehabilitated the berth at the passenger terminal, thus enabling the largest cruise ships to moor at our port. Consequently, Koper was in 2011 visited by just under 109 thousand passengers, which is almost triple the number from 2010.

OTHER ACTIVITIES

The principal activity of the Luka Koper Group is supplemented with a variety of supporting activities.

Our subsidiary Luka Koper Pristan, d. o. o., offers hotel, catering and congress services. It organises events which require accommodation and catering services or merely space.

The operations of Luka Koper INPO, d. o. o. include diversified and complex support services, including maintenance, maritime services and utility activities. Besides successful marketing, the company also provides employment and training for disabled persons.

Ecological activities

At Luka Koper, every aspect of responsibility for the environment is taken into account. Our environmental protection efforts are included in the following main policies:

- the introduction of modern and efficient technologies;
- reducing emissions into the environment (the regular monitoring of results and reporting);
- ensuring preparedness for emergency situations;
- maintaining partnerships with local communities; and
- continually improving the environmental management system.

In the development of our eco-activities, we strive to introduce modern sustainable solutions. For this reason we established in 2007 a company engaged in technological research in the sphere of engineering and technology, focusing primarily on renewable energy sources, waste recovery, technologies for obtaining natural medical substances, and sea and inland area ecology.

Hinterland terminals

To ensure the optimal utilisation of port capacities, we have implemented efficient transport and logistics connections with strategic markets. These include logistics and distribution centres in the hinterland, through which we primarily strengthen our presence in the markets of Central and Eastern Europe.

In previous years we independently cooperated in the management of hinterland terminals, and invested in three locations, which were estimated as being suitable to create synergies and increase the Port’s turnover and business results of the Luka Koper Group. We, however, failed to generate any important results there, which led into changing the strategic policies of the Luka Koper Group for individual locations in 2011.

Sežana

The land logistics centre in Sežana is managed through Adria Terminali, d. o. o., in which Luka Koper has held a 100-percent ownership share since the beginning of 2010. With the Company's new management, we have strengthened our marketing activities to acquire new loads. In 2011, the turnover increased particularly in the group of general cargoes with iron products, wood pellets, packaged wood and logs, and in LCL and classical throughput.

The company does not operate in the role of a hinterland terminal of the port of Koper, but it endeavours to attract goods flows in the inland transport in the areas of Central and East European markets.

At Sežana terminal we actively continued with the sales of the Luna real estate and macadam platform in 2011. The activities have not finished yet. Within the 5-year strategic plan of the Group, the strategic policy for Orleška Gmajna was determined, where we will make every effort to find a strategic partner for the development of this area.

Arad

We co-manage the Romanian hinterland container terminal in Arad with the company Railport Arad, s. r. l. The area of the Western Romania is large and developing fast; therefore the terminal can potentially create certain synergies also with the Sežana terminal. The terminal, which started operating at the end of 2009, has unfortunately not reached the expected extent of transportation yet. The aforementioned synergies require regular railway connections, which are currently non-existent, since the volume of transportation does not ensure critical quantities for which transporters would be prepared to set up new repair services for. The operation of the terminal does not depend on our goods flows yet and does not increase the transportation of the port of Koper, but is based merely on inland routes with other ports and inland terminals.

Prekmurje

Within the planned Panonija Logistics Centre, we ended 2011 with the last acquisitions of land. We are now closer to settling relationships in order to obtain the ownership of the land; in total we have acquired already 65.7 ha of land. We made an acquisition of the company Logis Nova, d. o. o., which disposes with agricultural land of 58 ha, while procedures will have to be completed for other plots of land.

6 CORPORATE GOVERNANCE REPORT

6.1 CORPORATE GOVERNANCE REPORT

Pursuant to the provision of the fifth paragraph in Article 70 of the Companies Act and provisions of the Corporate Code for Public Limited Companies and Corporate Governance Code for Companies with Capital Investments by the State, Luka Koper, d. d. as a part of Annual report issue the following Corporate Governance Statement and the Report on Corporate Governance, which is an integral part of the 2011 Annual report and is available at http://www.luka-kp.si/eng/investors/annual-reports

1. Statement of Compliance with the Provisions of the Corporate Code for Public Limited Companies

Luka Koper, d. d. follows the recommendations of the Corporate Code for Public Limited Companies, which adopted by the Ljubljana Stock Exchange, the Association of Supervisory Board Members of Slovenia and the Association of Managers on 8 December 2009, and is publicly available on the Ljubljana Stock Exchange website (www.ljse.si).

The Management Board and the Supervisory Board declare that, in 2011, they have complied with the provisions of the Corporate Governance Code for Public Limited Companies.

2. Statement of Compliance with Provisions of the Corporate Governance Code for Companies with Capital Investments by the State

Luka Koper, d. d. follows the recommendations of the Corporate Code for Companies with Capital Investments by the State, which was adopted by the Council of the Agency for the Governance of Capital Investments of the Republic of Slovenia on 13 January 2011, and with other individual recommendations and which is publicly available at the website http://www.auknrs.si/en.

The Management Board and the Supervisory Board declare that, in 2011, they have complied with the provisions of the Corporate Governance Code for Companies with Capital Investments by the State and with the individual recommendations, except in the following part.

3. Derogation from certain provisions of individual recommendations of the Capital Assets Management Agency of the Republic of Slovenia

Luka Koper, d. d., did not comply with the remaining individual recommendations, namely:

- Recommendation No. 7: Labour cost optimisation in 2011 and 2012, referring to the payment of the 13th salary. In accordance with the Corporate Collective Agreement, the company Luka Koper, d. d., paid the 13th salary in the amount of one salary of an individual employee despite ending the business year 2012 with a negative operating result.

- Recommendation No. 7: Labour cost optimisation in 2011 and 2012, referring to public announcement of the binding collective agreement for the company. At the end of 2011, the company Luka Koper, d. d., called the representative trade unions to give their consent to the publication of the wording of the Collective agreement of Luke Koper, d. d., at the website of Luka Koper, d. d. The trade unions responded negatively.

- Recommendation No. 10: Payments to external members of Committees of the Supervisory Board and other experts who cooperate with the Supervisory Board, in the part that the Supervisory Board determined the payment and reimbursement of costs to external members of Committees of the Supervisory Board. Luka Koper, d. d., is unable to comply with this recommendation, since the General Meeting of Luka Koper, d. d., adopted at its session dated 11 July

2011 a special decision based on Article 25 of the Articles of Association of Luke Koper, d. d., and determined payments to the members of the Supervisory Board, members of Committees of the Supervisory Board and external members of Committees of the Supervisory Board. Not the Management Board of the company or the Supervisory Board have the competence of deciding and modifying the decisions adopted by the General Meeting of the company, thus the company executed payments to the members of the Supervisory Board and external members of Committees of the Supervisory Board in accordance with the decision by the General Meeting of the company.

4. The main characteristics of internal controls and risk management in the Company
The main characteristics of internal controls and risk management in the Company in relation to the financial reporting procedure are described in the Report on Corporate Governance, in the subchapter headed 'System of Internal Controls' and 'Internal Controls and Risk Management Related to Financial Reporting', and in the chapter on 'Risk Management'.

5. Data relating to the mergers and acquisitions legislation
Luka Koper, d. d., is obligated to apply the Takeover Act, in accordance with the provisions of Article 70 (§6) of ZGD-1. The Company was not subject to the relevant provisions of the Takeover Act in 2011, as the circumstances requiring the application of these provisions did not exist at the time.

6. Data relating to the work and key powers of the General Meeting of Shareholders as well as description of shareholders' rights
The operations of the General Meeting, its key competencies and description of shareholders' rights and the method of exercising these rights are legally defined and stipulated in more detail in the Company's Articles of Association, which are accessible to the public at http://www.luka-kp.si/eng/. The operations of the General Meeting in 2011, key competencies, shareholders' rights and the method of exercising these rights are described in the Report on Corporate Governance, in the subchapters headed 'Two-Tier Management System' and 'General Meeting of Shareholders'.

7. Data relating to the composition and activities of the Management Board, the Supervisory Board and their Committees
Data relating to the composition and activities of the Management Board, the Supervisory Board and their Committees is described in the Report on Corporate Governance, in the subchapters headed 'Supervisory Board' and 'Management Board'.

The management of Luka Koper, d. d. and the Luka Koper Group complies with the applicable laws and internal organisational rules. We have followed the guidelines designed to ensure transparent corporate governance for all our shareholders, employees and the general public, provided by the Corporate Code for Public Limited Companies and recommended by the Association of Supervisory Board Members. We complied with the Corporate Governance Policy for Luka Koper, d. d., which was adopted by the Supervisory Board in 2010.

Gregor Veselko, DSc
Chairman of the Management Board
of Luka Koper, d. d.

Janez Požar, DSc
Chairman of the Supervisory Board
of Luka Koper, d. d.

6.2 TWO-TIER MANAGEMENT SYSTEM

Luka Koper, d. d., operates under a two-tier management system, under which the Company has three management bodies: the General Meeting of Shareholders, the Supervisory Board, and the Management Board. The competencies of individual bodies, rules of their appointment and replacement as well as amendments to the Articles of Association are prescribed by the Companies Act, the Articles of Association and Rules of procedure of the Management Board and the Supervisory Board. The Articles of Association of the Company are available at http://www.luka-kp.si/eng/about-us.

6.3 GENERAL MEETING OF SHAREHOLDERS

The General Meeting of Shareholders is the highest decision-making body of the Company and determines its status changes, profit-sharing and the appointment or discharge of Members of the Supervisory Board as well as all other matters it decides upon in accordance with the Act and the Articles of Association of Luka Koper, d. d.

The ownership structure of Luka Koper, d. d., is presented in Chapter LKPG Share.

6.3.1 Convening of the General Meeting of Shareholders

The Management Board usually convenes the General Meeting of Shareholders once a year or more, if necessary. The convening of the General Meeting of Shareholders is published at least one month in advance in the official Gazette of the Republic of Slovenia, in the daily newspaper, Delo, on the electronic information system of the Ljubljana Stock Exchange "SEOnet", and on the Company website. The Company's website http://www.luka-kp.si/eng/investors includes material with draft resolutions, which is also made available to shareholders at the Company's registered office. In compliance with the rules of the Ljubljana Stock Exchange, all resolutions adopted at the General Meeting of Shareholders are published regularly.

6.3.2 Participation and voting rights

All shareholders who are entered in the Share register kept by the Central Securities Clearing Corporation as at the day of the convening of the General Meeting of Shareholders may take part in the General Meeting and exercise their voting rights provided they register with the Management Board of the Company at least three days before the date set for the General Meeting.

Voting rights are not limited as all Luka Koper shares grant voting rights in accordance with the legislation.

No Luka Koper shares give any special rights of control to their holders.

6.3.3 Resolutions of the General Meetings of Shareholders

In 2011, the General Meeting was convened on one occasion. At the 19th Regular Meeting of Shareholders held on 11 July 2011, the shareholders decided on the following issues:

- They were informed of the adopted Annual Report for 2010,
- They approved the allocation of distributable profit for 2010. Shareholders were informed that the distributable profit for 2010 was €0.00, that in 2010, Luka Koper generated a net loss of €2,431,887.92, and that the Company covered the identified net loss during the preparation of the Annual Report with the release of revenue reserves that were accumulated in previous periods,
- They gave a discharge to the Management Board and the Supervisory Board for 2010,
- Ernst & Young, d. o. o., Dunajska cesta 111, Ljubljana was appointed auditor for Luka Koper, d. d., and the Group,
- They adopted the proposed amendments to the Memorandum of Association,
- They adopted a decision on determining payment for carrying out functions and the amount of attendance fees to the Members of the Supervisory Board and Members of the Supervisory Board Committees for the period of the next twelve months,
- They accepted the letter of resignation and request for the dismissal from his function submitted by a Member of the Supervisory Board of Luka Koper, d. d., Boris Popovič on 12 October 2010. He was dismissed from office as of 21 October 2010 when the Company received his letter of resignation, and appointed, upon proposal by the Municipal Council, Sabina Mozetič a Member of the Supervisory Board for a term of four years,
- They were informed on the realisation of the decision no. 9 from 18th Meeting of the Company as of 19 July 2010.

6.4 SUPERVISORY BOARD

The Supervisory Board oversees the running of the Company's operations, it appoints and dismisses the Management Board, ensures stimulus and gives its approval to the Annual Report. Furthermore, it acts in line with its other powers in accordance with the law and the Articles of Association of Luka Koper, d. d.

6.4.1 Composition of the Supervisory Board

At the General Meeting of Shareholders on 11 July 2011, Sabina Mozetič was appointed member of the Supervisory Board as the representative of the Urban Municipality of Koper. This appointment completes the composition of the Supervisory Board as laid down by the Articles of Association.

As at 31 December 2011, the composition of the Supervisory Board of Luka Koper, d. d., was as follows:

Representatives of capital:
Janez Požar, DSc, Chairman
Representative of capital: The Republic of Slovenia
Position: Ministry of Transport, CEO of Maritime Directorate
Four-year mandate commencing on 14 July 2009 (16th General Meeting of Shareholders)

Bojan Brank, Member
Representative of capital: The Republic of Slovenia
Position: ABENA, d. o. o.
Membership of other supervisory bodies: Slovenske železnice, d. o. o. – Member of the Supervisory Board (by 31st August 2011), Slovenian Railways Holding – Chairman of the Supervisory Board (commencing on 20 September 2011).

Marko Simoneti, DSc, Member
Representative of capital: The Republic of Slovenia
Position: University of Ljubljana, Faculty of Law
Four-year mandate commencing on 14 July 2009 (16th General Meeting of Shareholders)
Membership in other supervisory bodies: NLB, d. d. – Chairman of the Supervisory Board

Jordan Kocjančič, Member
Representative of capital: The Republic of Slovenia Funds
Position: CEO Avtotehna, d. d., Chairman of the Management Board
Four-year mandate commencing on 14 July 2009 (16th General Meeting of Shareholders)
Membership in other supervisory bodies: Probanka, d. d. – Member of the Supervisory Board

Tomaž Može, Deputy Chairman
Representative of capital: other shareholders
Position: Primorska Chamber of Commerce, Director
Four-year mandate commencing on 14 July 2009 (16th General Meeting of Shareholders)
Membership in other supervisory bodies: Marmor Sežana, d. d. – Chairman of the Supervisory Board, Splošna bolnišnica Izola – Member of the Council of the Institute, ZZZS (Health Insurance Institute of Slovenia) Koper - Member of the Council of the Institute, University of Primorska - Chairman of the Board of Trustees of UP.

Sabina Mozetič, Member
Representative of capital: The Municipality of Koper
Position: MOK, Director of Municipal Administration
Four-year mandate commencing on 12 July 2011 (19th General Meeting of Shareholders)
Membership in other supervisory bodies: Member of the Council of the Institute (Zdravstveni dom Koper).

Representatives of workers:

Mladen Jovičič, Member
Position: PC Dry cargoes, Lift operator
Four-year mandate commencing on 8 April 2009 (16th General Meeting – informing of shareholders)

Stojan Čepar, Member
Position: PC Container and Ro-Ro Terminal, Lift operator
Four-year mandate commencing on 8 April 2009 (16th General Meeting – informing of shareholders)

Nebojša Topič, MSc, Member
Position: Investments, technology and procurement, Senior expert
Four-year mandate commencing on 27 July 2008 (16th General Meeting – informing of shareholders)

External member of the Supervisory Board's Audit Committee:

mag. Blanka Vezjak, external member of the Supervisory Board's Audit Committee
Procurator of Vezjak svetovanje, d. o. o.,
Appointed on 11 September 2009 (at the 1st meeting of the Supervisory Board)
Membership of other supervisory bodies: external member of the audit committee of the Supervisory Board of Pošta Slovenija, d. o. o. (until January 2011), external member of the audit committee of the Supervisory Board of Pozavarovalnica Sava, d. d., external member of the audit committee of the Supervisory Board of SID Banka, d. d., external member of the audit committee of the Supervisory Board of Raiffeisen Banka, d. d., external member of the audit committee of the Supervisory Board of SID – Prva kreditna zavarovalnica d. d., Ljubljana.

In the past year, individual Members of the Supervisory Board participated in a number of training courses and seminars organised for supervisors, e.g. the interpretation of financial statements and reports, and corporate finance management.

6.4.2 Operation of the Supervisory Board

The Articles of Association and the Rules on Procedure of the Supervisory Board, Corporate Governance Code and the recommendations of the Association of Supervisory Board Members provide the basis for the operation of the Supervisory Board of Luka Koper d. d.

In 2011, the Members of the Supervisory Board held eleven regular sessions and five correspondence sessions. Great attention was devoted to current investments, the acquisition of new sources of funding, and they were acquainted with the course of the strike of the Luka Koper Crane Operators' Trade Union, as well as everything related to contractors for port services. The approved the five-year strategic plan of the Company. Detailed description of activities, decisions and positions of the Supervisory Board and its Committees is included in the Report of the Supervisory Board for 2011.

6.4.3 Conflict of interest statement of the Members of the Supervisory Board

Pursuant to Appendix C3 of the Corporate Governance Code, Members of the Supervisory Board and external member of the Supervisory Board's Audit Committee have in the beginning of 2012 individually signed statement of no conflict of interests which would indicate that an individual member:

- Having currently or in the past three years engaged in significant business relations with either Luka Koper, d. d., or its related companies;
- Being a major shareholder of Luka Koper, d. d.;
- Having as an individual either economic, personal or any other close ties with the major shareholder or its Management Board;
- Being a significant supplier of goods or services (inclusive of consultancy or auditing services);
- Having received, over the past three year major additional receipts from Luka Koper, d. d., or its related companies, other than payments received as a Member of the management bodies of any of these companies;
- Holding the position, in the past three years, of either a partner or employee of the current or past external auditor of Luka Koper, d. d. or its related companies;
- Being a close relative of another Member of the Supervisory Board or the Management Board of Luka Koper, d. d.

These statements are available at the following web page http://www.luka-kp.si/eng/investors.

6.4.4 Supervisory Board Committees

The Human Resource Committee: comprised of Bojan Brank (Chairman), Marko Simoneti, DSc, and Nebojša Topič, MSc, (Members) and Marko Blažič (Secretary).

The Audit Committee: comprised of Jordan Kocjančič (Chairman), Mladen Jovičič and Blanka Vezjak, MSc (Members), and Metka Sušec Praček, MSc (Secretary).

The Supervisory Board's Committee for Infrastructure: comprised of Marko Simoneti, DSc (Chairman), Tomaž Može, Nebojša Topič, MSc, Sabina Mozetič, MOK (Members), and Roberto Levanič (Secretary).

6.4.5 Payments to the Supervisory Board

Payments to the Members of the Supervisory Board and the Committees of the Supervisory Board comprise besides attendance fees also the basic payment for carrying out their functions. The amounts of received payments and reimbursements are reported in Note 28 of the Financial Report of Luka Koper, d. d., and their ownership of shares in the Chapter The LKPG Share.

6.5 MANAGEMENT BOARD OF THE COMPANY

The Management Board directs the Company's operations and represents the Company in accordance with the competences stipulated in the Articles of Association and the Rules of Procedure of the Management Board. In accordance with the Corporate Governance Code for Public Limited Companies, the Management Board places great emphasis on responsibility and corporate transparency.

In accordance with decision of the 19th meeting of the Luka Koper shareholders on 11 July 2011, the Management Board has not been granted authorisation for acquisition or disposal of treasury shares.

The Management Board of Luka Koper, d. d., consists of:

- **Gregor Veselko, DSc,** born 1974
  Chairman of the Management Board

Gregor Veselko graduated at the University of Ljubljana, Faculty of Economics. After completing his Master's studies in management and maritime transport, he gained his PhD in transport logistics and the strategic management of supply chains at the Faculty of Maritime Studies and Transport. Since 1999, he has been employed at Intereuropa, d. d., in the department of maritime transport, and also as a regional manager of Luka Reka and CEO of Intereuropa, d. d.

His five-year term of office commenced on 16 June 2009.

Capt. Tomaž Martin Jamnik, born 1956
Deputy Chairman of the Management Board

Tomaž Martin Jamnik graduated at the Maritime College and later obtained a university degree at the Faculty of Maritime Studies and Transport in Portorož. He sailed on cargo ships for a number of years, rising to the rank of Captain. In 1995 he took up a position at the Ministry of Transport as State Undersecretary for Maritime Issues, and participated in drafting the Maritime Code. In 1997 he assumed the directorship of Adria-Tow, d. o. o., and was employed four years later by Luka Koper. Initially, he held the post of head of marketing projects, then becoming the head of the Hungarian market, and later the head of the Regional Representative Office of Luka Koper in the Far East.

His five-year term of office commenced on 16 October 2009.

Marko Rems, born 1967
Member of the Management Board

Marko Rems graduated from the Faculty of Economics in Ljubljana. During his career, he has held a number of leading positions, mainly in the fields of finance and informatics. In 1992 he gained a position at the Agency of the Republic of Slovenia for Restructuring and Privatisation, first as head of projects and then as head of Information Technology Services. He continued his career in a number of leading positions; among others, he was a procurator and Member of the Management Board of Žito, d. d. Since the beginning of 2008, he has been a Member of the Management Board of Adriatic Slovenica, d. d.

His five-year term of office commenced on 1 March 2010.

- **Matjaž Stare,** rojen 1957
  Employee Director

Matjaž Stare graduated from the Department of Defence Studies of the Faculty of Social Sciences. He worked in various fields within the Ministry of Defence and, following Slovenia's independence, continued his independent career in the design and management of media projects, marketing and sales, publishing, publications and journalism.

His five-year term of office commenced on 18 October 2010.

In 2011, the procurator of Luka Koper, d. d., on the Panonija Logistics Centre project was Mirko Pavšič.

In 2011, the Members of the Management Board held the following positions in the corporate governance bodies of non-related companies:
- Chairman of the Management Board Gregor Veselko, DSc was a Member of the Supervisory Board of Vinakoper, d. d. and Member of the Supervisory Board of IEDC Bled School of Management,
- Deputy Chairman of the Management Board, Captain Tomaž Martin Jamnik was a Member of the Management Board of Trade Trans Invest a. s. until 14 July 2011,
- Member of the Management Board Marko Rems was a member of the Investment Committee of the company Poteza Adriatic Fund B. V.

The presentation of the Members of the Management Board is also available on the Company website http://www.luka-kp.si/eng/about-us/management/management-board.

6.5.1 Operation of the Management Board

The Management Board strove towards the implementation of optimal management and the realisation of strategic operations focusing on the long-term success of the parent company and the entire Luka Koper Group.

Management directs the operations of the Company in its best interests, autonomously and assumes sole responsibility for its actions. It performs its work in accordance with regulations, the Articles of the Association and the binding decisions of Company bodies. The Company is represented by the Members of the Management Board, who are in charge of the following areas:

Tasks of the Chairman of the Management Board:
- Institutional coordination and multimodalism
- Internal audit
- Public relations
- Legal matters
- Human resources and organisational matters
- Research and development
- Investments, techniques and procurement
- Electronics
- General protection and marine protection.

Tasks of the Deputy Chairman of the Management Board:
- Profit centres
- Operations and sales
- Marketing
- Coordination of operations
- Internal railway transport.

Tasks of the Member of the Management Board for Finance:
- Finance
- Accounting
- Control
- Development of computer-assisted business processes
- Quality
- Cost supervision.

Tasks of the Member of the Management Board – Employee Director:
- To represent employee interests in accordance with the Worker Participation and Management Act
- To ensure the health of employees and the ecology
- To fulfil operations and tasks arising from written agreements between employees and employers (participatory agreement and other agreements).

Tasks of the Procurator:
- “Panonija” project.

6.5.2 Remuneration of the Management Board

The receipts of the Management Board are comprised of a fixed and variable component. They are stipulated in the management employment contracts concluded with Members of the Management and Supervisory Boards, and also define reimbursements and benefits. The remuneration of Management Board Members with stock option plans is not envisaged in the Articles of Association of Luka Koper, d. d. The amounts of payments, reimbursements and benefits are reported in Note no. 28 of the Financial Report of Luka Koper, d. d., whereas information regarding the number of shares owned by the Management Board Members is presented in the chapter headed The LKPG Share.

6.5.3 Conflict of interest statement of the Members of the Management Board

Pursuant to Appendix C3 to the Code of Governance of Public Limited Companies, the Members of the Management Board of Luka Koper, d. d. each signed the conflict of interest statement in January 2012; a conflict of interest arises if any of the following applies to a Member of the Management Board:

- The Member is, or has been over the past three years, engaged in a significant business relationship with either Luka Koper, d. d., or its related companies;
- The Member is major shareholder of Luka Koper, d. d.;
- The Member has either economic, personal or any other close ties with a major shareholder or its Management Board;
- The Member is a significant supplier of goods or services (including consultancy or auditing services);
- The Member has received over the past three years significant additional receipts from Luka Koper, d. d., or its related companies, other than payments received as a Member of the management bodies of any of these companies;
- The Member has been in the past three years either a partner or employee of the current or prior external auditor of Luka Koper, d. d. or its related companies;
- The Member is a close relative of another Member of the Supervisory Board or the Management Board of Luka Koper, d. d.

Statements are also available at www.luka-kp.si/eng/investors.

6.6 MANAGEMENT AND GOVERNANCE OF SUBSIDIARY COMPANIES OF THE LUKA KOPER GROUP

As regards the management, investments are classified into four groups, which define besides the dividend policy also their respective management procedures:

- **Portfolio investments** are investments in the shares of companies which are listed on the stock exchange, investment funds, deposits and other financial instruments. They are managed for the purpose of ensuring and managing the liquidity of the parent company and the Group.
- **Non-strategic investments** are investments in the shares and stakes of companies engaged in activities not directly linked to the strategic orientation of the parent company, and are not portfolio investments. They are managed in accordance with the investment custody. Investments will be subject to different possible types of disposal.
- **Strategic investments** are investments in the shares and stakes of companies engaged in an activity directly linked with strategic orientations of the parent company. They are managed in accordance with the principle of the operation of affiliated groups.
- **Other strategic investments** are investments in the shares and stakes of companies engaged in an activity important for the parent company due to a broader corporate and sustainable motive. They are managed in accordance with investment custody.

Management and governance of subsidiaries of the Luka Koper Group as of 31 December 2011

Company	Director	Equity stake of the parent company
Luka Koper INPO, d. o. o.	Mirko Pavšič	100%
Adria Terminali, d. o. o.	Dimitrij Pucer	100%
Luka Koper Pristan, d. o. o.	Darko Grgič	100%
TOC, d. o. o.	Ankica Budan Hadžalić	66,80%

The dividend policy of subsidiary, jointly-controlled and associated companies represents a harmonised combination of the wish for dividend yields of the owners, and the wish to use the net profit for financing investment plans, which represents a compromise between the maximisation of the owners' benefits and long-term development of companies.

In terms of non-strategic financial investments, we endeavour to maximise the payment of profit, and in strategic investments we pursue the goal of harmonised payment of profits with regard to investment-research cycles.

6.7 INTERNAL AUDIT

Internal audit is an independent supervisory function, which operates in accordance with the valid guidelines for quality corporate management and with the adopted fundamental internal audit document. Its mission is to ensure support to the Management Board and the Supervisory Board in efficient implementation of their tasks. The goal of internal audit is better risk management and improved internal control, and also to directly contribute to the increased effectiveness and performance. It contributes to better reliability of financial reporting and to the compliance with external and internal regulations in the realisation of the adopted strategy, business policies and business and financial plans.

Internal audit includes independent assurance provision and advisory in the segments of risk management and the management of the Company and the Group to successfully achieve their goals. In accordance with the trend in the development of the profession, internal audit not only strives to check the operation of internal controls but also to check if risks are properly managed, where the audit units include all processes in the Company or the Group.

In 2011, five internal audits were carried out, two in the area of assurance provision and three in the area of advisory. The units indicated underwent verification on the existence, operation and efficiency of internal controls; recommendations for their improvements were also provided. The realisation of the provided recommendations is monitored by responsible persons and planned deadlines for their realisation. Within the internal audit advisory operations, help was offered particularly in the development in the internal control system and risk management.

In order to contribute to better risk management in the Luka Koper Group, the fundamental tasks of the internal audit in 2012 remain the verification of the internal control operation and of the risk management compliance, and advising on the development of the internal control system.

6.8 INTERNAL CONTROL SYSTEM

The internal control system helps us achieve the set objectives and it is included in our values and principles. It is prepared by the Company management and incorporated in daily operations in the form of policies, processes, procedures and activities in order for risk to be managed within an acceptable framework.

All employees are engaged in the internal control system. Certain groups of employees have special roles and responsibilities. The management of Luka Koper, d. d., is responsible to the introduction and maintenance of suitable risk management and internal control system, and the Supervisory Board oversees the compliance of their operation and reporting. The operative management creates, introduces and monitors internal controls in its areas of responsibility, while other employees carry out their responsibilities as agreed.

The internal control system is incorporated in every process and facilitates the implementation of process checks and risk exposure assessment by means of an established control point reviewing mechanism. In accordance with the key business processes, control points are listed in the quality management system documentation. Such a management system requires regular systematic process checks – each process must be checked once a year by the owner, and once every two years certified external auditors must check the process based on internal audits and make a system check of processes.

6.9 INTERNAL CONTROLS AND RISK MANAGEMENT RELATED TO FINANCIAL REPORTING

By implementing adopted policies and procedures applicable to the internal control system in the field of accounting, our objective is to ensure accurate, reliable and complete records of business events, and the preparation of financial statements, which are a true and fair in presentation of the financial position, operating result, cash flow and changes in equity, in accordance with international accounting standards.

The fundamental internal accounting controls focus on:
- Data accuracy controls; and
- Data processing completeness controls.

The supervisory internal accounting controls focus on:
- The segregation of duties, i.e. clearly delineated rights and responsibilities, which is essential to ensure that transactions are carried out in accordance with the business policy, and to guarantee the successful performance of the Company;
- Supervision over the accuracy and precision of the work performed by employees, i.e. a reconciliation between analytical records and the general ledger, and cross-checks.

The implementation of internal accounting control procedures ensures that information used in the decision-making process for internal and external users is reliable, accurate, promptly delivered and cost-efficient. Internal accounting controls are closely tied to and dependent on IT controls which limit access to and secure data as well as the accuracy of data capture and processing.

6.10 EXTERNAL AUDIT

At its 19th regular session held on 11 July 2011, the General Meeting of Shareholders appointed the auditing firm Ernst & Young Revizija, poslovno svetovanje, d. o. o., Dunajska cesta 111, Ljubljana as the auditors of the financial statements of the parent company and the Luka Koper Group. When changing auditors, we follow the recommendations stipulated in the Code of Governance of Public Limited Companies concerning the change of auditors at least once every five years. The auditing firm, approved by the General Meeting of Shareholders, has audited the statements for the third successive year.

The costs incurred for auditing Luka Koper, d. d. and its subsidiaries are presented in Note 3 of the Consolidated Financial Report.

7 EVENTS IN 2011

01

- Luka Koper, d. d., received a call by the Securities Market Agency to express its opinion regarding the facts and circumstances relevant for the decision regarding the possible liability of Luka Koper, d. d., and the remaining shareholders of companies:
  - Krka, d. d., Novo mesto,
  - Zavarovalnica Triglav, d. d., Ljubljana,
  - Petrol, d. d., Ljubljana,
  - Telekom Slovenije, d. d.,
  - Aerodrom Ljubljana, d. d.

  which are considered to operate in unison with Luka Koper, d. d., and to provide a takeover bid for the shares of the indicated companies in accordance with the provisions of the Takeovers Act.
- We received 248 applications to our public invitation for the co-financing of projects from the sponsorship and donations fund called "Living with the Port". We awarded €114 thousand of funds. The projects which we intended funds for are published at the website http://www.zivetispristaniscem.si/index.php?page=static&item=7.

02

- On 10 February 2011, the Management Board of Luka Koper, d. d., received a decision by the Management Board of the Luka Koper Crane Operators' Trade Union (SŽPD) on the beginning of the strike announced for 22 February 2011. Prior to the strike, the Management Board of Luka Koper, d. d., and the expert committee of SŽPD agreed to cancel the strike. Both parties have agreed to continue negotiations and reach agreement within three months.
- On 21 February 2011, Luka Koper, d. d. and the other major shareholders of Intereuropa, d. d. listed below:
  - Kapitalsko družbo, d. d.,
  - Slovensko odškodninsko družbo, d. d.,
  - Zavarovalnico Triglav, d. d.,
  - NLB, d. d. in
  - Abanko Vipa, d. d.

  announced a public invitation for offers regarding the purchase of shares of Intereuropa, d. d. The primary announcement for public invitation for offers issued on 23 December 2010 and its extension as of 7 February 2011 have remained valid.
- We acquired a new regular container line set up from Koper by the Japanese shipping company NYK.
- We loaded the first series of cars on the ship for the Chinese market.
- We hosted the Minister of the Foreign Affairs of the Kingdom of Thailand. The main topic of discussions was the agreement on cooperation with ports in Thailand.

03

- We received no response on our invitation for public tender for the acquisition of the shares of Intereuropa.
- Luka Koper, d. d., received the AEO (Authorised Economic Operator) certificate for the area of safety and security, which proves that the customs area of the port of Koper is recognised as a safe area with the lowest risk rate.
- Strong northern wind blew away some iron oxide dust from the Port area, causing an alarm among the locals. The safety data sheet, which keeps track of cargo, showed that it was a mixture of iron oxides that is not harmful for people and the environment.
- We rewarded our best suppliers with the 2010 Luka Koper Top Supplier Award for the areas of technical services, products, investments and port services.

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04

- On 6 April 2011, the European Investment Bank and Luka Koper, d. d., signed a contract of a long-term loan (20 years) in the amount of €35m. The loan was used for the financial construction of the project for extending the container terminal on pier I of the port of Koper.
- The Port was visited by the President of Austria Heinz Fischer.
- Slovenian Institute of Quality and Metrology (SIQ) carried out external audit of quality systems.
- We obtained an environmental license for noise emissions into the environment.
- We attended the Slovenian Capital Market Day in.

05

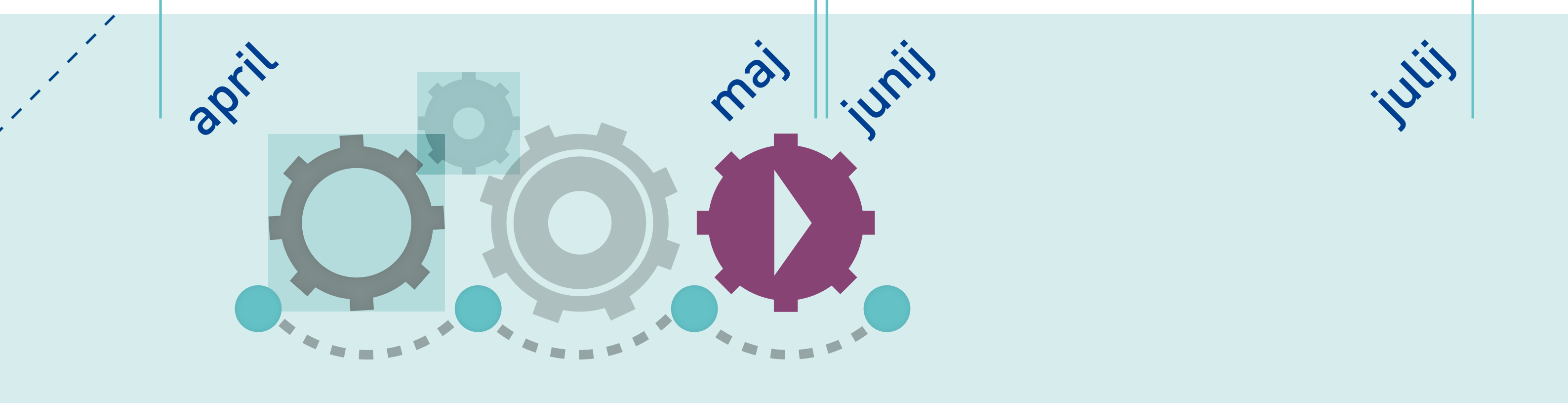
- Representatives of the Maribor Institute for Health Protection presented results of their analysis, which proved the iron oxide that was blown from the Port by the wind in March was not harmful.
- Together with other NAPA members, we presented ourselves at the Transport & Logistic Fair in Munich.
- We moored the largest cruise ship to the cruise berth so far. Voyager of the Seas brought 3,363 passengers to Koper.
- Within the EU project called Backgrounds, a study on multiple effects of the port was concluded.

06

- At the session held on 16 June 2011, the Government of the Republic of Slovenia confirmed the National Spatial Plan (NSP) for an overall spatial arrangement of the port for the international transport in Koper. The NSP is the fundamental spatial document that will enable a long-term development of the Port and increase its competitiveness.
- Austrian newspaper Verkehr announced that according to 2010 data, our Port has taken the largest market share on the Austrian market compared to other ports.
- We presented the EMAS environmental certificate to the public.

07

- At the 19th Regular Meeting of Shareholders held on 11 July 2011, the shareholders decided on the following issues:
  - They were informed of the adopted Annual Report for 2010,
  - They approved the allocation of distributable profit for 2010. Shareholders were informed that the distributable profit for 2010 was €0.00, that in 2010, Luka Koper generated a net loss of €2,431,887.92, and that the Company covered the identified net loss during the preparation of the Annual Report with the release of revenue reserves that were accumulated in previous periods,
  - They gave a discharge to the Management Board and the Supervisory Board for 2010,
  - Ernst & Young, d. o. o., Dunajska cesta 111, Ljubljana was appointed auditor for Luka Koper, d. d., and the Group,
  - They adopted the proposed amendments to the Memorandum of Association,
  - They adopted a decision on determining payment for carrying out functions and the amount of attendance fees to the Members of the Supervisory Board and Members of the Supervisory Board Committees for the period of the next twelve months,
  - They rejected the decision about the General Meeting of Shareholders issuing to the Company an authorisation for acquiring and disposing of equity shares of the Company,
  - They accepted the letter of resignation and request for the dismissal from his function submitted by a Member of the Supervisory Board of Luka Koper, d. d., Boris Popovič on 12 October 2010. He was dismissed from office as of 21 October 2010 when the Company received his letter of resignation, and appointed, upon proposal by the Municipal Council, Sabina Mozetič a Member of the Supervisory Board for a term of four years.
- On 18 July 2011, the management of Luka Koper, d. d., received from the strike committee of the Luka Koper Crane Operators' Trade Union (SŽPD) a decision on the commencement of the strike announced for 29 July 2011 at 6 a.m. provided that not all of their requirements are fulfilled. Negotiations between the management of Luka Koper, d. d., and SŽPD failed on 28 July; therefore, the Trade Union realised its forecast and started with the strike on 29 July at 6 a.m. A spontaneous protest was organised also by some employees of outsourcers.
- We announced the second public invitation for the co-financing of projects from the sponsorship and donations fund called "Living with the Port". We received 248 applications and in total awarded €114 thousand of funds. The projects which we intended funds for are published at the website http://www.zivetispristaniscem.si/index.php?page=static&item=7.



08

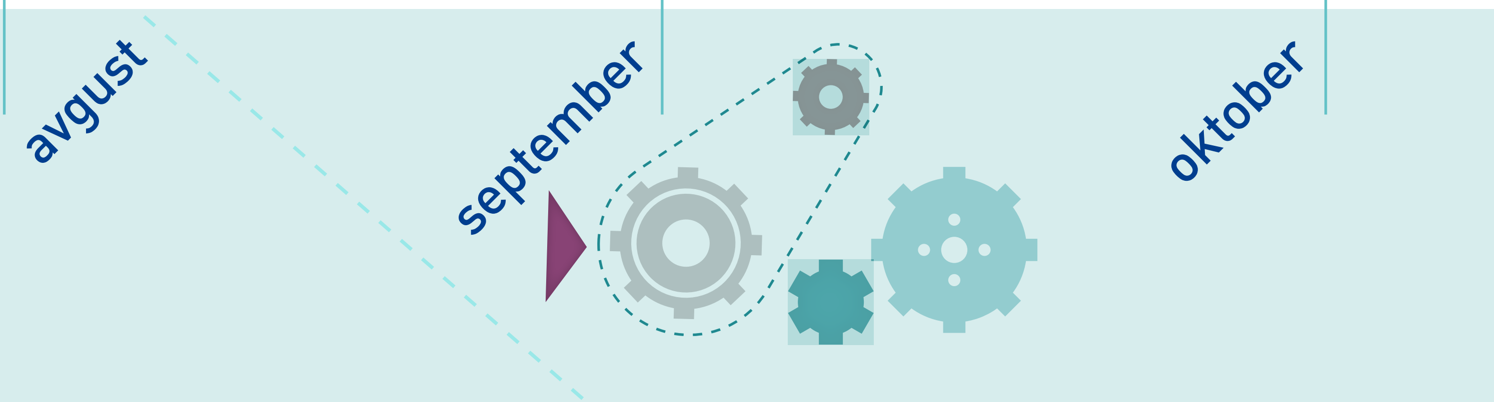
- On 4 August 2011, the Supervisory Board of the company was informed on the course of negotiations and the positions of both negotiators, and supported the endeavours of the management for solving the situation.
- On 5th August 2011, the management of the company and SŽPD finished the negotiations and reached the end of the strike. The signatories to the agreement made social peace, which will last at least one year, and they committed to continue with constructive dialogue.
- The Supervisory Board of Luka Koper confirmed the 5-year strategic plan of the company Luka Koper, d. d., and the Luka Koper Group.

09

- To ensure an even more open communication with the investor public, the management of Luka Koper, d. d., invited financial analysts and representatives of investors to the Port on 8 September 2011, where it presented semi-annual results, the 5-year strategic plan of the company and the adoption of the National Spatial Plan. The meeting was attended by 20 analysts from various Slovenian brokerage furms and banks.
- The Port Day, the fifth Luka Koper Open Door Day received record attendance of visitors from Slovenia.
- Luka Koper presented itself at the second Global Logistics & Freight Summit 2011 in Xiamen, China.
- The Fire Brigade Unit and the team of the Sea Protection Unit of the port of Koper successfully cooperated with their vessels on Slovenian Protection and Rescue Days.

10

- On 13 October 2011, the Company Luka Koper obtained a 99.96% share of the company Logis Nova, d. o. o., in Murska Sobota with a conversion of loans into equity. In its property, this company has agricultural land in the area of the Beltinci Community.
- After six years of the passenger terminal operation at the port of Koper, the number of passengers exceeded 100,000, which is a record of this terminal.
- Members of the Association of the Mediterranean Cruise Ports (MedCruise) voted Bojan Babič from Luka Koper, d. d., to the position of Vice-Chairman of the Association.
- Luka Koper presented itself to potential business partners in Cambodia and Mynmar.
- Estonian and Slovenian railway operators set up a new regular rail line from the port of Koper, serving for the transportation of containers to Poland and Bulgaria with connections to Lithuania, Latvia, Estonia, Finland and Greece, Turkey, Russia, Azerbaijan and Turkmenistan.
- The shipping companies Sermar Line and Shipping Corporation of India (SCI) set up a new feeder container line between the Adriatic Sea and India, including the port of Koper in this line.



8 EVENTS AFTER THE BALANCE SHEET DATE

11

- For the first time in the history of the Port, maritime throughput at the container terminal exceeded 500,000 TEU.

12

- The Supervisory Board of Luke Koper, d. d., confirmed the 2012 Business Plan at its session on 20 December 2011.
- On 30 December 2011, the company Luka Koper signed with three business partners a contract on taking a 7-year loan in the amount of €37m. The reason for taking long-term loans is the refinancing of a short-term loan. Long-term loans further prolong the maturity of sources of financing of the company Luka Koper, d. d. By doing so, we pursue the goal of balancing the maturity of assets with the maturity of sources of finance, which is of a long-term character considering the infrastructural activity of the company. By drawing the entire loan, the average maturity of financial liabilities of the Luka Koper Group thus prolonged to 5.3 years.
- European Sea Ports Organisation (ESPO) chose our project "Living with the Port" as one of the top three projects. The ESPO AWARD was conferred to the Ports of Stockholm.
- We presented ourselves to our business partners in Turkey.
- We organised a well-attended meeting with business partners on our most important markets of Austria, Hungary and Slovakia.

01

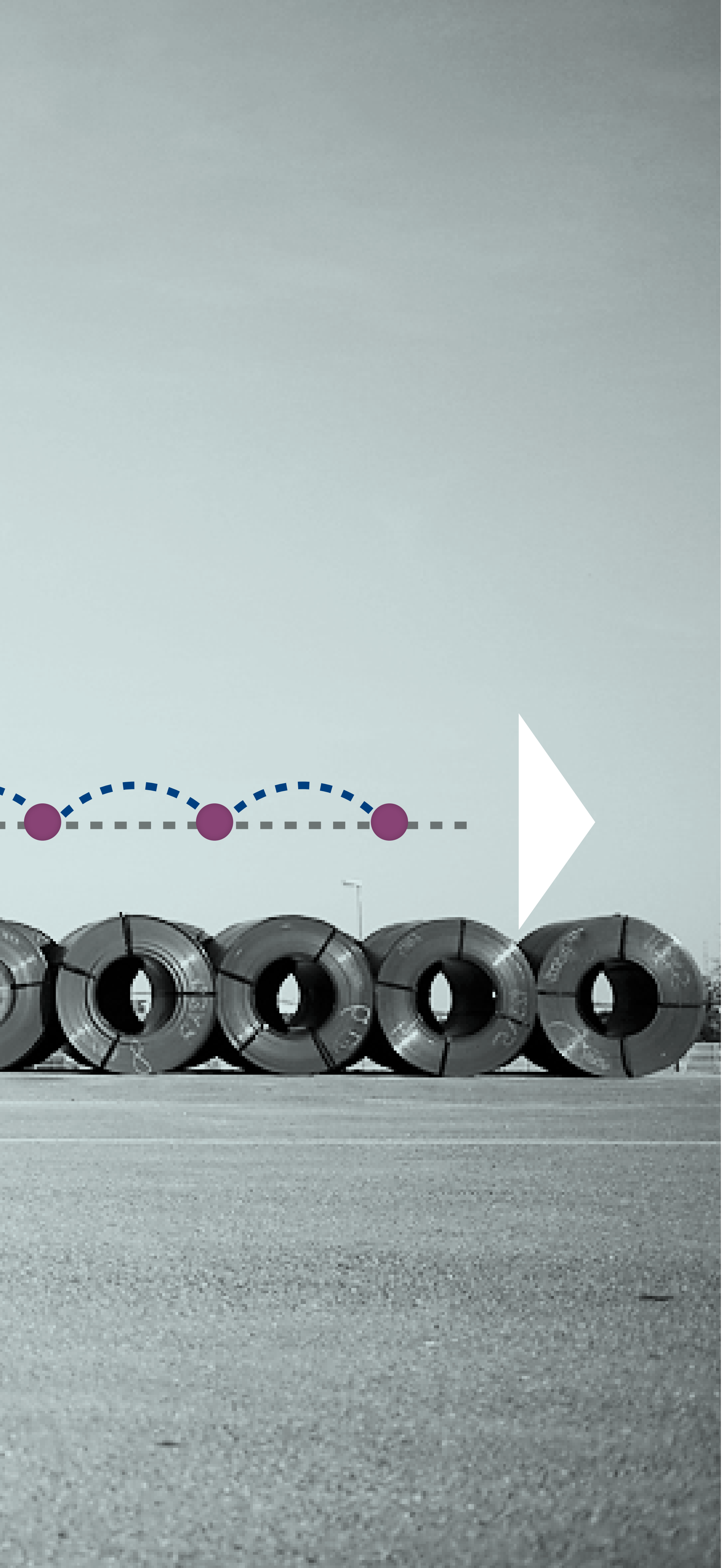
- A group of shipping companies (Hanjin, Yang Ming, Hyundai Merchant Marine and United Arab Shipping Company) cancelled the direct container line, which connected the Port with the Far East. The last ship of this line sailed to Koper in mid-January 2012. Nevertheless, shipping companies will remain present via feeder lines.

november

december

januar

BUSINESS REPORT



Much more than care

The balance we achieve between unforseen circumnstances and the task at hand is not a one off coincidence. It can only be reached with strength and decisiveness, skill and knowledge. We leave nothing to chance, and we take each chance to show we much more than care.

9 FEATURES OF THE ECONOMIC ENVIRONMENT

At the beginning of 2011, the International Monetary Fund (IMF)[1] forecast an improvement in global economic trends and real GDP growth of approximately 4.4 percent. The improvement was chiefly a result of improved prospects for the world economy due to new increased growth of the global trade in 2010. The drive of the global recovery was still developing countries, while the forecast growth in developed countries stayed relatively low.

Nevertheless, the economic crisis again deepened in the second half of 2011 after a short revival of the economy in the first half of the year. The conditions in the international environment deteriorated in the last months of the year, mainly due to much decreased trust in the ability to solve financial problems faced by the countries in the Euro area. Consequently, the situation on financial markets intensified, at first contributing to lower expectations of consumers and economists, which resulted in minor economic growth. According to IMF, the global economic growth was thus only 3.8% in 2011.

IMF[2] expects stagnation or a fall in the economic activity in countries of the Euro area also in the first two quarters of 2012, followed by its strengthening from the second half of 2012 onwards.

GROWTH OF THE CONTAINER THROUGHPUT

Despite the minimal economic growth and the omnipresent lack of trust, the import of container goods to Europe reached an 8.5% growth in 2011 as compared with 2010. The increase in the overseas import was almost entirely a consequence of low domestic European production. The export of European containerized goods also increased by 9%, although this represents only a small part in the structure of the overseas throughput of containerized goods[3].

At the global level, the increase in maritime capacities, which strongly contributed to a fall in shipping rates, slightly calmed down, since the industry was facing a decelerated growth of demand. This will probably stabilise further decrease in the shipping fares, which we have faced in the last few months, and further strengthen cooperation among the leading shipping companies.

The forecast growth for 2012 of the container throughput is approximately 10%.

1 Source: IMF, World Economic Outlook Update, 25 January 2011
2 Source: IMF, World Economic Outlook Update, 24 January 2012
3 Source: Containerisation International Magazine, Volume January 2012

GROWTH IN THE GLOBAL AUTOMOTIVE MARKET

Following the 2009 economic crisis, which paralysed the automotive market, the 2010 growth continued also in 2011. The global sale of personal vehicles experienced a 5% growth. The year ended successfully in particular for German manufacturers who took advantage of the problems their Japanese competitors were facing due to the disastrous earthquake and tsunami in March, which paralysed supply chains for several months, and in the second half of the year, severe floods affected Thailand. German manufacturers proved themselves particularly in the luxurious class, with BMW, Audi and Mercedes recording the record sales and almost an 8% growth. The sales of the French and Italian competitors were poorer due to their organisational problems, and they even announced dismissals. On the contrary, the year was successful for American producers who recorded almost a 9% growth. The sales experienced a steep rise, although still not anywhere near the level before the crisis[4].

According to the European Automobile Manufacturers' Association (ACEA), the 2012 sales are expected to decrease, and the growth of the total global sales of personal vehicles in 2012 is to total 4%.

4 Source: Global Auto Report, Global Economic Research, 22 December, 2011

10 ANALYSIS OF OPERATIONS IN 2011

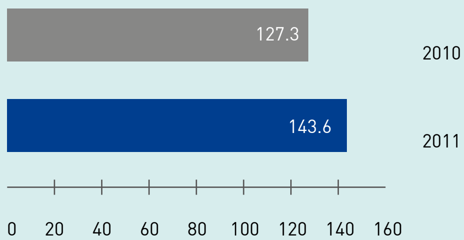
Despite the still present economic crisis, the Luka Koper Group ended 2011 successfully. We reached the record maritime throughput totalling 17 million tonnes. Compared to 2010 we enhanced operating results and successfully managed expenses. The successful operations are reflected in the operating result exceeding last year's by more than a half. The generated net operating result of the Group was affected negatively by the impairments of the investment in the company Intereuropa, d. d., which were realised in June and December 2011.

The managing company, Luka Koper, generated 94% of the Group's revenue; therefore the findings of the Group analysis apply also for the parent company.

10.1 OPERATING REVENUES

In 2011, the Luka Koper Group generated €143.6m of operating revenues, exceeding those from 2010 by 13%, and the operating revenue planned for 2011 by 9%.

Operating revenues of the Luka Koper Group
(in million €)



65% of the Group's operating revenues were made on foreign markets. The currency of the majority of revenues was the euro, and only 4.7% the US dollar, which is favourable from the currency risk view. Details about the currency risk exposure and management are provided in Note 31 of the Consolidated financial report.

In 2011, the parent company generated €134.4m of operating revenues, exceeding last year's by 13%.

In the structure of Group revenues, subsidiaries account for 6%.

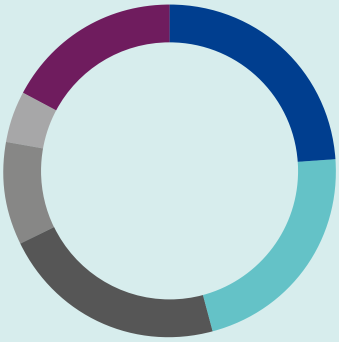
Luka Koper INPO, d. o. o., which is engaged in the maritime, utility, support and maintenance services, generated €11.3m of operating revenues, which is 17% more compared to 2010.

The subsidiary Luka Koper Pristan, d. o. o., which is engaged in hotel and catering services, recorded €1m of operating revenues in 2011, representing a 10% drop compared to the year before. Lower operating revenues are a result of fewer overnight stays.

The company Adria Terminali, d. o. o., which manages the land logistics centre in Sežana, realised €1.8m of operating revenues in 2011, therefore exceeding the 2010 realised operating revenues by 12%.

The company TOC, d. o. o., which does research in the areas of ecology, engineering and technology, made €303 thousand in 2011, thus recording a drop of 11% compared to 2010.

Structure of operating revenue by product groups 2011



■	**24%**	Dry and bulky cargoes
■	**22%**	Containers
■	**22%**	General cargoes
■	**10%**	Vehicles
■	**5%**	Liquid cargoes
■	**17%**	Other

Operating revenues by product groups

Revenues of the Luka Koper Group in 2011 compared to 2010 increased by 13%, primarily due to increased maritime throughput. In terms of throughput activity, we recorded increased levels in all product groups other than the general cargoes, as compared to 2010. A detailed overview of the levels of throughput by individual product group is presented in the chapter headed Marketing: product groups and markets.

Operating revenues by product groups

(in €)	2010	2011	Index 2011/2010
General cargoes	29,396,296	31,572,579	107
Containers	23,975,023	32,356,896	135
Vehicles	12,348,555	14,062,430	114
Liquid cargoes	6,269,203	7,201,491	115
Dry and bulky cargoes	30,960,514	34,647,247	112
Other	24,396,898	23,792,583	98
Total	**127,346,489**	**143,633,226**	**113**

In the general cargoes product group we generated a 7% increase in operating revenues compared to 2010, despite a 4% decrease in the maritime throughput. The increase in operating revenues of the containers product group in 2011 was affected by this year's record-high maritime throughput.

The product group "vehicles" also experienced increased operating revenues compared to 2010, as the maritime throughput increased by 18% in 2011. The growth was particularly high in the last quarter of the year.

The liquid cargoes throughput recorded higher operating revenues in 2011 than in the previous year due to increased maritime throughput in both sub-groups – liquid cargoes and petrol products.

The product group of dry and bulky cargoes recorded a higher growth in operating revenues than in 2010, as the maritime throughput of coal, minerals, raw materials and bauxite increased.

10.2 OPERATING COSTS

In 2011, the Luka Koper Group generated €121.7m of operating costs, which is 7% more than in 2010, and 4% more than 2011 planned operating costs. In 2011, the prevailing in the structure of operating costs were the costs of services, which represented 32% of the total operating costs.

Costs of material

Costs of material increased by 16%, reaching €10.4m primarily due to increased consumption of energy and motor fuel. The latter increased by 27% compared to 2010 as a result of bigger maritime throughput and the number of manipulations per unit of maritime throughput. Increased costs were also affected by higher prices of motor fuel in 2011. More information on motor fuel consumption is presented in the chapter headed Natural environment.

Costs of services

In 2011, costs of services totalled €39m, which is 14% more than in 2010. The majority part (43%) represents cost of port services provided by contractors, amounting to €16.9m in 2011 and exceeding those from 2010 by 28%. These costs increased due to bigger throughput and consequently a bigger volume of performed throughput services, and higher cost per unit of performed service.

Equipment and buildings maintenance costs totalled €6.4m, i.e. 7% more than in 2010. The majority part of these costs represents port infrastructure maintenance.

Costs of other services rose by 10% in 2011, primarily concession costs, which amounted to €4.5m, which is a 13% increase compared to the year before. IT cost amounted to €3.2m, thus remaining at the 2010 level. An important part of the costs of other services is also the cost of wagon delivery and shipment of €2.5m, exceeding that of 2010 by 13%.

Labour costs

Labour costs amounted to €37.9m, representing the second largest share of operating costs. As compared to 2010, labour costs increased by 5%. The increase in costs was affected by the escalation of basic salaries and the settlement of the escalation for the previous year, which were made in July and August 2011. The number of employees in the companies of the Luka Koper Group also increased. As at 31 December 2011, there were 1,020 employees, representing 23 employees more than at the end of 2010. More information about the number and structure of employees is presented in the chapter headed Human resource management.

Write downs

In 2011, write downs were 2% below the 2010 result, amounting to €27.7m. Amortisation and depreciation costs increased by 4%, accounting for €27.3m in 2011. Compared to 2010, revaluation operating costs of working capital decreased by 79%, since we formed €1.9m of revaluation operating costs due to bad debt impairment. In 2011, we made €19.8m of investments, which is 2% less than the year before. More information about investments is provided in the chapter Investments in Non-Financial Assets.

Provisions

In 2011, the Luka Koper Group shows formed and reversed provisions for lawsuits and regular maintenance. There were €524.4 thousand more newly formed provisions than those reversed from previous years. More details on the movements of provisions are presented in the Consolidated Financial Report in Note 26.

10.3 OPERATING RESULT

In 2011, the operating result of the Luka Koper Group accounted for €22.4m, exceeding that of 2010 by 58%, and the planned for 2011 by 45%. The operating result is a consequence of increased operating revenues and the management of costs, which grew at a level lower by 5.6 percentage points that that of the growth of operating revenues. EBITDA totalled €49.7m, representing 23% or €9.2m more than that achieved in 2010, and €6.9m higher than the planned.

10.4 FINANCE REVENUES AND EXPENSES

The Luka Koper Group generated finance revenues of €1.7m in 2011, which is 25.8% less than the previous year.

Finance expenses amounted to €22.2m, increasing by 12% compared to 2010. The increase is mainly due to the impairment of investment in the company Intereuropa, d. d., in the amount of €13.9m, which was made twice in 2011 – on 30 June 2011 and 31 December 2011. More details regarding impairments are presented in Note 8 of the Consolidated Financial Report and Note 8 of the Financial Report.

10.5 PROFIT BEFORE TAXES AND NET PROFIT OR LOSS

In 2011, the profit before taxes of the Luka Koper Group was €1.9m. Taking taxes into consideration, the net profit of the Group was €447.7 thousand (more details on the corporate tax rate are presented in Notes 10 and 11 of the Consolidated Financial Report).

The net operating profit is higher than in 2010, when the Group generated a net loss of €-2.9m. Without the impairment of investment in the company Intereuropa, d. d. and the impact of related deferred taxes, the net operating result of the Luka Koper Group would be €12.9m in 2011.

10.6 CHANGES IN ASSETS AND LIABILITIES

As at 31 December 2011, the balance sheet total of the Luka Koper Group amounted to €478.3m, which is 5% lower than at the end of 2010. The decrease was mainly due to a decrease in assets in the group of assets for disposal and sale on account of the impairment of investment in the company Intereuropa, d. d.

As at 31 December 2011, long-term assets constituted 93% of total assets, amounting to €445.9m. The biggest part of long-term assets is property, plant and equipment of €363.2m, and the second is long-term investments of €48.3m at the end of 2011. The value of property, plant and equipment dropped by 2.9% during 2011 due to the sale of equipment, transfers to long-term operating receivables and write-offs.

As compared to the balance at the end of 2010, long-term investments decreased by €2.7m or 5.3%. The decrease is due to the impairment in investments, a decline in the market values of investments, classified in the group available for trade, and reallocation of the long-term investment to the associate Adria Investicije into assets for disposal and held for sale.

More details regarding the decrease in long-term investments are presented in Note 16 of the Consolidated financial report, and in Note 16 of the Financial report.

In the structure of current assets, the biggest drop in 2011 was recorded in the group of assets for disposal and held for sale, which fell by €11.2m, accounting for 61.7%. The total decrease is a result of the impairment in investment to the company Intereuropa in the amount of €13.9m, and the increase due to reallocation of the subsidiaries Adria Investicije, d. o. o., and Logis Nova, d. o. o., among assets for disposal and held for sale in the total sum of €2.7m.

As at 31 December 2011, the equity of the Luka Koper Group was €240.8m, representing a fall of €3.3m or 1% compared to 2010. The decrease is a result of the reduction in revaluation surplus of financial investments, classified in the group of assets for disposal and held for sale. The equity constitutes a 50.4% of the total assets.

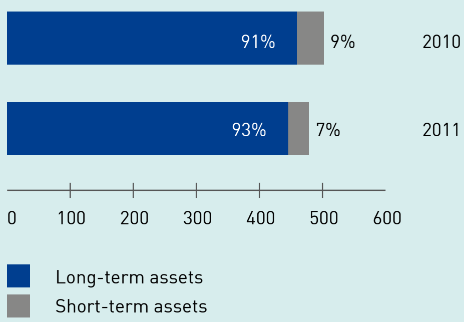
As at 31 December 2011, financial liabilities of the Luka Koper Group were €205.8m, having dropped by 9% or €20.5m compared to 2010. The decrease is mostly due to the payment of financial liabilities.

In 2011, we also carried out refinancing and restructuring of short-term financial liabilities into long-term financial liabilities; therefore, the share of short-term financial liabilities in the total financial liabilities decreased from 30% at the end of 2010 to 23.8% at the end of 2011.

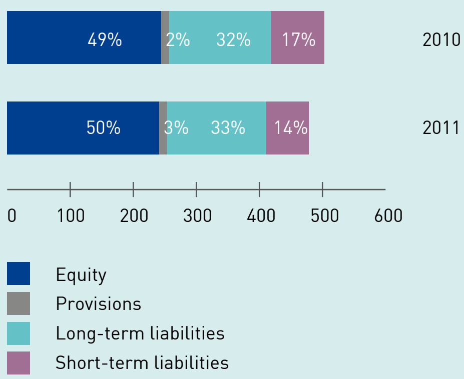
The share of financial liabilities in equity amounted to 85.5% on 31 December 2011, representing an 8% decrease compared to the end of 2010.

More details on the financial liabilities of the Luka Koper Group are presented in the chapter headed Financial management and Notes 27 and 28 of the Consolidated Financial Report.

Structure of assets of the Luka Koper Group
(in million €)



The structure of liabilities of the Luka Koper Group
(in million €)



10.7 CASH FLOW

Cash flow structure of the Luka Koper Group

(in €)	2010	2011
Cash flow from operating activities	18,845,594	49,453,131
Cash flow from investment activities	-2,266,071	-20,228,967
Cash flow from financing activities	-16,453,328	-28,866,723
Cash flow for the period	**126,195**	**357,441**

In 2011, the Luka Koper Group generated a positive cash flow from operations in the amount of €49.4m, which is more than 2.6-times more than in 2010.

The Group's EBITDA totalled €49.7m, resulting from the achieved record-high maritime throughput in 2011, which affected the growth of sales revenues. At the same time we also successfully managed costs.

Operating cash flow of the Luka Koper Group was negatively affected by the changes in net working capital of €-113.3 thousand. Operating receivables increased by €518 thousand, which is a consequence of increased extent of operations. Nevertheless, the increase of operating receivables was more than neutralised with the increase in operating liabilities for €607 thousand due to the increase in tax liability.

We used the generated positive operating cash flow in the amount of €49.4m and investment receipts of €4.4m to settle the interest for received loans of €8m. Therefore, we had €45.8m of our own cash flow available. We intended most of €24.6m of investment expenses for investments in intangible assets and property, plant and equipment, which amounted to €19,8m (more details on investments are presented in the chapter headed Investments in non-financial assets).

In 2011, the Luka Koper Group generated a negative cash flow from investment activities in the amount of €20.2m.

The recorded own cash flow exceeded the investment expenses by €21.2m, which is shown as a surplus in financing expenses.

In terms of financing activities, we recorded a negative cash flow of €28.9m. Financial liabilities decreased by €20.9m, mainly as a result of the payment of loans, and the payment of interest for received loans totalled €8m.

The Luka Koper Group generated a positive cash flow of €0.36m in 2011. The Group manages long-term financial solvency and liquidity through careful planning and monitoring of generated cash flow on a weekly, monthly and annual basis (more details on cash and cash equivalents are presented in the chapter headed Risk management and Note 31 of the Consolidated Financial Report).

11 MARKETING: PRODUCT GROUPS AND MARKETS

11.1 MARKETING STRATEGY

In 2011, we adopted a 5-year strategic plan of the Company and the Group, defining into detail besides the corporative and institutional view also the market view of Port's development. We set clear marketing goals:

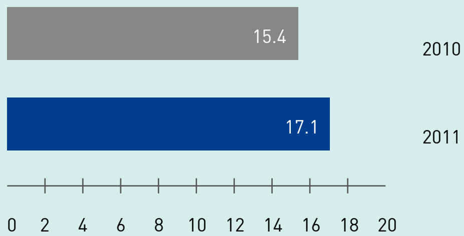
- To increase the maritime throughput to €21.4m tonnes in 2015,
- To develop services (optimal structure of services in view of returns),
- To manage markets,
- To achieve customer satisfaction,
- To achieve effective operation of the port community,
- To connect with transporters in order for them to include the Port into their transportation network,
- To connect with global logistics companies who manage goods flows, and to maintain a sufficient level of autonomy,
- To set up strategic partnerships in the industry,
- To keep track of the competition's development, and
- To become an established and respected trademark.

In order to ensure better competitiveness and consequently the attractiveness of the Port, we will pursue the set goals and actively include the Port into transportation routes or logistics chains.

11.2 MARITIME THROUGHPUT

Despite the weak economic activity on our hinterland markets in 2011, the Group recorded an absolute record of the annual maritime throughput, exceeding 17 million tonnes, which represents almost an 11% increase compared to 2010, and almost a 4% increase compared to the plan. The highest growth of the maritime throughput was recorded in product groups of containers and automobiles.

Movement of maritime throughput
(in million tonnes)



11.3 MARITIME THROUGHPUT AT OTHER PORTS

Despite the favourable prospects for the 2011 global economic growth, it reached lower values, in particular due to poor growth and weak production in developed countries and on account of poor financial conditions in the Euro area, which has reflected also in quantities and partially changed directions of international goods flows.

In 2011, Adriatic ports recorded also positive effects of the promotion of the southern transportation route in overseas, particularly Asian markets, especially Asian markets, which was successfully realised by North Adriatic Port Association NAPA.

Maritime throughput in tonnes per ports

	2010	2011	Index 2011/2010
Venice	26,389,758	26,321,701	100
Trieste	47,417,757	48,137,932	102
Ravenna	21,915,020	23,343,617	107
Rijeka	10,183,304	9,390,380	92
Koper	**15,372,043**	**17,051,314**	**111**
Rotterdam	429,964,000	434,550,000	101
Hamburg	121,000,000	132,200,000	109

Maritime container throughput in TEU per port

	2010	2011	Index 2011/2010
Venice	393,913	458,363	116
Trieste	277,058	393,195	142
Ravenna	183,041	215,336	118
Rijeka	137,048	150,667	110
Koper	**476,731**	**589,314**	**124**
Rotterdam	11,145,804	11,880,000	107
Hamburg	7,900,000	9,000,000	114

In terms of the total throughput, the ports of Trieste and Venice remain at the approximately same level than in 2010. Both ports decreased their throughput of liquid cargos and increased the container throughput. Similar is recorded also for the port of Ravenna, although it reached a 7% increase in the total throughput.

The Port of Rijeka is the only North Adriatic port which has not shown any signs of recovery for a number of consecutive years, particularly due to liquid cargo throughput. The port of Rijeka is about to undergo changes in the near future (new concessionaire of the container terminal and the accession of Croatia to the EU).

In 2011, the port of Rotterdam reached similar amounts of total throughput than in 2010. Due to decreased market needs, less fuel, iron ore and fewer irons and oil products were transhipped, while the needs for the import of food products and coal increased. The poor European production led to an increase of overseas import of container goods by 12%, reaching 61 million tonnes. With a total of 123 millions of tonnes of transhipped containers (slightly below 12 million TEU), Rotterdam keeps its leading position among European container ports. Similar applies also for the port of Hamburg, where the total throughput was 132 million tonnes, and the 9% increase in throughput compared to 2010 can almost entirely be attributed to the 14% increase in container throughput.

11.4 THROUGHPUT STRUCTURE BY MARKETS

In 2011, higher throughput was recorded for all of our target markets. We focused our endeavours into keeping our position on traditional markets, while simultaneously taking advantage of new opportunities and increasing our share on other markets.

SLOVENIA

Despite the 10% increase in maritime throughput in 2011, the Slovenian market lost its leading position among our markets for the first time. The total maritime throughput in Slovenia amounted to 5.1 million tonnes of goods. The highest share of throughput among individual product groups was recorded in oil products, coal and containers.

AUSTRIA

We again reached a record-high maritime throughput on the Austrian market. With 5.6 million tonnes of transhipped goods, Austria has become the most important market for the Luka Koper Group. The port of Koper also became the first port for Austrian overseas trade, since approximately one third of the total Austrian overseas trade (WKO) passes through out Port.

The trend of goods containerisation and relocation of container throughput form Northern ports to the South transportation route continues. Due to this trend and the political situation in North Africa, the maritime throughput of classical general cargos (paper cellulose) and wood experienced a slight drop, while the maritime container throughput grew by 47%. Maritime throughput for this market increased in 2011 by 21%, with the largest shares still represented by iron ore and coal.

ITALY

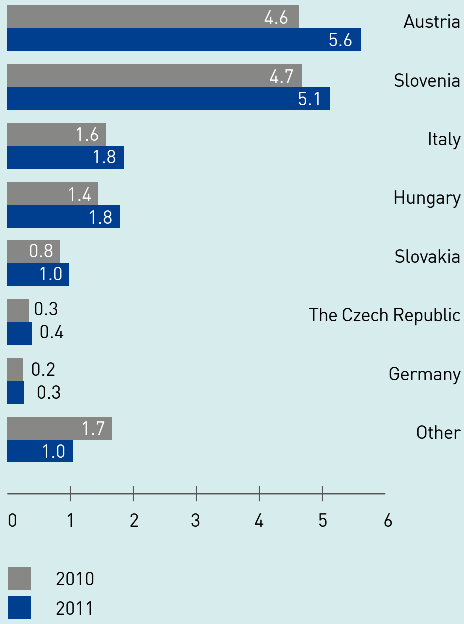
The Italian market is one of our most important markets. Despite the strong competition of Italian ports, we managed to increase maritime throughput for this market by 18%, accounting for 1.8 million tonnes of transhipped goods. The prevailing in product groups are energy products for thermal power plants on the East Italian coast, and aviation fuel for near airports. No major changes were recorded for other product groups.

HUNGARY

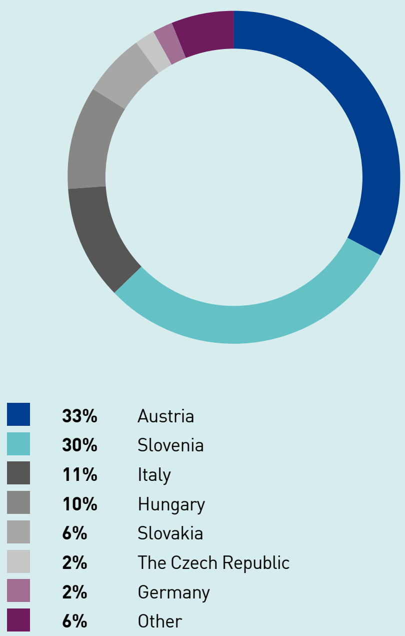
Despite the unfavourable economic situation in Hungary, we recorded a throughput of 1.78 million tonnes of various types of goods in terms of import and export for this market. As compared to 2010, maritime throughput thus increased by 25%, in particular container and soy throughput. In both cases, the port of Koper represents the main collection-distribution logistics centre to Hungary, since according to market analysis data we manage 68% of the total Hungarian container throughput, and 70% of the total import of soy. In 2011, throughput of kettle, liquid cargos and sugar experiences a revival, and a positive trend in throughput of old iron continued.

Maritime throughput by markets

(in million tonnes)



Structure of maritime throughput by markets in 2011



SLOVAKIA

Throughput for Slovakia represents approximately 6 percent of our total maritime throughput. Slovakia is a market, which was in the past particularly in favour of foreign investments especially in the area of the automotive and electronics industries. We followed the development of the market by establishing our own representative office in Bratislava two years ago, thus substantially increasing our market recognisability.

In 2011, we realised a throughput of almost 1 million tonnes of goods for the Slovakian market, exceeding it by 17% compared to 2010. The prevailing among product groups were containers and bauxite, and we again increased also the import and export of steel products.

THE CZECH REPUBLIC

With 388 thousand tonnes of throughput, the Czech Republic is one of our small markets, although there are still plenty possibilities to increase the volume of business. Despite the severe problems of the Czech ironworks and consequently a significantly lower throughput of steel products, we managed to increase maritime throughput by 12%; maritime container throughput increased by 88%, mainly due to the expanded operations of the factory of the Hyundai Motor Company in Nošovice.

GERMANY

In 2011, Germany again recorded growth of almost all economic indicators. We achieved an 11% increase in maritime throughput on the German market; however, the competition of the North European ports remains too strong for a major breakthrough of the South transportation route. Besides the main product group of automobiles, we also tranship containers, iron products and kettle for the German market. The total throughput was 268 thousand tonnes.

OTHER MARKETS

We continued devoting much attention to better recognisability of our port on Central and East European markets and to the promotion of the Luka Koper Group as the access point for goods intended for the European market from the Near and Far East.

We organised or attended many logistics conferences, economic delegations, port days, meetings and similar events on important overseas markets – in Thailand, South Korea, India, Cambodia, Myanmar, and in China. This was reflected in increased throughput for the mentioned markets, as container throughput for China and India increased by 30%, and even 50% for South Korea. We recorded even by 30% higher throughput of iron products from South Korea, and higher throughput was also made on South East Asian markets, particularly in Indonesia and Vietnam.

On the North African markets, we recorded a drop in throughput in 2011 due to unstable political situation and riots; we did, however, tranship more fruit and vegetables from Israel.

In Turkey, which is important to the Luka Koper Group especially in the area of the automotive industry, we organised the first Luka Koper Days in Istanbul for our potential business partners.

11.5 THROUGHPUT STRUCTURE BY PRODUCT GROUPS

Throughput increased for most product groups, reaching new records in certain groups, which confirms our competitiveness and correctly oriented marketing activities. We are distinguished for high-quality services, oriented in satisfying customers' needs. Most significant changes were recorded in throughput of containers, cars, and dry and bulky cargos. Investments into infrastructure and proper technological upgrades are vital to maintain a high level of services and continuous progress.

Throughput by product groups in tonnes

	2010	2011	Index 2011/2010
General cargoes	1,445,630	1,383,355	96
Containers	4,302,542	5,334,817	124
Vehicles	533,300	640,407	120
Liquid cargoes	2,727,014	2,922,890	107
Dry and bulky cargoes	6,363,557	6,769,845	106
Total	**15,372,044**	**17,051,314**	**111**

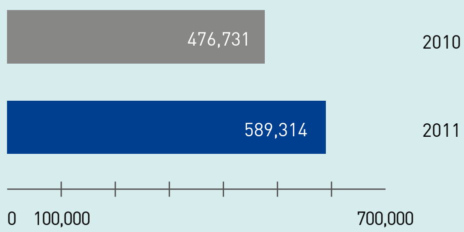
CONTAINERS

Exceptional operating results of container terminal show that maritime throughput was increased by 23.6% as compared to 2010, accounting for record-high 589,314 TEU. Compared to the 2011 plan, maritime throughput was exceeded by 9.7%.

The Luka Koper Group achieved the first position in the maritime throughput of containers in the entire North Adriatic region. Continued throughput growth in 2011 is a result of:

- Active promotion of the North Adriatic waterway for the access of goods into the area of the Central and Eastern Europe, also within NAPA,
- Redirection of some transportation routed from North European ports to the port of Koper,
- Continuous care for the maintenance of intensive investment into infrastructure and mechanisation, including the supply of tugs, manipulators, new transtainers, renovation of lifts, rehabilitation of driveways, and the acquisition of additional storage areas.

Movement of maritime container throughput
(in TEU)

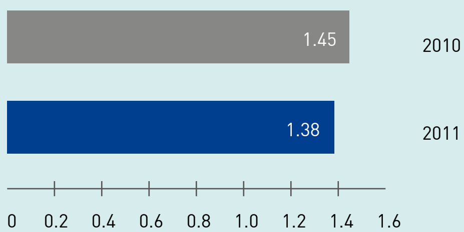


GENERAL CARGOES

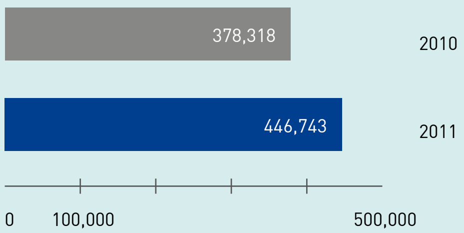
In terms of general cargoes, 2011 ended with a 4.3% decrease in maritime throughput as compared to 2010, and with a 12.5% lower maritime throughput than planned. The fall was recorded in the throughput of wood, which is contributed to unstable political situation in the area of North Africa, and in the throughput of fruit (bananas) with conventional ships, where we noted an increased trend of containerisation. On the contrary, we recorded a 17.6% increase in the throughput of fruit and vegetables in containers. The filling and emptying of containers was higher by 28% as compared to 2010.

In the sub-group of other general cargoes, comprising particularly cellulose, paper and aluminium ingots, the maritime throughput was increased by 10.6%.

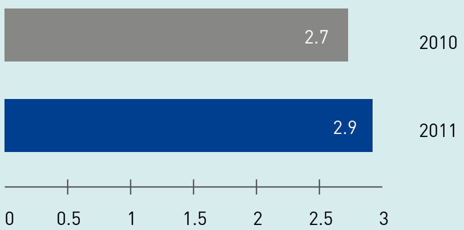
Movement of general cargo maritime throughput
(in million tonnes)



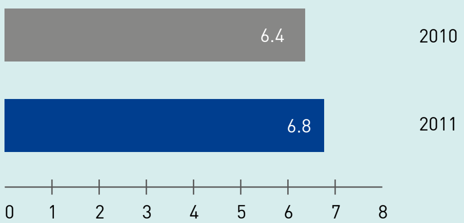
Movement of vehicle maritime throughput
(no. of vehicles)



Movement of liquid cargo maritime throughput
(in million tonnes)



Movement of dry and bulk cargo maritime throughput
(in million tonnes)



VEHICLES

In 2011, we transhipped 446,743 vehicles, representing 18% more transhipped quantities than in 2010, and exceeds the plan by 6%. The throughput increased most in the last quarter of the year when we made a total throughput of 122,418 vehicles. Such success was contributed by new deals obtained last year: the export of used vehicles for Libya, throughput of army vehicles, and import from the new factory of vehicles from Morocco.

The export of vehicles increased by 10%, which the import recorded a 27% growth, meaning import and export were balanced in 2011.

LIQUID CARGOES

2011 was marked by a growth in liquid cargoes in all sub-groups. The key basis for the 22.8% increase in maritime throughput was provided with a new terminal for alcohol, which was completed already in 2010, but did not start fully operating before 2011. Therefore, we exceeded the business plan by 3%.

In the segment of oil products throughput, we generated a 4.1% growth compared to 2010.

DRY AND BULK CARGOES

Maritime throughput at the coal terminal, which includes coal throughput and iron ore throughput, reached a 6% growth. The trend of iron ore throughput remained at the level of the successful year 2010. The economic growth and successful operation of the iron industry in Austria contributed to a 10% increase in coal throughput, which the throughput for Slovenia remained at the 2010 level. We also noted a recuperation of the Italian market, where we finally managed to achieve the planned quantity after many years of downturn.

The trend of containerisation of various materials is on the rise also at the terminal of dry cargoes. Compared to conventional ships, this is a financially more favourable method of transporting raw materials intended for the metallurgic industry in Slovenia and to the countries that gravitate to our port. An almost 8% annual growth is a result of the redirection of some goods flows from North ports to the port of Koper.

After the first half of 2011, we substantially increased also maritime throughput of old iron, where the annual growth totalled 24%. This is largely affected by the political events and export to the area of the North Africa – the same as at the wood terminal.

11.6 BUYERS

The fiercer competition among ports with differently developed port and hinterland infrastructure, the availability of information and quick offer have been increasingly transferring the power to negotiate on buyers. Today, individual ports are not winning anymore; what is vital is the level of their involvement in and adjustment to the entire supply chain. We are well aware of this; therefore we actively build and maintain partnerships with our buyers, and adapt our offer to our customers' wishes and needs.

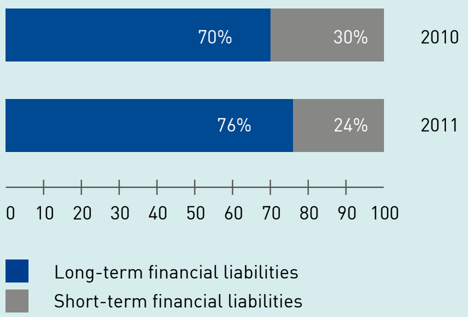
> In the battle with our competition, we are making endeavours to solve our buyers' problems faster and better, and are constantly prepared to quickly respond to market changes. The only way to succeed is to know our buyers, their expectations and wishes as well as possible, which is the basis for a good partnership.

We keep in touch with our buyers, find out about and assess the level of their satisfaction. We establish two-way communication, regularly visit our customers, attend fairs and conferences, and also organise periodic meetings of the port community, where we deal with current port issues to the benefit and satisfaction of all of us. We also obtain opinions and suggestions of buyers with satisfaction questionnaire, which is intended to inform buyers about adopted measures and to encourage them to provide suggestions for improvement and development of services. This way our buyers are involved in the development of the company, thus making them important factors in the development of our company and partnership.

12 FINANCIAL MANAGEMENT

12.1 STRUCTURE OF MATURITY OF LIABILITIES

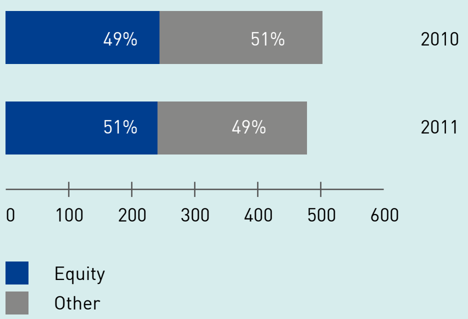
Structure of financial liabilities of the Luka Koper Group by maturity as at 31 December
(in percent)



In 2011, the Luka Koper Group continued the improvement trend of the structure of maturity of liabilities. Among financial liabilities the share of long-term financial liabilities at the Group's level increased to 76% and amounted to €156.8m on the last day of the year. The achieved restructuring of short-term financial liabilities into long-term liabilities is mainly a consequence of drawing the received loan in the amount of €35m from the European Investment Bank (EIB). The restructuring process of short-term financial liabilities commenced in 2011 and was finished at the start of 2012. The long-term loan received from EIB is intended for finishing the project of container terminal expansion on the first pier of the port of Koper. The average maturity of loans consequently increased from 3.44 years at the end of 2010 to 4.88 years on 31 December 2011.

12.2 STRUCTURE OF LIABILITIES

Structure of liabilities of the Luka Koper Group as at 31 December
(in million €)



Financial liabilities to banks are tied to the variable interest rate. As at 31 December 2011, the share of loans with a variable interest rate reached 99.5%. Due to the prevailing share of the variable interest rate in the Luka Koper Group, and due to risks arising from the exposure to the interest risk, we keep up-to-date with the events on the interest rate market. In 2011, the Group set up the interest hedging system to manage the interest risk for the selected long-term loan in the amount of €30m. The interest hedge is recognised in the hedge accounting.

The process of restructuring financial liabilities with long-term liabilities has already shown results in the share of long-term financial liabilities among all financial liabilities, which significantly decreases the risk of operations in the area of refinancing matured financial liabilities. In 2011, the entire Group substantially improved the structure of maturity of financial liabilities. A slightly negative impact on the share of equity in the total balance sheet of the Group was recorded due to the valuation of financial investments at the fair value, the stock exchange value of which is recognised in equity, and impairments of investments. Moreover, the Group managed to decrease financial liabilities by 9%, thus recording an increase of equity in the Group's balance sheet total by 1% in 2011.

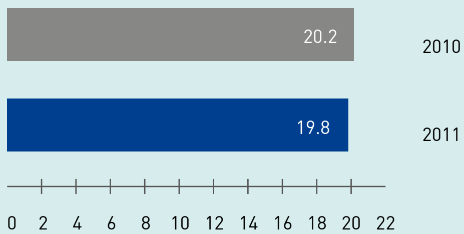
13
INVESTMENTS IN NON-FINANCIAL ASSETS

In accordance with the corporate strategy, we intended assets to increase capacities and modernise the equipment and devices for implementing throughput and storage services especially in the product groups of containers, fruit and paper in 2011. We made big investments also to the passenger terminal.

In the Luka Koper Group, we intended €19.8m for investments in non-financial assets, 87% or €17.3m of which falls to the parent company Luka Koper.

In 2011, the Group realised the following big investments:
- We obtained a new container terminal to improve the working process, and thus achieved a higher level of service and ensured even better quality services to our customers,
- We deepened the sea bottom and made a reconstruction of moors at the passenger terminal, thereby enabling mooring for up to 330-metre-large passenger ships. Moreover, we enabled simultaneous mooring of two small passenger ships. On 29 May we moored the largest cruise ship at the passenger terminal so far – Voyager of the Seas. Moreover, we arranged for public lighting at the terminal,
- We built an additional, fourth independent fender for mooring of ships at the terminal for alcohol, which enables moorage of longer ships and safer throughput,
- We renovated manipulation areas at the general cargoes terminal, since it needed area for the storage and manipulation of cargo due to increased throughput of project and single-time cargoes,
- We arranged more functional open areas at the dry cargoes terminal for the storage of old iron. In the old part of warehouses for cereals, all truss beams were renovated in the old part of TH1 and TH2 warehouses in order to provide static safety of warehouses,
- In accordance with the adopted regulations, we rearranged and updated the equipment and installations in the reservoir warehouse of liquid cargoes on the first pier, and we also modernised the main part of the communication system of LAN network,
- At the end of 2011, we started the construction of the Centre for pre-storage of hazardous waste and waste from ships, which will be used to ensure covered areas for transitional storage of such waste and to decrease the environmental burden,
- We rearranged the projecting roof at the fruit terminal, thus providing the possibility of manipulations in all bad weather conditions.

Investments into intangible and tangible assets and investment property (from the Cash Flow Statement)
(in million €)



13.1 INVESTMENTS INTO EXTENSION OF CONTAINER THROUGHPUT CAPACITIES

In the last years, most investments at Luka Koper were allocated to the modernisation of the container terminal. In order to maintain the competitive advantage and to adapt to the requirements of business partners, the Company continued with modernisation as well as with technical and technological upgrading of the container terminal in 2011.

We took an active approach to changing the system for managing the Container terminal and selected the Tideworks information system from many offers. This is an entirely new specialised system, which increases the competitiveness of the container terminal. Within the project, we will also optimise business working processes and try to introduce the best known practices.

Due to limited space, the operations of the container terminal depend to a great extent on the ability to dispatch containers from the Port by train. Through the reconstruction of the existing tracks we have acquired an additional loading/unloading area where containers are transhipped to the railway. By doing so, we ensure additional rail capacities and arranged manipulation areas.

In analyses of ensuring productivity of berth cranes, the study performed by the company Halcrow showed that the problems in the operational process occur due to an insufficient number of storage cranes. In order to ensure effective work on storage surfaces full of containers, we acquired two new RTG (Rubber Tyred Gantry) Cranes in April and two in December 2011.

13.2 INVESTMENTS IN ECOLOGY – ENSURING SUSTAINABLE DEVELOPMENT

Monitoring and managing environmental impacts have remained an important part of regular activities of our Port. In order to keep in harmony with the environment, we earmarked in 2011 a portion of funds for the renovation of the old lighting installations in line with our strategic policy. Taking into consideration the energy efficiency, we used highly efficient lights with high-pressure sodium lamps.

In the framework of the programme of environment-friendly modernisation, we renovated the wagon loading station at the dry cargoes terminal. We equipped the loading transporter with a dust extraction system with bag filters.

As regards ship-generated waste collecting and handling at the Port, we started building the Centre for pre-storage of hazardous waste and waste from ships in 2011. In the area of the cargo port of Koper, the Centre will provide covered surfaces for transitional storage of such waste; therefore we will further decrease the environmental burden.

We integrated the system to decrease the use of fuel on two RTG (Rubber Tyred Gantry) Cranes at the container terminal. The system enables up to 20% lower consumption and also lower environmental burden due to less noise and exhaust gas.

14 DEVELOPMENTAL ACTIVITY

From the view of research and developmental activities, we focused particularly on identifying problematic areas and new developmental challenges in 2011.

The research and developmental activities of the Luka Koper Group represent a process that lasts many years and therefore requires continuity. For this reason we devoted to these activities in three areas in 2011: infrastructural and technological solutions, development of the activity and offer, and to new approaches and process improvements. Other important projects in 2011 are:
- Setting up a new information system for the container terminal,
- Preparing the feasibility study for the development of container terminal (in the sense of infrastructural solution, operative model and business model), and
- Changing the common documents system.

Our endeavours to connect R&D activities with European projects are shown by studies prepared also in 2011:
- Study on the organisation of inland railway traffic activities in accordance with EU regulations,
- Study on multiple effects of the port activity on the national economy,
- Study on the use of the port of Koper by Slovenian companies,
- Measurements of machinery load at the container terminal,
- Measurements of traffic in the port area, and
- Study on container potential in the hinterland of the Nort Adriatic ports.

The study of Port's energy review is in course.

14.1 EUROPEAN PROJECTS

In 2011, we intensively cooperated on 19 projects, 8 of which are new and 11 from the previous years.

In 2011, we continued the European territorial cooperation projects which refer primarily to planning the transportation infrastructure, logistics concepts, environment protection, safety, marine protection, dangerous cargoes, and information updating. These are the: SONORA, WATERMODE, CLIMEPORT, BACKGROUNDS, MEMO, LOSAMEDCHEM, FREIGH4ALL and PORTA. Moreover, we started with five new projects – EMPIRIC, LOGICAL, SEEMARINER, SETA and INWAPO. Relating to the Slovenia-Italy cross-border programme, the ADRIA–A project, which is primarily focused on promoting mobility and passenger transport in the cross-border area, was supplemented with the SAFEPORT project, which refers to the management of environmental and industrial risks in all ports of the North Adriatic region.

In terms of Community programmes we continued the projects of the Marco Polo programme. The KOBALINK project, which refers to the throughput of automobiles on Koper–Barcelona route, was slowed down and operated with poor throughput due to the consequences of the economic crisis. In January 2012, we successfully finished the HINTEPORT project, in which the activities of joint learning progressed well particularly on account of good practices of cooperation between ports and hinterland terminals. As regards the TEN–T programme, we will in 2012 continue the ITS NAPA and MOS4MOS projects, which were started in 2011 and are important at the European level. Within these projects, we are trying to introduce concrete information solutions to improve cooperation between logistics performers on the transportation route with the port community and neighbouring ports.

For 2012 we plan to finish nine projects. We have three new projects in evaluation, and are waiting for new invitations to tenders. Projects will be related to R&D needs of the Company.

15
THE LKPG SHARE

The Luka Koper, d. d., share is listed in the most eminent segment of the Ljubljana Stock Exchange called First Quotation. As at 31 December 2011, the value of the Luka Koper, d. d., share (LKPG) was 60% lower than the year before. The downward trend, which started prior to 2011 and continued throughout the year, is chiefly a consequence of the negative trend on the Slovenian capital market and its poor liquidity, and additionally also of the high state ownership share in the small representation of LKPG shares, which are listed on the stock exchange. The standstill on the stock exchange market resulted also in the trading with our share, which decreased by over one fifth in 2011. On the last trading day of 2011, the price of one LKPG share was €7.10.

The ownership structure of Luka Koper, d. d. experienced no major changes in 2011. As at 31 December 2011, the Company had 13,396 shareholders, representing 802 less than the year before. The biggest shareholder remains the Republic of Slovenia jointly with its two funds. At the end of 2011, Modra zavarovalnica, with Kapitalska družba as its only shareholder, took over the management of four funds, which resulted in a decrease of 15,725 LKPG share owned by Kapitalska družba.

Ten largest shareholders as at 31 December

Shareholder	Number of shares as at 31. 12. 2010	Equity stake 2010	Number of shares as at 31. 12. 2011	Equity stake 2011
Republic of Slovenia	7,140,000	51.00%	7,140,000	51.00%
Slovenska odškodninska družba, d. d.	1,557,857	11.13%	1,557,857	11.13%
Kapitalska družba, d. d.	712,304	5.09%	696,579	4.98%
Municipality of Koper	466,942	3.34%	466,942	3.34%
KD Galileo, flexible investment structure	152,265	1.09%	158,230	1.13%
Mutual fund KD	149,849	1.07%	149,849	1.07%
Perspektiva FT, d. o. o.	125,895	0.90%	125,895	0.90%
Mutual fund Triglav Steber I	114,859	0.82%	114,859	0.82%
KD India – China	56,391	0.40%	106,935	0.76%
Zavarovalnica Triglav, d. d.	104,756	0.75%	104,756	0.75%
Total	**10,581,118**	**75.58%**	**10,621,902**	**75.87%**

Ownership structure of Luka Koper, d. d. as at 31 December

Shareholder	Number of shares as at 31. 12. 2010	Number of shares as at 31. 12. 2011	Equity stake 2011
Republic of Slovenia	7,140,000	7,140,000	51.00%
Natural persons	2,258,846	2,241,513	16.01%
Slovenska odškodninska družba	1,557,857	1,557,857	11.13%
Other legal persons	632,806	911,689	6.51%
Kapitalska družba	712,304	696,579	4.98%
Mutual and pension funds	810,203	537,623	3.84%
Municipality of Koper	466,942	466,942	3.34%
Banks	176,506	189,522	1.35%
Foreign legal entities	153,700	168,674	1.20%
Foreign banks	56,401	52,310	0.37%
Brokerage firms	34,435	37,291	0.27%
Total	**14,000,000**	**14,000,000**	**100.00%**

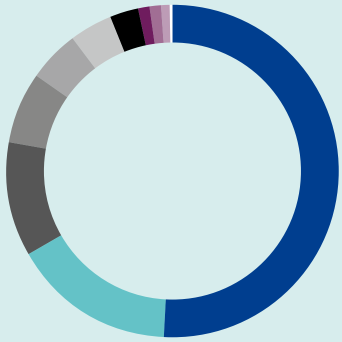
15.1 LKPG SHARE TRADING

In 2011, the average daily share price for Luke Koper was €11.78. Its value fluctuated between €6.86 and €17.09 throughout 2010. The highest market price of the share was €17.20, and the lowest €6.86. On 31 December 2011, the market cap of Luka Koper shares totalled €99,400,000.

In 2011, the value of the LKPG share slightly decreased in comparison to the Slovenian blue chip index, SBITOP. The total number of stock-exchange transactions and deals with lots for the share was 2,657. The total turnover in this period amounted to €3,653,673, representing 55% less than in 2010. 301,107 shares changed owners.

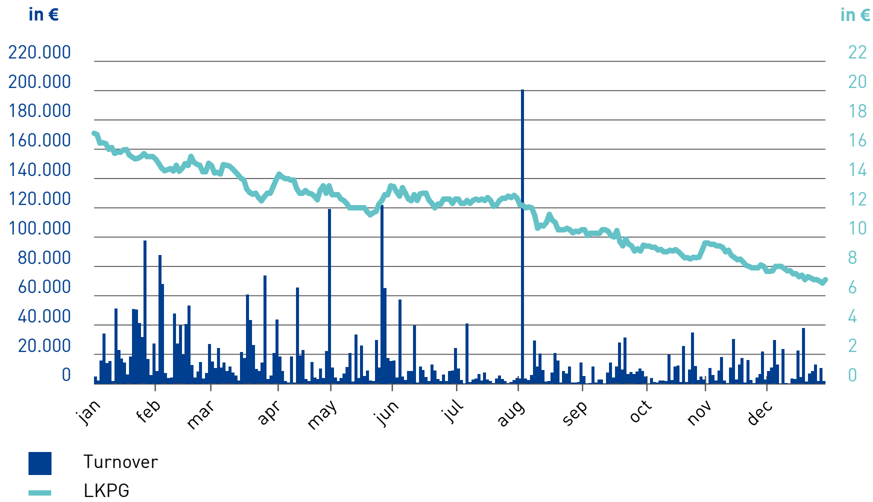
Changes in SBITOP and average daily LKPG price in 2011

Ownership structure of Luka Koper, d. d. as at 31 December 2011



	51%	Republic of Slovenia
	16%	Natural persons
	11%	Slovenska odškodninska družba
	7%	Other legal persons
	5%	Kapitalska družba
	4%	Mutual and pension funds
	3%	Municipality of Koper
	1%	Banks
	1%	Foreign legal entities
	1%	Foreign banks
	0%	Brokerage firms

Changes in the LKPG share price and daily turnover in 2011



Key data about LKPG share

	2010	2011
Number of shares	14,000,000	14,000,000
Number of ordinary no par value shares	14,000,000	14,000,000
Share price on the last trading day of the year (€)	17.56	7.10
Share's book value as at 31 December (€)	16.81	16.41
Price-Book value Ratio (P/BV)	1.04	0.43
Average weighted market price (€)*	18.06	12.13
Average share book value (€)**	17.18	16.88
Average weighted market price/Average share book value ratio	1.05	0.72
Net earnings per share (EPS) (€)	–0.17	–0.13
Average weighted market price/Earnings per share ratio	–106.24	-93.31
Share price/earnings ratio (P/E)	–103.29	-54.62
Market capitalisation as at the last day of the year (€m)	245.84	99.40
Total share trading (€m)	8.2	3.6
Dividend per share (€)	/	/

*Average weighted market share is calculated as the ratio between total turnover, arising from ordinary (stock exchange) transactions and the quantity of LKPG shares traded in ordinary (stock exchange) transactions.
**Average share book value is calculated based on the average monthly ratio between capital and the total number of ordinary shares.

15.2 DIVIDEND POLICY

Luka Koper, d. d. incurred net loss of EUR 1,849,205 in the financial year 2011. According to a decision of the Management Board, the net loss was settled during the process of the financial statement compilation by other revenue reserves created in the past. In 2011, the amount of distributable profit is nil. The dividend policy of Luka Koper, d. d. represents a harmonised combination of the owners' aspiration for dividend yields, and the desire to use the net profit for financing investment plans. Considering the operating results, the Company does not plan dividend payment in 2011. Nevertheless, we plan for the Company to allocate in future years approximately one third of the net profit of an individual period to dividends, while considering the investment plans in the port infrastructure and equipment.

15.3 CROSS-LINKAGES WITH OTHER COMPANIES

The only company in which Luka Koper, d. d. holds at least a 5% interest and which owns shares of Luka Koper, d. d., as at 31 December 2011, is Intereuropa, d. d., with a 24.81% share. Intereuropa, d. d. had a 0.03% interest in Luka Koper, d. d. Shareholders, holding at least 5% of the LKPG shares are the Republic of Slovenia (51.00%) and Slovenska odškodninska družba, d. d. (11.13%). By handing sub-funds for management to Modra zavarovalnica, the share of Kapitalska družba, d. d., dropped below 5% (4.98%).

15.4 SHARE OWNERSHIP BY MEMBERS OF THE SUPERVISORY BOARD AND THE MANAGEMENT BOARD

	Shareholder	Shares owned as at 31 December 2011
Supervisory Board	Marko Simoneti, DSc, Member	590
	Nebojša Topič, MSc, Member	9
Management Board	Gregor Veselko, DSc, Chairman	20
	Capt. Tomaž Martin Jamnik, Deputy Chairman	80

As at 31 December 2011, the other Members of the Supervisory Board and Management Board of Luka Koper, d. d. do not own any shares in the Company.

15.5 TREASURY STOCK, AUTHORISED CAPITAL, CONDITIONAL CAPITAL INCREASE

As at 31 December 2011, Luka Koper, d. d., held no treasury shares. The applicable Articles of Association of the Company do not provide for category of authorised capital up to which the Management Board could increase the share capital. The Company also had no basis for a conditional increase in its share capital.

15.6 RULES ON RESTRICTIONS ON TRADING IN SHARES OF THE COMPANY AND RELATED PARTIES

According to the recommendations of the Ljubljana Stock Exchange, Luka Koper, d. d., drew up the Rules on Trading in Issuer Shares, which is an additional guarantee for equal informing of the interested public on all significant business events in Luka Koper. The purpose of the Rules is to enable the persons liable to it trading in shares of Luka Koper and to prevent any possible trading based on insider information. At the same time, the Rules enable mandatory reporting in accordance with the law on the sale and purchase of the Company's shares to the Securities Market Agency.

15.7 COMMUNICATIONS WITH INVESTORS

We regularly communicate with our investors and keep them informed on Company news through various communication tools and channels:

SEOnet
According to the legislation, shareholders and the public are informed of operational results and all important business events in a timely manner via SEOnet, whilst information is provided to shareholders and investors also through other communication channels.

Website
A special chapter headed "For Investors" is devoted to shareholders and investors on our web-site where they can find up-to-date information regarding the LKPG share, ownership structure, current interim, annual and past operating reports, information published on SEOnet, material for General Meeting of Shareholders, answers to most frequently asked questions and opinions of individual analysts.

Notice
We also publish e-newspaper "Notice", of which four issues were published in the past year. The e-newspaper provides quarterly and annual preliminary results of throughput and operating revenues by product groups.

Events
Furthermore, investors are informed of the Company's performance and innovations at the events organised by the Ljubljana Stock Exchange. In April and Decelber 2011 we participated at the presentation of Slovene Capital Market in Ljubljana. In September, we organised the Open Door Day for investors, where we provided answers to various questions of participants, following a long presentation. Furthermore, we took them around the Port's aquatorium with Port's towboat.

Investor information is available at the following web address http://www.luka-kp.si/eng/investors.

Contact person:
Rok Štemberger
Investor Relations
Tel.: 05 66 56 140
Fax: 05 63 95 020
E-mail: rok.stemberger@luka-kp.si

15.8 CALENDAR OF MAJOR PUBLICATIONS IN 2012

Scheduled date of publication/event	Type of publication/event
25.1.2011	Publication of preliminary results: revenues of the parent company and maritime throughput for 2011
	29.1. to 26.2.2012 – period of quiet
27.2.2012	Publication of non-audited, non-consolidated and consolidated financial statements for 2011
17.4.2012	Publication of preliminary results: revenues of the parent company and maritime throughput for January-March 2012
	28.3. to 20.4.2012 – period of quiet
20.4.2012	Publication of the Statement of Compliance with the provisions of the Governance for Public Limited Companies Publication of the Annual Report 2011 Publication of the Annual Document
	29.4. to 27.5.2012 – period of quiet
28.5.2012	Publication of the Operational Report for the first quarter of the financial year
18.7.2012	Publication of preliminary results: revenues of the parent company and maritime throughput for January-June 2012
July 2012	Session of the General Meeting of Shareholders
Second working day after the General Meeting of Shareholders	Dividend eligibility day
	29.7. to 26.8.2012 – period of quiet
27.8.2012	Publication of the six-monthly Report of the Company's operations
6.9.2012	Open Door Day for investors
18.10.2012	Publication of preliminary results: revenues of the parent company and maritime throughput for January-September 2012
October	Dividend payment
	28.10. to 25.11.2012 – period of quiet
26.11.2012	Operational Report for the first nine months of the financial year

Periodic publications and other price sensitive information will be regularly publicised on the Ljubljana Stock Exchange website via electronic information system (http://seonet.ljse.si/) and on our website of http://www.luka-kp.si/eng/investors. Any changes to estimated date of individual publications will be regularly publicised on our website. As a rule (usually in April), the annual document containing a list of all information published on SEOnet over the past 12 months, is also published on both these websites in the Slovene and English languages.

16 RISK MANAGEMENT

We are aware that only comprehensive and systematic risk management can be efficient, and this is why, at the end of the previous year, we modernised our risk management system. We adopted a methodology for risk assessment and named the administrator of the risk management system. We established the register of the most important risks, different methods of risk-control, and determined responsibilities of individual risk owners.

The whole risk management system includes identifying, assessing, planning and implementing responses, and informing, communicating and controlling risks and risk-control measures, including reporting about the risks which the Luka Koper Group is or could be exposed to in its operations. The system anticipates the implementation of a comprehensive and self-repeating process, which increases the probability of achieving our strategic and tactical objectives. The risk-management system analyses and assesses all identified risks, including those which are controlled at lower managerial levels, however, above all, it is intended for risk-control at the highest level, i.e. for the control of key risks.

The risk management process involves the following steps:

DEFINITION OF OBJECTIVES

The objectives of the Luka Koper Group are defined in the five-year strategic plan and are divided into three groups: marketing, corporative and institutional objectives. The tactical objectives realised from these groups are defined in the annual plan.

RISK IDENTIFICATION

Risks are identified and described according to individual organisational units and processes. Risk identification is carried out during the development of the annual business plan and every time an important change occurs, which derives from the internal or external environment.

RISK ANALYSIS

The prepared list includes all identified risks. The risks from the aspect of the impact on the achievement of objectives are analysed and combined with regard to their content.

RISK ASSESSMENT

With regard to the defined value and the probability of the realisation of a risk, the importance of a risk is assessed.

RISK CONTROL

The activities for the control of key risks are studied and proposed. The activities relating to individual risks are adopted and responsible persons with completion dates are named.

Using the risk register, which represents a table of the most important risks and the ways to control them, a well-organised system for keeping track of key risks is established.

In the following paragraphs, key risks are presented which we believe the Luka Koper Group will be exposed to in the forthcoming period. Apart from the description of a particular risk and the way it is being controlled, we also assess the change of a risk in the year 2011 with regard to the importance of the risk in 2010. As key risks are considered the risks which were in the assessment process defined as very important or important, with regard to the types of risks: strategic, operating and financial risks. Among accidental risks, there were no risks that would be considered as very important or important. Accidental risk is a term used to describe a risk which could jeopardise the achievement of set objectives due to the most unpredictable internal or external events, especially in the area of the safety of people and assets. Accidental risks normally comprise natural disaster risks, damage liability risks, crime risks and other accidental risks.

16.1 STRATEGIC RISKS

Strategic risks are the risks that can jeopardise the achievement of set objectives in terms of defined policies and organisational orientation. It is about the ability to create operating income, increase in the value of the property and the reputation of the Luka Koper Group, which arise from the business decisions, the implementation of these decisions or responsiveness to changes due to internal or external factors. Strategic risks result from the incompatibility of strategic objectives, the adopted business strategy for the achievement of these objectives, the availability of assets for the achievement of the objectives, the implementation of the strategy or social exposure.

Risk	How it is being controlled	Estimated risks in 2011/2010
Risk of the assurance of port infrastructure connections Risk of unsuitable and late assurance of a railway connection and modernisation of a Slovene railway network and the construction of the new railway track Divača-Koper The risk of delayed deepening of the ship canal outside the port water area.	Informing about developmental plans and needs and participating in defining state developmental projects.	**Increase**
Risk of limited state resources for financing strategic projects With regard to the strategic role of Luka Koper and related predominance of state ownership and difficult access to state's financial resources due to deteriorating conditions on financial markets and a decreased credit rating of RS, there is a risk that the state will not be able to provide additional financial resources for the third pier or it will not enable other partners to become part of the management of Luka Koper, d. d. By doing so it would decrease its influence on the management.	Defining other ways how strategic partners could start participating in developmental projects of Luka Koper and studying options to amend the concession contract.	**The same**
Risk of social exposure The risk that the local or wider community will oppose the developmental plan.	Cooperation with the local community. The adaptation of communication plans in accordance with the results of public opinion surveys and implementation of activities. Demonstrating responsibility towards social environment by encouraging cultural, sport, environmental, humanitarian and other activities, using sponsored funds and donations in line with the fund Living with the Port.	**The same**
Risk of jeopardising its competitive position The risk that macroeconomic business conditions on hinterland markets of Luka Koper are deteriorating and the risk of impacts on the competitive position.	Constantly monitoring the conditions on markets and adapting by providing additional services, searching for new buyers and product groups, connecting links in the whole logistics chain. Increasing the quality and reliability of performed services, also by investing in key infrastructure and equipment. Including its own representatives into the occurrences on the most important hinterland markets. Strengthening partnership relationships with buyers. Actively participating in the NAPA and ESPO associations by promoting the North Adriatic transport route and monitoring the activities carried out by direct competitors. Promotional activities on the markets overseas, aiming to increase the awareness of the transport route through our port for the goods intended for the markets of Central and South-Eastern Europe.	**The same**

16.3 OPERATIONAL RISKS

Operational risks are the risks which arise from the implementation of management, fundamental and supporting processes of Luka Koper and are integrated into its own business processes and procedures. They represent a very wide definition of risks which derive from the incomplete performance of people, systems and processes. As a result of unsuitable or unsuccessful internal implementation or due to external events, they can jeopardise the achievement of set objectives.

Risk	How it is being controlled	Estimated risks in 2011/2010
Human resource risks Risk of work stoppage	Continually promoting the dialogue with trade unions. Continuing the social dialogue concerning the implementation of the collective contract. Perceiving the change in demand on time and suitable adaptation to staffing needs. Improving the system of internal communication. Identifying staff's potentials and taking care of its development and motivation.	**Increase**
Risk of providing services of key partners The risk of the suspension of operations by partners connected into a logistics chain and by performers of port operations.	The preparation of a plan to ensure continuous operations. The preparation and implementation of a long-term model which would assure port services. Controlling the observance of legislation and safety in the port. Strengthening partnership relationships in the whole logistics chain.	**Increase**
Management risks The risk of wrong information for decision-making and the risk of avoiding responsibilities.	Modernising the system of business intelligence and introducing the system of society's values.	**The same**
Environmental risks The risk of the inefficient use of energy sources and the risk of uncontrolled emissions to the environment.	Establishing a system of efficient energy use. Environmental workshops for raising awareness among employees. Setting up additional devices for measuring emissions to the environment. Regular and suitable maintenance of equipment and replacement of defect equipment.	**The same**
Information system risks The risk of information system security and the risk of availability and reliability of information systems.	Regular system monitoring of the operations of server infrastructure and applications. The outsourcer of information support uses the system and has the certificate ISO/IEC 27001:2005 for the information security management system. The preparation of a plan for the information security system.	**The same**

16.4 FINANCIAL RISKS

The financial risk management of the Luka Koper Group is centralised in the finance department of the parent company. Such financial risk management enables a sufficiently flexible response to the changes in the economic and financial environment, contributing to the increased operational stability of the entire Group. Regular and systematic financial risk management ensures conditions to reach the planned items and indicators, particularly the planned future cash flows.

The most important among risks is still interest rate risk, while other financial risks, such as liquidity risk, credit risk, fair value risk, and capital structure risk as assessed as moderate.

Risk	How it is being controlled	Estimated risks in 2011/2010
Interest rate risk.	Monitoring financial markets and using derivatives for interest rate hedging.	**Decrease**
Fair value of investments risk.	Decrease the volume of invested assets at the fair value and redirecting them in investments into the core activity. Select the most appropriate ways and time intervals of the disposal of such investments.	**The same**

A detailed description of financial risks management and assessment of the Management Board regarding financial risks are provided in Note. 31 in the Consolidated financial report.

17 INFORMATION SUPPORT

The basis of Port's information system is TinO, a modern system in support of the basic operative processes, which encompasses ordering, implementation and accounting of services and authorisations between the client and service performer. The system ensures quality, safe, fast and transparent mutual communication.

The central information system SAP integrated with the basic operative transaction system TinO has an important role in ensuring quality accounting information.

The parent company's information system effectively connects and supports also the subsidiaries, and enables further expansions and connections of the environment as well as new subsidiaries.

17.1 OUTSOURCED COMPREHENSIVE SERVICES OF INFORMATION SUPPORT

Luka Koper, d. d. uses fully outsourced information support. In this area we cooperate with the outsourcer Actual I.T., d. o. o. whom we are building partnership with. The potential risks arising from such a relationship are managed with a precisely defined umbrella agreement, contracts on ensuring a level of services, and with continuous verification of the competitiveness of offers.

17.2 INFORMATION SYSTEM OPERATION

We ensure smooth operations between administrators and key users by coordinating information support at Luka Koper. The key tasks of coordination are implemented in the following areas of work:

- Planning development and implementing development projects, which deliver value added and higher competitive advantage,
- Ensuring a safe use of information means in local networks and mobile devices,
- Continuous support to maintaining the level of services, where we devote particularly to supervising and controlling all systems.

In accordance with the Group strategy, we followed the next policies when realising the goals from the business plan:

- Efficient support to all important business processes,
- Openness and involvement in the offer of comprehensive logistics services,
- Safety and rationality of operations.

The result of harmonised planning of information solutions is shown in stable operation of the information system as a whole and in an appropriate level of user satisfaction with information tools.

17.3 INTRODUCTION OF NEW PROJECTS

2011 was marked by the successfully introduced LukaNet corporative portal, which is designed based on the Microsoft Share Point platform.

The most demanding project, which was started in 2011 and will be completed in 2012 is the project of implementing Tideworks – a state-of-the-art system for container terminal management, which will replace the current solution.

We made a step forward also in connecting Luka Koper with various state bodies, particularly the Customs Administration of the Republic of Slovenia and the Slovenian Maritime Administration. We have managed to arrange for the beginning of electronic connection with both of them, and will realise it as a prototype through the TEN-T Mos4Mos project.

WIthin the TEN-T Mos4Mos project, we also made many models, which we are planning to send for testing in the first quarter of 2012.

Furthermore, we made many improvements on the TinO operative system and SAP business system.

SUSTAINABLE DEVELOPMENT

Much more than work

Our work walks hand in hand with giving back - to the public, the environment, to the good relationships we build along the way. It is into those that we invest our passion and refine our mission. This forms our connections, our accomplishments and last but not least, our home. This is why this is much more than work for us.

The port of Koper has cohabited in harmony with the environment for already 55 years. At Luka Koper we are aware of the importance our company has for our environment; therefore we assume a responsible role in its development.

With its activities, the Port inevitably leaves a mark on its environment. Throughout the years of its operation, the port of Koper has undergone outstanding development, which strongly affected also the lives of the population on the Slovenian coast.

With socially responsible operations we take care for the improvement of living conditions in the local and broader community. We provide work to many locals, and simultaneously take care for the quality of life in the community. We carry out business functions in the way which meets the standards and expectations of both the corporate as well social environment. By supporting different organisations and individuals in our corporate and social environment, we have cared and will continue supporting sports, humanitarian, cultural and educational activities. In terms of development issues, we will continue following the principles of sustainable development and responsible environmental management, thereby reaching suitable solutions to this increasingly complex issue, which is a part of our daily lives. All the employees are therefore bound to fulfil the legal requirements and standards in the field of environmental protection, and occupational health and safety.

We are aware of the impacts of the port activity on the environment; therefore we have committed to prudent environmental management, since it is our goal to preserve it also for the future generations. Monitoring and managing environmental impacts has become a part of our regular operations. We have set an optimistic goal some years ago – to become a Čgreen« environment.

The big importance of sustainable development in the company is evident in the systems we have established up in this area: ISO 14001, ISO 9001, BS OHSAS 18001 and ISO 22000. We established the environmental management system in accordance with the requirements of the ISO 14001 standard already in 2000, and in 2009, we also established and verified the environmental management system in accordance with the EMAS scheme.

With the aim to present the events and operations of the Port to the locals even better, we established a web portal on sustainable development of Luka Koper www.zivetispristaniscem.com, where we keep up-to-date information about our activities and operating results in the area of social responsibility and environmental management. The portal also provides on-line information about dust and noise measurements, which are updated on an hourly basis.

18 NATURAL ENVIRONMENT

Ours is the only port in the North Adriatic with a quality system implemented for environmental protection, and also the occupational health and safety system, the safety of foodstuffs system, etc. We will continue to pursue our goal to keep Luka Koper a friendly port with a clean sea, and recognised globally in this respect.

18.1 EMAS CERTIFICATE

We were awarded the certificate of compliance for our environmental management operations for the second successive year. Besides the compliance with the legislation and constant improvement of the environmental management effects, the EMAS system requires objective and regular valuation of the system performance, provision of information on environmental performance, an open dialogue with public and other interested parties, active engagement of employees and suitable trainings for them.

REPUBLIKA SLOVENIJA
MINISTRSTVO ZA OKOLJE IN PROSTOR
AGENCIJA REPUBLIKE SLOVENIJE ZA OKOLJE
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Na podlagi drugega odstavka 12. člena Uredbe o organih v sestavi ministrstev (Uradni list RS, št. 58/03, 45/04, 86/04-ZVOP-1, 138/04, 52/05, 82/05, 17/06, 76/06, 132/06, 41/07, 64/08-ZVIS-F, 63/09, 69/10) in 179. člena Zakona o splošnem upravnem postopku (Uradni list RS, št. 24/06-UPB2, 105/06-ZUS-1, 126/07, 65/08, 47/09 Odl.US: U-I-54/06-32 (48/09 popr.), 8/10) izdaja Agencija Republike Slovenije za okolje

POTRDILO

O REGISTRACIJI V SISTEMU EMAS

1. Organizacija:

Luka Koper, d.d., Vojkovo nabrežje 38, 6501 Koper

2. Obseg registracije:

Lokacija:
Vojkovo nabrežje 38, Koper
Dejavnost iz standardne klasifikacije dejavnosti:
52.24 Pristaniške storitve pretovarjanja in skladiščenja blaga ter dodatne storitve na trgu

3. Registracijska številka organizacije v sistemu EMAS:

SI-00004

4. Datum vključitve v EMAS: **30.12.2010**

5. Registracija velja do: **30.12.2013**

Številka: 35400-199/2009-6
Ljubljana, 20.12.2010

dr. Silvo Žlebir
generalni direktor

EMAS
VERIFIED ENVIRONMENTAL MANAGEMENT
SI-00004

18.2 CARE FOR THE ATMOSPHERE

We take continuous care for air quality, and have therefore strived for a reduction of emissions into the atmosphere, which are generated during the port activity, for several years. The legally determined measures are regularly carried out at the port by authorised organisations. In 2011, we prepared the application for the issue of an environmental license for all devices, in the port area, with the emission of substances into the air; however, we have not received the license yet, since the Ministry of the Environment and Spatial Planning has not discussed our application until now.

All filtering devices on the equipment for bauxite transhipment and filters in the wagons loading station for cereals transhipment were renovated. Ozone-damaging coolants in certain cooling systems at the fruit terminal were replaced with more environment-friendly ones.

In cooperation with the University of Primorska we carried out the research about the concentration of dust particles PM_{10}. We evaluated the concentration of these particles resulting from the transhipment of dusty cargoes and the contribution of our activity to the concentration of dust particles PM_{10} at the Koper region. The research showed that due to the transhipment of dry and bulk cargoes as well as due to the warehousing of coal and iron ore, we contributed to the local atmosphere less than 1% of dust particles smaller than 10 µm (PM_{10}) on annual basis. The results of the research were published on the website http://www.zivetispristaniscem.si/index.php?page=static&item=45#PM10.

18.2.1 Exceptional events in the year 2011

In March 2011 an undesired event occurred when during the transhipment of iron oxide the material was scattered over a part of the city centre of Koper due to strong wind. On the basis of safety sheet, chemical analysis, properties of material and calculated risk assessment the experts from the Institute of Environmental Protection from Maribor concluded that the event did not represent any risk either to the health of people or to the environment. The research was published on the Port's web site. Furthermore, the exposure to such type of cargo was not long lasting, which additionally diminished the degree of risk. Despite mentioned facts we decided that we would not continue with the transhipment of this type of cargo. Due to the mentioned event, we received the offence decision from the environmental inspection.

During the year an exceptionally strong wind of short duration coming from the north (called tramontana) caused an extraordinary rise of dust from the coal depot. The dusting could not be prevented either by wetting the cargo or by 11 m high fence surrounding the depot. Our goal was to investigate the possibility of using additives when wetting the cargo, which would enable the formation of a protective crust without influencing the properties of the cargo.

18.2.2 Total amounts of dust at the Port

Control measurements of total amounts of dust are carried out monthly on ten measuring points at the Port. Since there are no legal restrictions concerning the amount of dust deposits in Slovenia, the Port of Koper adheres to the German directives according to which the annual limit values for total dust deposits of 350 mg/m^2 a day is allowed.

In 2011 higher values of dust deposits were also measured on all measuring points, however, the mean value was within the set annual goal. The most outstanding measuring point was the point located near the coal depot where the mean annual values of dust deposits exceed 350 mg/m^{2}day. Higher values were the consequence of a slightly changed work technology, namely, in certain periods we handled the transhipment of coal directly from wagons in the close vicinity of the measuring point. Since there are no water showers at that location, which would mitigate dusting, we will investigate other possibilities to reduce dusting.

18.2.3 Amounts of health hazardous dust particles (PM_{10})

The Slovenian Environment Agency has a network of measuring points established in larger towns in Slovenia and monitors the concentration of dust particles smaller than 10 µm (PM_{10}). In 2011 in almost all Slovenian towns, with the exception of Koper and Nova Gorica, the number of measurements exceeding the limit concentration was very high.

Statutory determined measurements of dust particles (PM_{10}) at the Port of Koper, which are constantly carried out by an authorized organization on two locations at the Port, are below the statutory determined value of 40 µg/m^3 and below the set goal of 30 µg/m^3.

The mean value of the measurements in the Ankaran – Rožnik direction was 26 µg/m^3 (in 2010 24.9 µg/m^3) and in the Bertoki direction 27 µg/m^3 (the first half of 2010 16,1 µg/m^3). The Rules also defines that the daily limit concentration of PM_{10} which is safe for the health people, i.e. 50 µg/m^3, may be exceeded 35-times maximum during year. Even in this case we adhered to legislation on both measuring locations.

The results are presented on the sustainable development portal www.zivetispristaniscem.si every hour.

18.2.4 Emissions of dust particles on key sources

Since the permitted values of dust particles emissions on key sources are stipulated by law, we perform measurements in the close vicinity of the dust-generating source, (e.g. at loading/unloading of wagons, lorries and ships). The limit permitted value of emissions decreased from 50 mg/m^3 to 20 mg/m^3. All measured results were in accordance with the law despite the decreased limit value.

18.2.5 Reduction of greenhouse gas emissions

In the framework of the European project CLIMEPORT (Mediterranean Port's Contribution to Climate Change Mitigation) with the Mediterranean and energy agencies we search for solutions for more efficient utilisation of energy and consequently, for the reduction of greenhouse gases emissions. In 2009 we calculated our carbon print, which comprises the emissions of CO_2, CH_4 and N_2O.

The 2011 carbon print of Luka Koper, d. d., is 53,273 tonnes of CO_2 or 3.39 kg of CO_2 per a tonne of transhipped goods, while in 2010, we released into the air 49,013 tonnes of CO_2 or 3.53 kg of CO_2 per a tonne of transhipped goods with direct and indirect emissions. The calculation comprised all direct and indirect activities connected with the port, which contribute to emissions of CO_2. Furthermore, the calculation comprised also all emissions by ships during the time they were at the port, which amounted to 40% of all emissions of CO_2, CH_4 and N_2O.

The goals of decreasing greenhouse gas emissions are connected with the goals, which were determined in the area of the energy. They will be presented in the Environmental report for 2011.

18.3 WASTE

We also protect the environment by separately collecting and recycling various types of waste. For this purpose, we carry out a compulsory national public service of collecting solid and liquid ship waste in the area of the Port; operative activities of collecting, processing and removing all sorts of waste are carried out by our subsidiary Luka Koper INPO, d. o. o.

We organised an environmental protection project called "Bag on Bag" in the area of the Port. The project warns about excessive use of plastic bags and plastic bottles. During this event, the Ecologists without borders, Eco Vitae, the Lukatarina design studio, and the artist The Miha Artnak set up at the passenger terminal a combined artistic exhibition Bag on Bag and Photo on Photo, using art to warn about the problems related with waste plastic material.

18.3.1 Separate waste collection at the port

Separate waste collection is based on waste separation already on terminals, with the economic zone users and on ships.

Separately collected waste fractions are then used as secondary raw materials. Others are provided to authorised collectors. For the needs of organic waste processing (wood, fruit, soy, etc.) the Waste management centre also comprises a composting plant, where such waste is processed in compost. In waste processing, we also cooperate with external companies.

In 2011, we separately collected 86% of waste produced by the Port, which confirms our devotion to separate waste collection and recycling and simultaneously also the reaching of the set goal (80%). In 2010, we were also not behind the achieved result, since we separately collected 85.6 percent of the Port's waste. We equipped organisational units at the port with separate waste collection bins, and by introducing "small ecological islands" we took care for separate waste collection also in all administrative buildings.

In 2011, we made an extensive action and provided 115 tonnes of waste sleepers to the authorised consignee. The Action will be finished in 2012.

18.4 NOISE

We constantly measure the noise level on three limit points of the port and we present the measurements on the sustainable development portal www.zivetispristaniscem.si. In 2011, we received the environmental protection license for noise emissions of the port operations, which determines the limit values for the port and continuously directs us to implement measures for the reductions of emissions.

2010			2011			
East border of the Port	North border of the Port	South border of the Port	East border of the Port	North border of the Port	South border of the Port	Limit values
L_d=55	L_d=55	L_d=63	L_d=55	L_d=57	L_d=63	L_d=73
L_N=51	L_N=51	L_N=58	L_N=51	L_N=52	L_N=60	L_N=63
L_{DVN}=59	L_{DVN}=59	L_{DVN}=66	L_{DVN}=58	L_{DVN}=59	L_{DVN}=67	L_{DVN}=73

Key: L_d – daily level of noise, L_N – night level of noise, L_{DVN} – day-evening-night level of noise

The measurements of noise in 2011 showed that the most burdened with noise coming from the Port are northern parts of Koper. Ships, which are moored in the Port, significantly contributed to the measured levels of noise. According to the results of calculations, the noise on the margin of Koper at night, without considering the noise produced by ships, reaches the limit value. Additionally to ships, there are also various sources of noise affecting this area, such as cooling systems, elevators, transport means, air-conditioning systems etc.

Upon our request, one of shipping companies removed in February the container ship which produced extremely high noise at each arrival to the Port of Koper. In the framework of the action plan for noise reduction we carried out the phase of identification of the most important Port's sources of noise (handling equipment, tugboats, transtainers) and searched for the measures to reduce noise. We removed two oldest and nosiest transtainers from the container terminal and replaced them with the newer ones, which produced less noise. We also renovated the asphalt coating on a larger part of the container terminal and handling areas close to the city centre of Koper.

18.5 ENERGY

Energy consumption represents an important environmental issue, where we have so far not achieved the set targets. In 2011, we started setting up an efficient energy management system, and received a new energy manager after completed training.

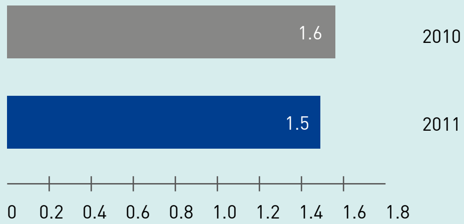
The basic condition for quality planning and setting up the system is the implementation of energy inspection, which will be completed in 2012. In searching for efficient solutions, we cooperate with the Energy Efficiency Centre at the Jožef Stefan Institute. We have already made a thorough review of energy consumption by processes for the mechanisation, devices and other equipment used during working processes at the Port. We have started the second part of the project, where we will search for suitable possibilities (pilot solutions) and prepare real measures to save energy. We will make feasibility assessments, calculate effects and prepare the priority list of measures for each solution.

18.5.1 Electricity consumption

The port activity is carried out using mechanisation with high nominal power and, consequently, high electricity consumption. High energy consumers are, in particular, the berth cranes and the engine rooms for cooling nutrients in the fruit terminal.

Electricity consumption per throughput tonne decreased by 4% compared to 2010. Nevertheless, we still have not achieved the set goal of 1.30 kWh per throughput tonne.

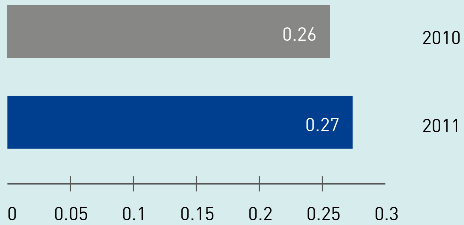
Electricity consumption per tonne of the total throughput
(kWh/t)



18.5.2 Motor fuel consumption

Fossil fuel consumption has been gradually increasing in recent years. This can be contributed to the growth of container throughput, where the fuel consumption is high, and on the other hand, the share of coal and iron throughput has been decreasing, where quantities are high but fuel consumption per throughput tonne is low. Throughput of long-distance goods has also been increasing. The majority of the port mechanisation works on fossil fuel, with the exception of all the port cranes on piers and some of the forklifts, which are powered by electricity. Therefore, fossil fuel consumption can only be decreased by replacing the mechanisation, whereby the new mechanisation would use alternative or hybrid drives. Compared to 2010, the absolute motor fuel consumption has increased by 21%; nevertheless, the set target values were not reached.

Motor fuel consumption per tonne of the total throughput
(l/t)



18.6 WATER

A variety of safety and cleaning measures are taken in connection with water, which is considered the most important requirement for life. Since water is used for sanitary purposes and the supply of ships, the concern for water cleanliness is a part of everyday activities.

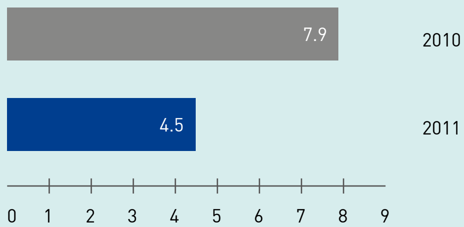
18.6.1 Drinking water

In 2011, we finished the reconstruction of the existing part of water supply network in the area of the administrative building and the area along RO-RO moorings in basin I, where the highest loss of water was recorded. We have found that the intervention helped decrease the loss of water in the entire network by a half. Our annual target of drinking water consumption is 5.80 l/ throughput tonne, which we have achieved after the rehabilitation, since our average consumption in 2011 was 4.48 l/ throughput tonne of goods. Regardless of the achieved target, we will optimise drinking water consumption also in the future and keep on decreasing the loss.

Furthermore, we made annual measurements of the quality of drinking water in the entire water supply network of the Port, and additionally also monthly measurements of the quality of drinking water at the passenger terminal. All results show compliance with the laws.

For technical purposes, we obtained consent to use two new boreholes at the Port, for pumping 100,000 m^3 of water on an annual basis. Water will be used particularly for additional spraying of the coal depot, thus further decreasing dusting.

Consumption of water per tonne of the total throughput
(l/t)



18.6.2 Wastewater

The port produces especially sanitary wastewater, which is partly cleaned in a central cleaning plant in Koper and partly in small port's communal cleaning devices. Our long-term objective in this area is to reduce burdening of the environment with sanitary waters by connecting water in the vicinity of public sewage system to the public system. Where this is not possible due to too long distance from the public communal infrastructure, we will substitute sumps with modern small communal cleaning devices. Due to the complexity of the project, the objective to connect 50% of sumps to the public sewage system or to replace sumps with modern small communal cleaning devices was not entirely realised. In 2011, we elaborated the project documentation for the reconstruction of the Port's sanitary system, obtained all needed licenses and connected one of the seven parts of network (15% realisation of the goal). The project will be completed by 2012.

No changes were recorded in the area of technological wastewaters in 2011. The results of technological wastewaters' quality measurements confirm that the stipulated requirements have been met.

18.7 EFFECTS OF LIGHTING

Proper lighting, which is required for continuous performance of a working process, is provided. Unfortunately, the lighting, which illuminates warehousing areas, sites, transportation routes and rails at night is the source of environmental pollution. The realised study about comprehensive coordination of the Port's existing outside lighting has been published on our website. In 2011, we arranged for the lighting of the berth, the transportation routes, the lighting between rails, and a part of the customs fence. The results are best visible along the customs fence, which surrounds the Port.

The deadline specified by law for such coordination has been postponed to 2016. In 2011, we have achieved the set target, which envisaged 80% coordination by the end of 2011.

18.8 MARINE PROTECTION

In accordance with the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure at Koper Port Terminal, we conducted services related to the prevention and elimination of marine pollution in 2011. Luka Koper's Ecological fleet is modernly equipped for interventions in the event of sea pollution and has three special vessels equipped for the purpose of sea surface purification. In 2011, 25 incidents were noted and our marine protection services carried out 17 interventions in the Port's aquatorium. In 13 cases, pollution was caused by oil spills whereas in all other instances pollution was caused by coal dust, non-purified sewage from the Central purification plant of Koper as well as a variety of deposits and drift wood washed down by the Rižana River into the Port basin.

The main measure for the success and efficiency of rehabilitation is the speed of intervention. No pollution in the Port's aquatorium has yet spread outside its boundaries, as all cases of pollution were detected, confined and purified inside the Port in a timely manner.

Statistical data on interventions at sea

	2009	2010	2011
Number of incidents at sea	32	37	25
Number of interventions in the Port's aquatorium	18	18	17
Number of incidents not requiring intervention	14	19	8
Number of pollution incidents outside the Port's aquatorium	0	0	0

In September we made a practical test of the new 2011 Luke Koper, d. d., Protection and Rescue Plan for Industrial Accidents within the framework of the national "2011 SEA DRILL". In the drill, protection, rescue and help forces checked the preparedness for actions in case of sea accidents. The Slovenian Army participated in the drill with its vessels and the multipurpose Triglav ship, as well as all competent services working within the maritime coordination.

18.9 CONSTRUCTION WORKS

In 2011, we carried out small construction works, particularly maintenance works. Extensive construction works carried out in 2011 comprise only the deepening of the sea bottom at the passenger terminal, where performers were forced to carry out underwater mining works due to the rocky bottom. This caused undesired noise and vibrations. Works were completed in December 2011, which enabled the arrival of large cruise ships.

18.10 INTERVENTIONS IN ENVIRONMENT

In 2011, no major interventions in environment were carried out other than the aforementioned deepening of the sea bottom at the passenger terminal. Due to limited dumping areas, we have started preparing studies of alternative possibilities for using excavated material, particularly from construction works. Therefore, we prepared in cooperation with the Slovenian National Building and Civil Engineering Institute a research project of sediments in water environment and studied how they can be used as a secondary raw material. Others involved in the studies were the Faculty of Civil Engineering, Jožef Stefan Institute, Chemical Institute, etc. Within the project, we will prepare test field of finished building composite materials at the Port. The project will end in 2014, and is partly financed by the Slovenian Research Agency.

19 HUMAN RESOURCE MANAGEMENT

In the area of HR management, special attention was besides the planned activities devoted also to:

- Activities connected with ensuring the necessary human resources in the company Luka Koper, d. d., particularly in the basic throughput process. This involved measures of increased in-house mobility of employees, temporary introduction of a new crane operators' work organisation system, additional recruitments outside the HR annual plan, and intensive training of crane operators through the tutoring system,
- Activities connected with the strike of employees. This included intensive negotiations with the Luka Koper Crane Operators' Trade Union (SŽPD), the establishment of the Committee for monitoring the implementation of the corporate collective agreement, intensive dialogue with the Worker's Council, even better control in ensuring the rights, which are related to the labour law and collective agreement, to employees, and to activities related to resolving the requirements arising from the strike.

In 2011, we:

- at Luka Koper, d. d., realised additional 59 recruitments of operative staff in consent with the Worker's Council, which represents 40 recruitments outside the annual plan in this area,
- decreased the employee turnover rate,
- realised 18.6 hours of training per employee in the parent company, and 15.6 in the Group; the planned average is 16 hours of training per employee,
- exceeded the target of 65% of in-house trainings within the total hours of training, and recorded over 70% of in-house training,
- included almost all employees in our educational events (89 percent in the Group or 92 percent in Luka Koper, d. d.),
- enabled career development to 29% of Group employees or 21% of employees in the parent company.

19.1 EMPLOYMENT

Despite the selective approach to the recruitment of new staff and consequently decreased number of employees within the cost management policy of the Luka Koper Group during the last two years, the intensive growth of throughput in 2011, particularly container throughput, triggered a number of measures for ensuring additional HR resources in the basic throughput and storage processes. We ensured higher in-house mobility of the operative and medium managerial staff, a temporary change in the system of crane operators' work organisation, and additionally recruited and trained especially the operative staff for the basic processes of throughput on the crane operator position. A result of intensive recruitment in 2011 in Luka Koper, d. d., was also a higher number of employees at the Luka Koper Group level.

The number of employees in the companies of the Luka Koper Group as at 31 December 2011

	2010	2011	Index 2011/2010
Luka Koper, d. d.	748	787	105
Luka Koper INPO, d. o. o.	213	200	94
Luka Koper Pristan, d. o. o.	6	4	67
Adria Terminali, d. o. o.	30	27	90
TOC, d. o. o.	-	2	-
The Luka Koper Group	**997***	**1.020**	**102**

*The data for 2010 do not include the company TOC, d. o. o., since it was not a part of the Luka Koper Group in that year.

Comparison between recruitments, departures and employee turnover

	New recruitments		Departures		Employee turnover rate (in %)*	
	2010	2011	2010	2011	2010	2011
Luka Koper, d. d.	13	59	33	21	4,2	2,6
The Luka Koper Group	17	66	51	48	4,9	4,5

*Calculation methodology for employee turnover rate = number of departures/(initial number of staff + new recruits) x 100

In 2011, no redundant workers were identified in the Group. The reasons for departures, which even slightly decreased compared to 2010, are primarily retirements, and to a much smaller degree also consensual terminations of employment, disability retirements and death. The turnover rate decreased in 2011, pointing to the stability and security of jobs. The turnover rate is primarily a result of intensive recruitment and smaller number of departures, mostly due to objective turnover, which the company cannot influence (old-age retirements).

19.2 ORGANISATIONAL CHANGES AND EFFICIENT MANAGEMENT OF WORKING TIME

In 2011, we made no radical organisational changes, as our activities were mostly focused on small organisational changes, in-house staff mobility and changes of the crane operators' work organisation system, all with the purpose to optimise the core and support processes.

The distribution of working hours of the big number of recruited operative staff will due to their initial several-months-long training not be evident until 2012, when they will become completely independent in their work. Therefore, the proper effect has not been evident yet in this year despite new recruits, which is why overtime and reallocated working hours increased compared to 2010.

19.3 OCCUPATIONAL SAFETY

At Luka Koper, d. d., the intensity of working operations has been increasing, and despite the actions taken, the risk of accidents at work has been growing.

This year we recorded 75 accidents at work, which represents three injuries less than last year despite a 12% increase in total throughput in the port. Two injuries were severe, and due to a severe accident, the Labour Inspectorate issued a regulatory order, demanding additional training of employees. We are trying to decrease the number of accidents at work and at the same time to perform the work quickly and in a quality manner.

Due to the appearance of radiation in Japan in 2011, there is a risk for contaminated cargo reaching the area of our Port. In case of established deviation, we would immediately inform the Nuclear Safety Administration, which would duly protect such cargo and provide for further procedures.

Our main objective is to protect employees from the negative effects of the working environment and technological processes; to this end, we maintain our health and safety at work system in accordance with the guidelines of the OHSAS 18001:2007 international standard. The elements of protecting employees are included in all the activities of the Port. All cases of injuries are carefully investigated so as to determine the causes, prepare a report and take the necessary measures to prevent future injuries.

In 2011, we recorded an increase in absenteeism due to health conditions and injuries. We have established that such absenteeism is primarily a result of employees suffering from serious health conditions which are not directly linked to their work, yet they are absent from work (more than three months).

Employee absenteeism (in %)

	2010	2011
Luka Koper, d. d.	4.7	5.4
The Luka Koper Group	5.3	5.4

*Calculation method: annual number of hours of absence due to health conditions and injuries/(average number of employees x annual fond of working hours) x 100

19.4 EDUCATION AND TRAINING OF EMPLOYEES

In 2011, the Luka Koper Group continued with the targeted training of employees. This was reflected in a high share of in-house trainings (more than 70% of the total hours of education completed) with an identified issue on working primarily with in-house staff in the role of in-house lecturers or coaches for the operation of specific port's mechanisation. A substantially higher average number of training hours per employee than the planned 16 hours on an annual basis was realised in the company on account of specific training of new employees regarding the operation of mechanisation. The recorded number of hours of training per employee in the parent company is 18.6, and 15.6 at the Group level.

Luka Koper, d. d., co-financed part-time study to 1.3% of employees, which is in line with the requirements and possibilities of the company's business processes. Education agreements were concluded with promising HR in order to upgrade the knowledge and development of employees for predetermined job positions or levels. Since the employees of the Company have a possibility of career development to be promoted to more demanding and responsible positions, many of them decide for studies using their own financial input. Thus, 22 employees obtained a higher level of education, representing 3% of the employees in Luka Koper, d. d., in 2011.

A big majority of employees were included in trainings: 89% at the Group level and 92% in Luka Koper, d. d.

Structure of employees by the level of education as at 31 December 2011

	Luka Koper, d. d.			The Luka Koper Group		
Level of education	No. of employees 2010	No. of employees 2011	Share (%) 2011	No. of employees 2010	No. of employees 2011	Share (%) 2011
VIII/2	2	2	0.3	2	2	0.2
VIII/1	16	17	2.2	17	18	1.8
VII	94	96	12.2	103	106	10.3
VI/2	113	118	15.0	118	125	12.2
VI/1	50	55	7.0	59	64	6.3
V	221	233	29.6	254	264	25.9
IV	181	201	25.5	254	264	25.9
III	16	15	1.9	23	21	2.1
I–II	55	50	6.3	167	156	15.3
Total	**748**	**787**	**100**	**997**	**1,020**	**100**

19.5 ENSURING PERSONAL AND PROFESSIONAL GROWTH OF EMPLOYEES

We are aware that only satisfied employees produce good results and create a good working atmosphere in the company. Therefore, we take care for the career development of our employees with corporate collective agreement, enabling them personal and professional growth. In 2011, we enabled career development through the systems of vertical promotion to a more demanding job position, horizontal promotion at the same difficulty level, and ranking of employees to a higher level of competence and flexibility of the job position to 29% of employees in the Luka Koper Group, or 23% of employees in the Company. We planned 19% of employee promotions.

Due to working requirements in the Company in 2011, there were more in-house vertical and horizontal promotions. The number of employees ranked to a higher level of competence has been decreasing, since employees have to a big degree already achieved a relatively high level of competence at their job positions, thus realising their potentials.

In order to achieve the highest level of motivation and harmonisation of personal developmental goals of employees with the goals of the company, we carried out annual interviews between employees and their direct superiors in two large companies within the Group (Luka Koper, d. d., and Luka Koper INPO, d. o. o.), which comprised 58% of all employees.

Moreover, we reviewed and supplemented the base of HR potentials for job positions at higher levels of the organisational structure.

Career development of employees

	Vertical and horizontal promotion		Ranking to a higher level of competence and flexibility	
	2010	**2011**	**2010**	**2011**
Luka Koper, d. d.	57	61	167	118
Share (% of employees)	8	8	22	15
The Luka Koper Group	62	74	268	222
Share (% of employees)	6	7	27	22

19.6 ENSURING JOB AND SOCIAL SECURITY TO EMPLOYEES

In 2011, the employees of the Luka Koper Group were ensured a high level of job security, since 94.5% of the Group employees and 93% of the Company employees held a permanent employment contract at the end of the year. Fixed-term employment contracts are concluded only with the employees who joined us in 2011 and are currently being trained for independent work.

In 2011, we continued making regular salary payments, which follow the growth of costs of living in accordance with the corporate collective agreement.

Social security of our employees was contributed also by the average salaries of our employees, which exceed the Slovenian average. The average monthly gross salary of employees in the Luka Koper Group was €2,363.30, exceeding the Slovenian average by 55%. The average monthly gross salary of employees in the Company was €2,614.70, exceeding the Slovenian average by 71%. In accordance with the provisions of collective agreements, we provided financial help to 21 employees in the Group or 12 in the Company who found themselves in difficult social conditions due to long periods of absenteeism as a result of illness, and in individual cases due to the death of a worker or dependants.

We deal with the issue of disability by employing a suitable share of disabled workers inside the Luka Koper Group in the social enterprise Luka Koper INPO, d. o. o. At the end of 2011, 60% of employees at INPO had the status of disabled workers.

Disability issue – number and share of employees with disability status

	2010	2011
Luka Koper, d. d.		
Number of employees with disability status	13	11
Share (%)	1.7	1.4
The Luka Koper Group		
Number of employees with disability status	150	135
Share (%)	15.0	13.2

Due to the nature of work in the core throughput activity, the employee structure comprised far more men than women. New recruitments of the male labour force in the core throughput activity and old-age retirements of women resulted in a decreased share of women in the Company and the Group in 2011.

Structure of employees by gender

	2010	2011
Luka Koper, d. d.		
Number of women	107	103
Share of women in the employee structure (%)	14.3	13.1
The Luka Koper Group		
Number of women	122	120
Share of women in the employee structure (%)	12.2	11.8

Average employee age and length of service

	Average age of employees		Average length of service of employees	
	2010	2011	2010	2011
Luka Koper, d. d.	41.7	41.4	19.3	19.2
The Luka Koper Group	43.4	43.2	21.4	21.1

19.7 COOPERATION WITH EDUCATIONAL INSTITUTIONS

In terms of HR management, we remained operating in the principle of corporate responsibility in the local and wider area. We cooperated with many educational institutions (University of Primorska, the Faculty for Maritime and Transport, IEDC Business school Bled, Jožef Stefan International Postgraduate School, and others) in preparing study programmes, mentoring of seminar, project and diploma papers, providing students with compulsory on-the-job trainings and expert excursions. Our employees are also associate lecturers, Members of the Management Boards of educational and research institutions, and we also presented our company, its practices and jobs to students on many occasions. In 2011, we approved three student scholarships, and recruited one student.

19.8 MONITORING HUMAN RESOURCE MANAGEMENT EFFICIENCY

Monitoring human resource management is essential for the long-term success of every company; therefore we measure the success of human resource management by undertaking activities every second year. In 2011, we carried out annual interviews between employees and their superiors, implemented organisation climate measurements, employee loyalty and satisfaction, and assessed the managerial staff at Luka Koper, d. d. and Luka Koper INPO, d. o. o.

57% of the Luka Koper INPO, d. o. o. employees cooperated in the organisation climate measurements. Individual areas of assessment were given a slightly lower grade than at the previous measurement in 2009, yet it was still relatively high: the climate was graded 3.86, loyalty 4.19 and satisfaction 4.02 (on a scale to 5).

The organisation climate measurement in the Company was realised in December 2011, although we could feel that employees were torn after the strike in August 2011 and there was a risk of low attendance and consequently also poor results. 36.9% of employees took part in the assessment, and the results will be analysed in the first quarter of 2012.

20 SOCIAL ENVIRONMENT

The Luka Koper Group has an important role in its close and wider social environment. A study made by economist Jože P. Damjan, DSc, from the Institute for Economic Research shows that every € earned at the port delivers additional €1.2 of earnings in the remaining Slovenian economy. We express our responsibility to the social environment by directly contributing to its development in different ways.

20.1 LIVING WITH THE PORT

We have been developing and upgrading the project "Living with the Port" for some years now. The project is based on providing information and on a responsible attitude towards the environment. The activities that were implemented or are still in the phase of implementation within this project are web portal, library for children "Luka Koper, a Window into the World«, a leaflet with interesting points and less known information about our Port intended for adults, and we also communicate via the digital social world, where people can keep track of the Port "from the distance" on Facebook. The project also includes financial support to various local and national activities and projects, the care for cleanliness and turning the Port green, and investments in green technologies.

One of the contents of the project "Living with the Port" is also our already traditional Port Day, which attracted a record-high number of people in September – 2,100 visitors came to see the Port, with many of them from distant Slovenian locations. The Port Day offers its visitors a possibility to see the work at the Port and create their own opinions about the role and importance of the Port and its involvement in the close and wide, natural and social environment.

Luka Koper has been applauded for its success achieved with the project and for its responsible relationship towards the social environment also by independent appraisers from abroad. The expert committee of the European Sea Ports Organisation (ESPO) chose our project "Living with the Port" as one of the top three projects for the ESPO AWARD from 17 competitors. This award is conferred to the best project in the area of connecting a port with the town of the port and the locals.

20.2 SUPPORT TO SOCIALLY BENEFICIAL PROJECTS

The company Luka Koper supports, in the local and wider Slovenian area, a range of infrastructural and other projects that increase the quality of life of the population and enable the development of many economic and other activities. In 2011, the most important project was related to the development of tourism in the coastal and other Slovenian regions. By rehabilitating the berth at the passenger terminal and by deepening the sea bottom, into which Luka Koper, d. d., invested €1.6m, we enabled anchoring to the largest tourist cruise ship. Compared to 2010, the number of tourists from cruise ships almost trippled. We recorded 108,729 visitors, which has substantially increased the demand in the coastal region and elsewhere. A special reward for the development of Koper as a maritime tourist destination is also the decision taken by this year's meeting of MedCruise (the Association of the Mediterranean Cruise Ports) to appoint Bojan Babič from Luka Koper, d. d., to the position of Vice-Chairman of the Association.

20.3 SPONSORSHIPS AND DONATIONS

In 2011, Luka Koper, d. d., intended €1.17m for projects in the field of culture, sports, environmental, humanitarian and other activities in the local and wider environment, which is at the same level than the year before, when we spent €1.13m on donation and sponsorship projects. A part of these assets was allocated on two tenders, which were implemented under the name "Living with the Port". We received 432 applications and granted sponsorship or donation funds to a half of the presented projects.

In 2011, we again intended most sponsorships and donations to athletes, and we intend similar shares of funds to individuals involved in the cultural and humanitarian work. Furthermore, we supported education and projects in other areas.

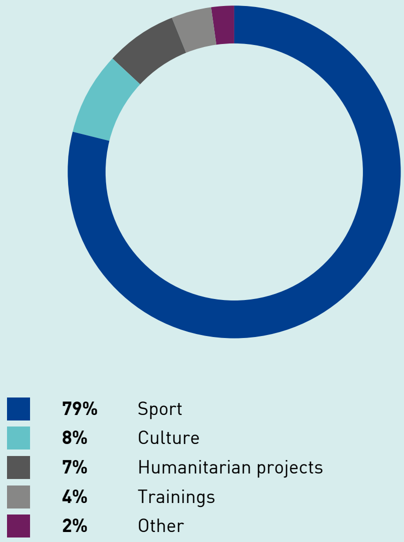
In the area of sports, we have remained the main sponsor of sport clubs, which carry our name. We intended almost a half of all 2011 sponsorship and donation funds to the FC Luka Koper. A significant part of funds was allocated also to Luka Koper Volleyball Club, Luka Koper Bowling Club and to many professional and amateur athletes from the local and wider national areas.

This year, the cultural area was marked by the 30th anniversary of the Koper Brass Orchestra. We have been their main sponsor ever since their beginning. We have traditionally sponsored also many other cultural organisations, artists, local associations, and cultural events that take help conserve our cultural heritage.

In 2011, the need for helping the socially weaker population has increased; therefore we again gave significant support to the Red Cross of Slovenia and other humanitarian organisations. With a financial contribution we enabled the purchase of a rescue motorbike for the needs of the Obala Pre-hospital Unit, and helped establish the regional safe house for women and children – family violence victims. Furthermore, we supported many NGOs, associations and institutions, which help socially deprived, financially weaker and health-affected individuals and groups.

We know that the time ahead of us required educated and competent people; therefore, we enabled the implementation of projects to spread new skills and knowledge among children and youth in 2011. We supported various conferences, round tables and summits, which covered important topics for the broadest group of people.

Allocation of donation and sponsorship funds in 2011 by segments



20.4 INTERACTION WITH THE ENVIRONMENT

Luka Koper, d. d., operates transparently by providing all information about the work of the Port. In light of this, we adapted our printed and electronic media to three target groups: partners, investors and the social environment. In terms of electronic communications, the portals http://www.luka-kp.si/eng/ and www.zivetispristaniscem.si receive most visitors. The first one is a corporate portal, providing partners the entire offer of activities at the Port as well as other useful information. Luka Koper, d. d., is listed on the Ljubljana Stock Exchange; therefore one of the chapters is entirely intended for investors. In 2011 we published four issues of the Notice information bulletin intended solely to investors, providing them up-to-date information from the Port.

21 SUPPLIERS AND CUSTOMERS

The performance and respect of the Port are connected also with the work of our suppliers. An important task of the Investment, Technical and Purchasing Service is to ensure the highest level of competitive conditions with suppliers, timely purchases, and the lowest amount of funds committed. Procurement management and its constant optimisation are becoming an increasingly important factor; therefore we must know the suppliers well and develop partnerships with them.

We are aware that the performance and respect of the Luka Koper Group are connected also with the work of our suppliers. In developing relationships with them, we are becoming increasingly aware how difficult it is in the today's competitive environment to create new ideas, transfer them into the working environment and boosting corporate performance. Therefore we strive to include all suppliers into the innovative environment, where they can contribute to the realisation of new ideas. Not only do our suppliers provide products or services, they also improve the Port's technological processes and assist in the search for new and innovative solutions. In accordance with the development strategy and development projects of the Group we introduce hi-tech solutions in the modernisation of existing products and transport systems in cooperation with suppliers. Our suppliers are required to make on-time deliveries, as delays or early deliveries incur additional costs.

On the basis of different categories, we carry out annual assessment of our suppliers, and choose and reward the best suppliers each year. By assessing suppliers, we establish possible special features of their services and advantages or weaknesses of each supplier. Based on such results, we can encourage our suppliers to improve their services. We presented the findings and evaluations of the annual assessment to our suppliers and analysed them together with them. Planned gathering of information and control over the existing suppliers ensure constant quality of their services in the long-term.

The best suppliers of the Luka Koper Group in 2011 were:

- Nafta Strojna, d. o. o., for the area of investments
- Metalia, d. o. o., for the area of technical services
- Regeneracija Akva, d. o. o, for the area of products
- Mavema, d. o. o., for the area of port services

In 2011, we searched for the best ratio between the quality and price provided by suppliers, and at the same time we found equivalent suppliers to the current ones based on market research and test samples. This has proved to be good practice in key procurements for goods throughput, since we this way managed to obtain better commercial conditions and decrease procurement risks.

22 BUSINESS EXCELLENCE AND QUALITY MANAGEMENT SYSTEMS

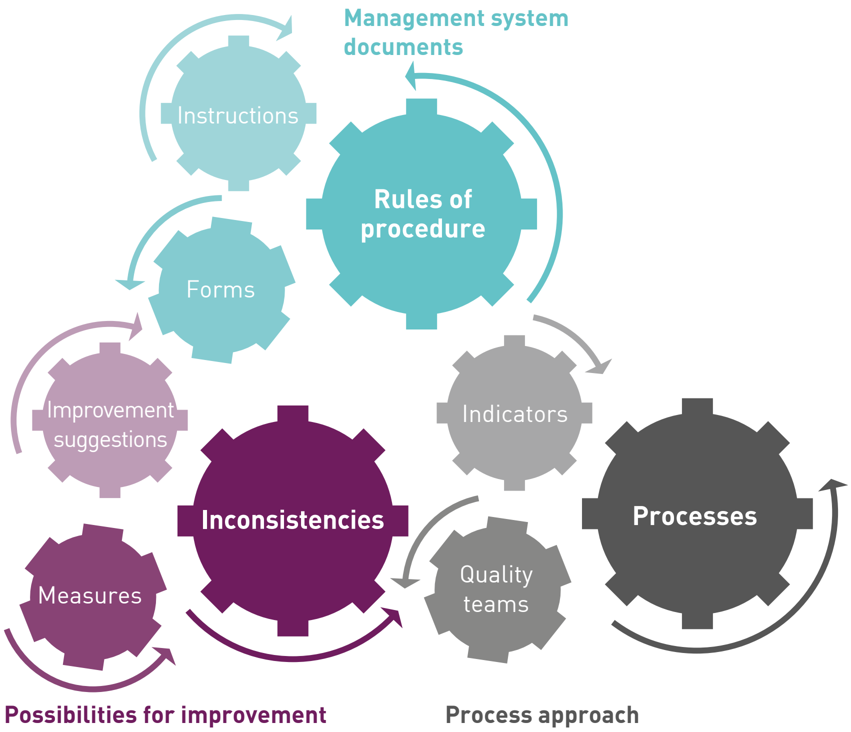
At Luka Koper, d. d., the systematic way of thinking and consequently also of acting has again been confirmed and proved in practice, both as regards our daily work and the planning of the company's long-term development.

Almost fifteen years of systematic construction of the comprehensive management system have largely contributed to the company's fulfilment of its basic mission of successful performance in the long run.

Already since 1997, when Luka Koper, d. d., formally obtained the ISO 9002 quality certificate, we have been systematically introducing new standards and business models, and renewing (certifying) the current ones. To date, the company has introduced systems, obtaining the following certificates for them:

- ISO 9001 certificate for quality management system,
- ISO 14001 certificate for environmental management system,
- ISO 22000 certificate for the safety of foodstuffs system,
- BS OHSAS 18001 certificate for the health and safety at work system,
- Business excellence system based on the EFQM model (European foundation for Quality Management).

Comprehensive system management



By means of individual elements (system management documents, process approach, improvement opportunities), the comprehensive management system enables us constant realisation of the PDCA principle (Plan - Do - Check - Act), and reaching the desired operating goals.

Besides taking care for system renewal and its regular verification by an external certification body, we also upgrade the system. The central developmental activity, to which we devoted most time besides regular activities in 2011, was the implementation of the modern Si Vo (Management System) information support in the Microsoft environment of the MOOS Portal. The solution was based on already used solutions, needs and wishes of users for more efficient operations and new technical capacities offered by the basic tool.

At Luka Koper, d. d., we built the system of management systematically, thus it is integrated in our business philosophy.

22.1 ENCOURAGING EMPLOYEE INNOVATION

The innovation culture simply means that all employees have the option of improving their own work and consequently the performance of the company. At the Luka Koper Group, we create suitable circumstances enabling our employees to express their creativity, and we promote the awareness that the company leaders will listen to their ideas and help realise them. At Luka Koper, we are on the right way in this area. We have established a system that encourages our employees to be creative. Last year, we upgraded it in terms of process and modernised it with a new information solution, which enables easier access and faster processes. We have started focusing primarily on the realisation of good ideas. Our goal is to have good solutions, which deliver added value to a company and help searching for innovative developmental solutions in a wider area, in connection with the environment. We award the best innovators and make sure their solutions are promoted also outside the company.

CONTACTS

Through reporting on sustainable development in Luka Koper, d. d., and the Luka Koper Group, we provide data and information to all groups and individuals who work with us in our day-to-day operations. More up-to-date news and information is available at the web portal for Port's sustainable development www.zivetispristaniscem.si and at the website of the Company http://www.luka-kp.si/eng/.

Any further information required can be found on our website or by getting in touch with the relevant department.

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Much more than clever moves

We do not strive solely for short term results, but for the kind of growth that will leave a mark, setting a business example for others, because good examples are like magnets.

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CONSOLIDATED FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP FOR THE YEAR 2011

1 INCOME STATEMENT – audited and consolidated

(EUR)	Notes	2011	2010
OPERATING REVENUE	**1**	**143,633,226**	**127,346,489**
OTHER REVENUE	**2**	**486,606**	**392,177**
OPERATING COSTS		**-121,736,132**	**-113,544,728**
Costs of goods, materials and services	3	-49,463,203	-43,160,757
Labour costs	4	-37,897,391	-36,100,966
Write-downs	5	-27,738,473	-28,267,008
Other operating expenses and provisions	6	-6,637,064	-6,015,996
OPERATING PROFIT OR LOSS		**22,383,700**	**14,193,939**
FINANCE INCOME	**7**	**1,714,786**	**2,309,705**
Of that: share in the operating result of joint ventures	11	442,885	573,340
FINANCE EXPENSES	**8**	**-22,165,076**	**-19,805,296**
PROFIT OR LOSS BEFORE TAX	**9**	**1,933,409**	**-3,301,652**
Income tax	10	-1,130,339	-391,250
Deferred tax	11	-355,341	789,250
NET PROFIT OR LOSS	**12**	**447,729**	**-2,903,652**
Net profit /loss of the majority shareholder	**12**	**443,364**	**-2,903,652**
Net profit/loss of the minority shareholder	**12**	**4,364**	**0**
Net profit/loss per share (basic and diluted)	**25**	**0.03**	**-0.21**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with these.

2 STATEMENT OF COMPREHENSIVE INCOME OF THE LUKA KOPER GROUP – audited and consolidated

(EUR)	Notes	1 - 12 2011	1 - 12 2010
Net profit/loss for the period	**12**	**447,729**	**-2,903,652**
Other comprehensive income for the period:			
Change in fair value of available-for-sale financial assets	25	-4,389,895	-662,135
Deferred tax		876,992	132,427
Revaluation of available-for-sale financial assets in net amount		**-3,512,903**	**-529,708**
Changes in fair value of financial instruments used in hedge accounting		-372,857	0
Deferred tax		74,571	0
Net changes in fair value of financial instruments used in hedge accounting		**-298,286**	**0**
Total other comprehensive income for the period		**-3,811,189**	**-529,708**
Total comprehensive income for the period		**-3,363,460**	**-3,433,360**
Of that:			
Majority shareholders' equity		-3,367,825	-3,433,360
Minority shareholders' equity		4,364	0

The accompanying notes are an integral part of the financial statements and should be read in conjunction with these.

3
BALANCE SHEET –
audited and consolidated

(EUR)	Notes	31.12.2011	31.12.2010
ASSETS		**478,271,061**	**502,345,304**
NON-CURRENT ASSETS		**445,905,231**	**459,124,856**
Intangible assets	13	5,089,118	7,299,398
Property, plant and equipment	14	363,153,531	373,840,418
Investment property	15	20,283,050	17,512,207
Non-current investments	16	48,310,023	51,015,089
Non-current operating receivables	17	8,664	41,559
Deferred tax assets	18	9,060,844	9,416,185
CURRENT ASSETS		**31,813,083**	**42,736,312**
Assets (disposal groups) held for sale	19	6,975,723	18,224,413
Inventories	20	0	12,688
Current investments	21	681,227	837,691
Current operating receivables	22	23,117,862	22,980,690
Current income tax credits	22	0	0
Cash and cash equivalents	23	1,038,270	680,829
DEFERRED TAX AND ACCRUED REVENUE	**24**	**552,748**	**484,137**
EQUITY AND LIABILITIES		**478,271,061**	**502,345,304**
EQUITY	**25**	**240,796,819**	**244,056,503**
EQUITY – MAJORITY SHAREHOLDER		**240,688,679**	**244,056,503**
Share capital	25	58,420,965	58,420,965
Capital surplus	25	89,562,703	89,562,703
Legal reserves	25	18,882,889	18,882,890
Other revenue reserves	25	56,263,317	58,112,522
Revaluation surplus	25	6,703,698	10,514,887
Retained earnings	25	10,411,742	8,562,536
Net profit or loss for the year	12	443,364	0
CAPITAL – MINORITY SHAREHOLDER		**108,140**	**0**
PROVISIONS AND ACCRUED COSTS AND DEFERRED REVENUE	**26**	**12,435,924**	**12,636,801**
NON-CURRENT LIABILITIES		**158,672,802**	**161,192,848**
Non-current financial liabilities	27	156,864,708	158,376,144
Non-current operating liabilities	27	130,935	187,982
Deferred tax liabilities	27	1,677,159	2,628,722
CURRENT LIABILITIES		**65,063,739**	**83,673,527**
Current financial liabilities	28	48,934,765	67,893,506
Current operating liabilities	28	14,998,635	15,511,502
Current income tax liabilities	28	1,130,339	268,518
ACCRUED COSTS AND DEFERRED REVENUE	**29**	**1,301,777**	**785,625**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with these.

4
STATEMENT OF CHANGES IN EQUITY – audited and consolidated

(EUR)	Called-up capital	Capital surplus	Legal reserves
At 1 January 2010	**58,420,965**	**89,562,703**	**18,876,841**
Net profit or loss for the year			
Other comprehensive income for the year			
Net profit or loss for the year	**0**	**0**	**0**
Other comprehensive income for the year			6,048
Transfer to other revenue reserves based on a decision of the general meeting			
Transfer of the net profit or loss of the previous year to retained earnings			
Transfers from capital			
Other			
At 31 December 2010	**58,420,965**	**89,562,703**	**18,882,889**
Net profit or loss for the year			
Other comprehensive income for the year			
Comprehensive income for the period	**0**	**0**	**0**
Loss settlement from other revenue reserves based on a decision of the management board			
Transfer of the net profit or loss of the previous year to retained earnings			
Acquisition of interests			
At 31 December 2011	**58,420,965**	**89,562,703**	**18,882,889**

Other revenue reserves	Retained earnings	Net profit/loss for the year	Revaluation surplus	Total	Minority shareholders' equity	Total equity
60,544,409	**15,706,529**	**-7,112,729**	**11,044,595**	**247,043,314**	**367,181**	**247,410,495**
		-2,903,652		-2,903,652	0	-2,903,652
			-529,708	-529,708	0	-529,708
0	**0**	**-2,903,652**	**-529,708**	**-3,433,360**	**0**	**-3,433,360**
-2,431,887		2,425,839		0	0	0
	-477,812	477,812		0	0	0
		0		0		0
	-7,112,730	7,112,730		0	0	0
	446,549	0		446,549	-367,181	79,368
58,112,522	**8,562,536**	**0**	**10,514,887**	**244,056,503**	**0**	**244,056,503**
		443,364		443,364	4,364	447,729
			-3,811,189	-3,811,189	0	-3,811,189
0	**0**	**443,364**	**-3,811,189**	**-3,367,825**	**4,364**	**-3,363,460**
-1,849,205		1,849,205		0	0	0
	1,849,205	-1,849,205		0		0
				0	103,776	103,776
56,263,317	**10,411,742**	**443,364**	**6,703,698**	**240,688,679**	**108,140**	**240,796,819**

The accompanying notes are an integral part of the financial statements and should be read in conjunction with these.

5 CASH FLOW STATEMENT – audited and consolidated

(EUR)		2011	2010
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**	**803,070**	**-3,692,902**
	Profit or loss before tax	1,933,409	-3,301,652
	Income tax and other taxes not included in operating expenses	-1,130,339	-391,250
b)	**Adjustments for**	**48,763,319**	**43,828,138**
	Depreciation and amortisation (+)	27,815,969	26,268,798
	Revaluation operating revenue associated with investing and financing (–)	-108,024	-78,763
	Revaluation operating expenses associated with investing and financing (+)	33,023	56,867
	Finance income less finance income from operating receivables (–)	-1,140,757	-2,119,460
	Finance expense less finance expense from operating liabilities (+)	22,163,108	19,700,696
c)	**Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities)**	**-113,258**	**-21,289,642**
	Opening less closing operating receivables	-518,187	-3,895,140
	Opening less closing deferred costs and accrued revenue	-593,041	219,213
	Opening less closing assets of disposal groups held for sale	378,100	-43,424
	Opening less closing inventories	12,688	1,064
	Closing less opening operating liabilities	291,907	-15,617,629
	Closing less opening accrued costs and deferred revenue, and provisions	315,275	-1,953,726
d)	**Net cash from operating activities (a + b + c)**	**49,453,131**	**18,845,594**
B.	**Cash flows from investing activities**		
a)	**Receipts from investing activities**	**4,392,628**	**18,593,009**
	Interest and profit shares from investing activity	1,329,732	2,028,952
	Receipts from disposal of intangible assets	3,771	0
	Receipts from disposal of property, plant and equipment	164,722	2,431,193
	Receipts from disposal of investment property	805,253	1,079
	Receipts from disposal of non-current investments	494,038	10,878,305
	Receipts from disposal of current investments	1,595,112	3,253,480
b)	**Disbursements from investing activities**	**-24,621,595**	**-20,859,080**
	Disbursements to acquire intangible assets	-1,722,886	-533,397
	Disbursements to acquire property, plant and equipment	-18,067,298	-19,310,249
	Disbursements to acquire investment property	-43,870	-314,167
	Disbursements to acquire non-current investments	-2,828,133	-419,145
	Disbursements to acquire current investments	-1,959,408	-282,122
c)	**Net cash from investing activities (a + b)**	**-20,228,967**	**-2,266,071**
C.	**Cash flows from financing activities**		
a)	**Receipts from financing activities**	**75,223,470**	**140,503,795**
	Proceeds from paid-up capital	0	446,549
	Proceeds from increase in non-current financial liabilities	45,000,000	78,550,000
	Proceeds from increase in current financial liabilities	30,223,470	61,507,246
b)	**Disbursements from financing activities**	**-104,090,193**	**-156,957,123**
	Interest paid on financing activities	-8,001,150	-8,630,935
	Cash repayments of non-current financial liabilities	-34,895,279	-40,437,007
	Cash repayments of current financial liabilities	-61,193,656	-107,888,779
	Dividends and other profit shares paid	-108	-402
c)	**Net cash from financing activities (a + b)**	**-28,866,723**	**-16,453,328**
D.	**Closing balance of cash**	**1,038,270**	**680,829**
	Net cash for the period (sum total of net cash Ad, Bc and Cc)	357,441	126,195
	Opening balance of cash	680,829	554,634

The accompanying notes are an integral part of the financial statements and should be read in conjunction with these.

6
COMPOSITION OF THE LUKA KOPER GROUP

The consolidated financial statements of the Luka Koper Group for the year ended 31 December 2011 include the financial statements of the parent company Luka Koper, d. d., the financial statements of its subsidiaries, and the attributed profits or losses of associates and jointly controlled companies.
Besides the parent company, the Luka Koper Group consisted of 4 subsidiaries and 7 associates and jointly controlled companies as at 31 December 2011.

BASIC INFORMATION ABOUT THE PARENT COMPANY

Luka Koper is the only Slovenian international cargo port, and it is controlled by a public limited company located in Koper which has the same name. The port was established in 1957 and its geographical position provides the closest connection between the Central and Eastern Europe with Mediterranean. Today the harbour has a direct connection to the European railway and motorway system and has a status of EU border entry point. The whole port has a status of a free-trade zone. Luka Koper represents the intermodal trade connection between various means of transport and throughput systems.

The Company's share capital of EUR 58,420,964.78 is represented by 14,000,000 ordinary shares. The company's headquarters are located in Koper, Vojkovo nabrežje 38. At 31 December 2011, the Company had 787 employees.

Subsidiaries comprising the Group in addition to the parent company Luka Koper, d. d.

		31.12.2011		31.12.2010	
Subsidiaries	Country	Ownership interest (%)	Share capital (EUR)	Ownership interest (%)	Share capital (EUR)
Luka Koper Pristan, d. o. o.	Slovenia	100	1,894,746.00	100	1,894,746.00
Luka Koper INPO, d. o. o.	Slovenia	100	240,878.00	100	240,878.00
Adria Terminali, d. o. o.	Slovenia	100	802,157.00	100	2,000,000.00
Adria Investicije, d. o. o.	Slovenia	-	-	100	52,138.70
Luka Koper Deutschland GmbH*	Germany	74.8	18,700.00	74.8	18,700.00
TOC, d. o. o.	Slovenia	66.8	563,487.00	-	-

The winding-up of the company Luka Kopar Deutschland has so far not been completed. Adria Investicije, d. o. o. was classified among assets of disposal groups held for sale. The two companies have not been consoidated. In 2011, our associate TOC became our subsidiary following the withdrawal of the partner INSOL, d. o. o.

ACTIVITIES OF SUBSIDIARIES AND CHANGES THAT OCCURRED IN 2011

Luka Koper INPO, d. o. o. is a company whose line of business is construction, production and other services and activities provided by disabled persons. The company was established in 1995, and in 1996 it gained a status of a company employing disabled staff. As at 31 December 2011 it employs a total of 200 employees of which 120 are disabled.

Luka Koper Pristan, d. o. o. is a wholly owned subsidiary of Luka Koper, d. d. According to standard classification of activities, the company is registered for trading activities, hotel services and similar, student dorm, mountain huts and holiday accommodations, restaurants and pubs. It was established in July 1996. As at 31 December 2011 the company employed 4 employees.

Adria Terminali, d. o. o. was registered at the court on 14 February 2007. The company's main activity is warehousing. As at 31 December 2011, the company had 27 employees. On 31 December 2011 Luka Koper d. d. held a 100 percent share in the company. According to a decision of the General Meeting, in August 2011, the share capital of the company was reduced from EUR 2,000,000 to 352,157, and then increased by EUR 450,000, to a total of EUR 802,157 as at 31 December 2011.

TOC, d. o. o., was registered at the court in September 2007. It was established as a joint venture between Luka Koper, d. d. and Kemiplas, d. o. o. In 2009, another partner, INSOL, d. o. o. entered the joint venture. TOC is a market-oriented enterprise providing services in the field of technology and ecology research and the provision of quality fuel and bio fuel.

In August 2011 INSOL, d. o. o. withdrew from the joint venture. In accordance with decision of the General Meeting of the two remaining ventures, the share capital of the company was reduced by the INSOL's interest and subsequently, Luka Koper, d. d. became the majority owner with 66.8% interest.

Luka Koper, d. d. began the process of disposal of its subsidiary Adria Investicije, d. o. o. and classified the investment as non-current assets of disposal groups held for sale. Based on the valuation report, the investment was classified at the carrying amount, which was lower than the value assessed in the valuation report.

ASSOCIATES AND COMPANIES UNDER COMMON CONTROL OF THE LUKA KOPER GROUP

Luka Koper d. d., has its capital invested also in associated companies and jointly controlled companies where it has a significant influence. In the financial statements of the Group, they are accounted for under the equity method and as such they either increase or decrease operating profit or loss by the attributed part of net profits or losses.

Associated and jointly controlled companies	31.12.2011 Percent of ownership	31.12.2010 Percent of ownership
Associates		
Avtoservis, d. o. o.	49	49
Golf Istra, d. o. o.	20	20
TOC, d. o. o., Koper	0	47.81
Railport Arad s. r. l. (Romania)	33.3	33.3
Jointly controlled		
Adriafin, d. o. o.	50	50
Adria Transport, d. o. o.	50	50
Adria-Tow, d. o. o.	50	50
Ecoporto Koper, d. o. o.	0	98
Adriasole, d. o. o.	98	98

Changes in associated and jointly controlled entities

- TOC, d. o. o. was in 2011 reclassified to subsidiaries after withdrawal of one of the partners from the joint venture.
- In June 2011 Ecoporto Koper, d. o. o. was disposed of in accordance with a decision of the Management Board and the Supervisory Board.

7 NOTES TO THE FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP IN ACCORDANCE WITH INTERNATIONAL FINANCIAL REPORTING STANDARDS

Luka Koper, d. d., located at Vojkovo nabrežje 38, 6001 Koper, the Republic of Slovenia, is the controlling entity of the Luka Koper Group. The consolidated financial statements of the Luka Koper Group for the reporting period 2011 include:

- consolidated balance sheet,
- consolidated income statement,
- consolidated statement of comprehensive income,
- consolidated cash flow statement,
- consolidated statement of changes in equity, and
- notes, which include a review of all significant accounting policies and other explanatory notes.

For the purpose of consolidation, separate financial statements of the parent company and its subsidiaries were added up and consolidated. The processes comprise equity consolidation, elimination of mutual receivables and liabilities, as well as elimination of mutual revenue and expenses, and unrealised gains and losses. The financial statements of the Group companies were prepared on the same reporting date, using the standard accounting policies. The financial statements were prepared on a going concern basis. The Group is considered as a going concern that prepares its financial statements using the accrual basis of accounting and the consistency principle.

BASIS OF THE PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Statement of compliance

The financial statements are compiled in accordance with the Companies Act and International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU.

As at the balance sheet date there is no difference in the policies applied by Luka Koper d. d. between International Financial Reporting Standards and IFRS adopted by the EU.

The Management Board of Luka Koper, d. d. approved the consolidated financial statements on 10 April 2012.

Functional and presentation currency

The functional currency of the consolidated financial statements is Euro (EUR) without cents.

Fair value

Available-for-sale financial assets are carried at fair value, whereas all other financial statement items are presented at cost or amortised cost.

Transactions in foreign currency

Transactions in foreign currency are translated into Euros at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities in foreign currency are translated at the reference exchange rate of the ECB at the balance sheet date. All differences resulting from foreign currency translation are recognised in the income statement.

Estimates and judgements
In the preparation of financial statements under International Financial Reporting Standards, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying value of assets and liabilities, revenues and expenses. These estimates are needed, as many items in financial statements cannot be accurately measured due to uncertainty. Actual results differ from those estimates and for that reason they are constantly revised and adjusted accordingly.

Deferred tax
Based on our estimates that in future sufficient taxable profit will be available, deferred tax was provided on account of the following items:
- Provisions for jubilee benefits and termination benefits upon retirement,
- Provisions for claims and damages,
- Impairment of investments,
- Impairment of receivables.

Deferred tax assets recognised on account of provisions for jubilee benefits, termination benefits, claims, and damages are reduced by the relevant amount of provisions utilised or increased by the amounts of newly formed provisions.

Deferred tax assets were recognised in the relevant amount of impairment loss on investments and receivables as impairment losses are not recognised as tax expenditure until the investments' derecognition.

Deferred tax liabilities were made for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss). They will be utilised on derecognition of these financial assets.

On the reporting day the amount of deferred tax assets and liabilities is reassessed. If there is not sufficient amount of available taxable profits, the amount of deferred tax assets is reduced accordingly.

PROVISIONS
The Management approves the substance and amount of provisions on the basis of the following:
- actuarial calculation of provisions for jubilee benefits and termination benefits,
- assessment of the amount of potential claims prepared by the legal services or another external lawyer considering existing lawsuits and claims.

The amount of provisions is the best estimate of future expenditures.

PROFIT/LOSS FROM OPERATIONS
Profit or loss from operations is defined as result before income taxes and finance items. Finance items comprise interest revenue on cash balances in the bank, deposits, interest bearing available-for-sale investments, interest expense on borrowings, gains and losses on disposal of financial instruments held for sale and foreign exchange gains and losses on all monetary assets and liabilities denominated in foreign currency.

8
SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Individual categories are disclosed under International Financial Reporting Standards. All significant items and issues have been disclosed. Accounting policies used as well as their nature and degree of significance are identified in the Company's internal rules. For all significant amounts reported in the financial statements, we have also disclosed comparable information for the previous period and included in numerical and descriptive information. Comparative information has been adjusted to be consistent with the presentation in the current financial year.

The accounting policies used are consistent with those applied in the previous years, except for the adoption of new standards and interpretations effective from 1 January 2011 and which are set out below.

The adoption of the following standards and interpretations did not have a significant effect on the financial position or operations of the Luka Koper Group:

IAS 24 Related Party Transactions
Amendments to IAS 24 define in more detail and simplify definition of a related party but do not change fundamental related party disclosures. Furthermore in paragraph 25 the amended standard reduces the scope of disclosures of transactions of a government owned entity with the government and other government owned entities. The amendment is effective for periods beginning on or after 1 January 2011. The amendment had no effect on disclosures of the Group since all the information has been appropriately captured and disclosed.

IAS 32 – Financial instruments: Presentation, Classification of the Option to Purchase Shares (Amended)
This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for periods beginning on or after 1 February 2010.

IFRIC 14 – Prepayments of a minimum funding requirement
The amendment is effective for periods beginning on 1 January 2011 and is applied retrospectively. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset, and includes guidance for assessment of recoverable amount of net pension assets.

IFRIC 19 –Extinguishing Financial Liabilities with Equity Instruments
The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The interpretation is effective for periods beginning on or after 1 July 2010.

Improvements to IFRS
In May 2010 the Board issued its omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. These amendments are effective for annual periods beginning on 1 July 2010 or 1 January 2011.

The adoption of these amendments affected the change in the accounting policies applied but has no impact on the financial position or operations of the Group.

IFRS 3 – Business Combinations
The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at fair value on the acquisition date. These amendments are effective for periods beginning on or after 1 July 2010.

The second improvement applies to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3R (as revised in 2008) and clarifies that these contingent considerations should be accounted for in accordance with IFRS 3 adopted in 2005.

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e., split between consideration and post combination expenses.

IFRS 7 – Financial Instruments: Disclosures
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The amendment is effective for periods beginning on or after 1 January 2011.

IAS 1 – Presentation of Financial Statements
This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for periods beginning on or after 1 January 2011.

IAS 27 – Consolidated and Separate Financial Statements
This improvement clarifies that the transitional amendments from IAS 27R made in 2008 also apply for subsequently amended standards. The amendment is effective for periods beginning on or after July 2010.

IAS 34 – Interim Financial Reporting
This improvement requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed (consolidated) financial statements.

The following amendments had no impact on the accounting policies applied by the Company, its financial position or operations.

IFRS 1 First-time adoption
This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities

IFRIC 13 – Customer Loyalty Programmes.
This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. The amendment is effective for periods beginning on or after 1 January 2011.

PROPERTY, PLANT AND EQUIPMENT

The items of property, plant and equipment are carried at cost. Under the cost model, an item of property, plant and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses. The manner and methods used in the valuation of assets due to impairment are described in the section "Impairment of assets". The cost of an item of property, plant and equipment is equal to its monetary price on the day the asset is recognised.

In case of important cost of property, plant and equipment, which contains components with different useful life estimates, the property, plant and equipment is divided in its components. Each part is accounted for separately. Land is accounted for separately and is not depreciated.

Finance lease

At the inception of a lease, finance lease is recognised in the balance sheet as an asset and liability in the amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments, whereby both values are determined upon inception of the lease. In deriving to the present value of the minimum lease payments, the discount rate is the related interest rate, or if it is not determinable, the lease's incremental borrowing rate which the lessee would incur, is used. All direct costs of a lessee are added to the amount recognised as the asset.

Subsequent expenditure

Subsequent expenditure incurred on a replacement of an individual part of an item of property, plant and equipment increases its cost, while other subsequent expenditure increases the cost of the asset only if it is probable that the economic benefits of the asset will increase over its originally estimated value. All other expenditure is expensed when incurred.

Interest capitalisation

Interest is capitalised in accordance with the provisions of International Accounting Standard IAS 23 – Costs of borrowing. According to this standard, the costs of rent that are directly attributable to the acquisition, constructing or production of an asset, are included in the purchase value or the cost of the asset. Such costs are capitalised as part of the value of the asset. Capitalisation of the costs of rent as part of the purchase value of the asset under construction begins, when expenditures for the asset are incurred, borrowing costs are incurred and the activities necessary to make the asset available for its use or disposal have begun.

Government grants

Government grants for acquisition of property, plant and equipment are recognised in the balance sheet as deferred income and are intended to cover depreciation costs of these assets, or they may be recognised immediately to cover up to 75% of the salaries of disabled persons. The amount of government grants is recognised as income in the income statement over the expected useful life of the asset in equal annual instalments.

Depreciation

Depreciation charge is recognised in an individual period in the statement of profit or loss. An asset is subject to depreciation when it is made available for its use. The items of property, plant and equipment are depreciated under the straight-line depreciation method over estimated useful life of individual assets. The depreciation method used is reassessed at the end of each financial year. As a rule, the residual value of an asset is considered only for significant items of property, plant and equipment as is their cost of disposal. Land and works of art are not depreciated.

When the cost of an item of property, plant and equipment is significant, it is divided into individual parts. If these parts have different useful life, we treat every part individually.

Annual depreciation rates used are described below

	2011	2010
Buildings	1.5-6%	1.3–6%
Transport equipment	5.6-20%	4.0–20%
Computer hardware	16.7-25%	20.0–33.3%
Other equipment	10-25%	10.0–33.3%

Derecognition

The carrying amount of an individual item of property, plant and equipment is derecognised:

- Upon its disposal or
- When no future economic benefits are expected from the asset's use or disposal.

INTANGIBLE ASSETS

Initially, intangible assets are recognised at cost. Subsequent to initial recognition, they are recognised at their cost reduced by accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation begins when an asset is ready for its use, that is to say when the asset is on the location and in the condition necessary for it to operate as intended.

The net carrying amount of an item of intangible assets is reduced under the straight-line amortisation method over the period of its useful life.

The period and method of amortisation of an intangible asset with finite useful life are reassessed at least at the end of each financial year. When expected useful life of an intangible asset differs from previous assessments, its amortisation rate is adjusted accordingly.

Useful life of an item of intangible assets that arises from contractual or other legal rights does not exceed the period of these contractual rights or legal rights, however, it may be shorter, depending on the period during which the asset is expected to be used. Estimated useful life of other intangible assets is 10 years.

INVESTMENT PROPERTY

Investment properties are held to bring rent and/or appreciate in their value. Investment property is measured under the cost model.

Depreciation is accounted for under the straight-line depreciation method over the estimated useful life of an individual asset. Land is not depreciated. Facilities under lease and those owned by the Group are divided into individual parts with different useful lives of between 16 and 76 years. Only those buildings and land that are leased to unrelated parties, are included in this category.

INVESTMENTS IN RELATED PARTIES

Investments in associated and jointly controlled entities are measured under the equity method. These are the enterprises in which the Group has a significant influence but does not control their financial or business policies.

FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

1. Financial instruments at fair value through profit or loss;
2. Held-to-maturity investments;
3. Loans and receivables;
4. Available-for-sale financial assets.

1. Financial instruments at fair value through profit or loss

The first category comprises financial instruments recognised on trading date, which are measured at fair value through profit or loss, and which are held for active trading. In 2011, no investments were made in this category.

2. Financial investments held to maturity

The second category comprises investments which are, on their recognition, designated as held to maturity. They are recognised on the settlement date and measured at amortised cost using the effective interest rate method. So far none of the Company's investments have been classified into this category.

3. Loans and receivables

The third category comprises all loans and borrowings as well as receivables. They are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

In our books of accounts, long-term and short-term receivables are carried separately as are trade receivables and receivables due from the state and employees. Trade receivables include interest receivables. Long-term and short-term trade receivables are initially recognised at amounts agreed in the contracts or recorded in the relevant accounting documents. On the last day of the financial year, trade receivables expressed in foreign currency are translated into the local currency at the reference rate of the ECB.

Trade receivables impairment

Bad debt allowances of the total amount are recognised regularly for all trade receivables and default interest receivables that are due and outstanding for more than 180 days. Impairment loss is recognised as revaluation operating expenses associated with receivables of individual organisational unit.

Bad debt allowance for receivables due from entities undergoing bankruptcy or liquidation are recognised in full amount when the bankruptcy or liquidation procedures are instigated. Impairment loss is recognised as revaluation operating expenses associated with receivables of individual organisational unit.

Loans

On initial recognition loans are carried at their amortised cost using the effective interest rate method. In terms of their maturity, loans are classified on the settlement date into long-term or short-term assets. With a view of credit risk management, maturity of individual loans as well as the method of settlement and collateral (e.g. bills of exchange, pledge of securities and other movable or immovable property, potential for unilateral netting of mutual liabilities, and similar collateral), is determined taking into consideration credit rating of a borrower. In the event of the borrower failing to meet his contractual liabilities, collateral is liquidated or, if legal proceedings have been instituted, the investment is impaired.

Borrowings

On initial recognition, borrowings are carried at their amortised cost using the effective interest rate method. Major amount of borrowings represent bank loans with repayment of principal when the loan contract matures. In terms of their maturity, borrowings are classified into long-term and short-term financial liabilities. On the last day of the year, all finance liabilities which fall due the next year, are reclassified to short-term financial liabilities. Loans are secured with blank bills and certain loan covenants.

4. Available-for-sale financial assets

Available-for-sale financial assets comprise all of the investments in equity securities. On initial recognition they are measured at fair value, increased by the cost of transaction relating to the acquisition or issue of individual financial assets. Fair value is considered market value based on the market value of securities or published daily value of a unit of a mutual fund's assets. Fair value changes are recognised directly in the statement of comprehensive income on a quarterly basis. Declining volume of securities is accounted for in books of account using the average prices method. When available-for-sale financial assets are derecognised, the accumulated gains or losses are transferred to the profit or loss. Additions and disposals of available-for sale financial assets are recognised on the trading date.

All other investments, for which no operating market exists and the fair value of which cannot be measured reliably, are measured at cost.

NON-CURRENT ASSETS (DISPOSAL GROUPS) HELD FOR SALE

This category includes non-current assets, items of property, plant and equipment and financial assets that are non-current in nature and whose carrying amounts will be settled predominantly by their sale in the next 12 months. The period of sale completion may be extended over 12 months if this delay is caused by events and circumstances that are beyond the control of the Group and there is sufficient evidence that the Group is consistently pursuing its plan to dispose of the asset.

After the assets' reclassification to Non-current assets (disposal groups) held for sale, they are measured at the lower of the carrying amount or fair value, less costs to sell.

Any losses due to reduction in the fair value are recognised immediately in the profit or loss.

CASH

Cash comprises cash on hand and sight deposits, deposits redeemable at notice or deposits with maturities of up to three months. The balance of cash in foreign currency is translated into the local currency at the reference rate of the ECB on the last day of the financial year.

DERIVATIVE FINANCIAL INSTRUMENTS

Luka Koper Group does not issue derivative financial instruments for trading purposes. Derivative financial instruments are used to hedge the Group's exposure to risks arising from financing and investing activities. Derivative financial instruments are recognized at fair value. The method of recognition of gains or losses arising from fair value changes depends upon whether hedge accounting has been applied or not. Luka Koper, d. d. applies derivatives only for hedge accounting. When hedge accounting has been applied gains or losses arising from the change in fair value are accounted for by recognising the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge directly in equity in the statement of comprehensive income. When the forecasted transaction results in the recognition of an asset or a liability, the associated cumulative gains or losses are removed from equity and entered into the initial measurement of the acquisition cost or other carrying amount of the asset or liability. The ineffective portion of the cash flow hedge is immediately recognized in the income statement.

EQUITY

The Group discloses the components of majority and minority interests and their changes in the statement of changes in equity.

DIVIDENDS
Dividends are recognised in the financial statements of the Group once the General Meeting's decision on the distribution of dividends has been adopted.

EARNINGS PER SHARE
Luka Koper Group shows only basic earnings per share. Basic earnings per share are calculated by dividing net profit with the weighted average number of ordinary shares.

FINANCIAL LIABILITIES
On initial recognition borrowings are carried at their fair value less attributable transaction costs. The difference between historical cost and amortised cost is stated in the income statement over the loan repayment period, using the effective interest rate method.

OPERATING LIABILITIES
Long-term operating liabilities include security instruments received for leased business premises. Trade liabilities and payables to the state and employees are shown separately. Operating liabilities also include interest liabilities and liabilities for participation in the profits. Operating liabilities denominated in foreign currencies are converted into the national currency at the reference rate of the ECB on the last day of the financial year.

Short-term liabilities are disclosed in connection with the following groups of people: members of the Management Board, Supervisory Board members and employees with individual contracts of employment.

PROVISIONS

Provisions for lawsuits
The Group made provisions for claims and damages related to alleged business offences. The amount of the provisions is determined based on the amount of compensation claims or an estimate if the amount of the claim is not yet known. The amount of provisions made is verified on a regular basis.

Provisions for termination and jubilee benefits
In accordance with the statutory requirements and the collective agreement, the companies in the Group are obligated to pay jubilee benefits and termination benefits upon retirement. These payments are measured using the simplified method of accounting, which requires that an actuarial liability is assessed on the basis of the expected salary increase from the valuation date until the anticipated retirement of an employee. This means that benefits are accrued in proportion with the work performed. The assessed liability is recognised as the present value of expected future expenditure. Anticipated salary increase and employee turnover are also considered as part of the measurement.

Actuarial calculations, which are the basis for determining the amount of provisions, are performed every year. Actuarial gains or losses of the current year are recognised in the income statement. The used assumptions are indicated in Note 26.

Maintenance of port infrastructure
In accordance with the concession agreement concluded with the government of the Republic of Slovenia, the company Luka Koper, d. d., creates long-term accrued costs and deferred revenues for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs.

INCOME TAX

Income tax is provided for in accordance with the Corporate Income Tax Act and, as we have the status of an Economic Zone user, also in accordance with the Economic Zones Act. In 2011 we did not receive tax authorities' decision and could therefore not claim such relief. The basis for the income tax calculation is gross amount of profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. Such a basis is used for accounting the corporate income tax liability. In 2011, income tax liability was calculated at the rate of 20 percent of the tax basis.

DEFERRED TAX

With a view of reporting the relevant profit or loss for the period, the Group also accounted for deferred tax. Deferred tax includes deferred tax assets and deferred tax liabilities. Deferred tax was provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The differences were identified as permanent or temporary, while the latter were further divided into taxable and deductible. Taxable deductible differences increase the taxable amounts and deferred tax liabilities, while deductible temporary differences reduce taxable amounts and increase deferred tax assets.

REVENUE

Operating revenue

Revenue from services rendered

Operating revenue is recognised when it can be reasonably expected that it will result in receipts unless these were already realised when revenue was generated and their amount can be reliably measured.

Revenue from services rendered is recognised using the stage of completion method on the balance sheet date. Under the method, revenue is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in the local and foreign markets.

Rental income

Rental income from investment property is recognised on a straight-line basis over the lease term. Rental income is recognised within operating revenue.

Other revenue

Other revenue includes fixed assets acquired free of charge, grants for the acquisition of fixed assets and government subsidies, primarily in the form of retained contributions on salaries of employees of our disability enterprise. Government grants are initially recognised as deferred revenue. When used up, they are recognised as other revenue. This is dedicated funding and the majority of funds is used to cover the depreciation charge of fixed assets as well as salaries of the disabled employees.

Finance income and expenses

Finance income comprises interest income from investments, income from dividends, income from disposal of available-for-sale financial assets, and foreign exchange gains. Interest income is recognised when accrued using the effective interest rate method. Income from dividends is recognised in profit or loss when a shareholder's right to payment is established.
Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method.

OPERATING EXPENSES – COSTS

Costs are recognised as expenses in the accounting period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed by natural types using the three-digit chart of accounts. Expenses are recognised when decrease in economic benefits in the accounting period results in a decrease of assets or increase in liabilities and this decrease can be reliably measured.

IMPAIRMENT OF ASSETS

Impairment of property, plant and equipment

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed. When the asset's recoverable amount cannot be assessed, the Group determines the recoverable amount of cash generating unit to which the asset belongs. Impairment loss is recognised in the income statement. Impairment losses should be reversed if the estimates used to determine the asset's recoverable amount have changed. Impairment loss is reversed to the extent that the increased carrying amount of the asset does not exceed its carrying amount that would have been determined net of depreciation, had no impairment loss been recognised in respect of the asset. The reversal of the impairment loss is recognised as revenue in the income statement.

Impairment of intangible assets

On the reporting date, intangible assets are tested for impairment. When the recoverable amount of an asset is less than its carrying amount, the asset's carrying amount is reduced to its recoverable amount. The decrease is disclosed as an impairment loss and recorded as a revaluation operating expense.

Impairment of financial assets

On each reporting date, financial assets are tested for impairment using criteria set out in the accounting manual in order to determine whether there is any objective evidence of impairment. If such objective evidence exists, the Group calculates the amount of impairment loss.

When the Group determines that investments carried at amortised cost should be impaired, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The amount of impairment loss is recognised in the income statement. When the reasons for impairment of an investment cease to exist, the reversal of the impairment of the investment carried at amortised cost is recognised in the income statement.

When the Group determines that investments in subsidiaries, associates, jointly controlled entities and other companies carried at cost should be impaired, the impairment loss is recognised as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in the income statement as a revaluation financial expense. When individual entity that is impaired is assessed as significant, the Group may decide to obtain a valuation report of the entity.

Impairment loss on available-for sale financial assets is recognised in the income statement as the difference between the investment's carrying amount and market or fair value on the balance sheet date. In 2011, we did not impair any of these investments.

STATEMENT OF OTHER COMPREHENSIVE INCOME

In the statement of other comprehensive income the Company reports revenue and expenses (inclusive of any adjustments due to reclassification) that are not included in the income statement in accordance with other IFRSs.

CASH FLOW STATEMENT

The cash flow statement is presented using an indirect method, on the basis of the balance sheet items as at 31 December 2011 and 31 December 2010, as well as the items in the income statement for the financial year ended 31 December 2011, inclusive of any necessary adjustments of the cash flows.

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity is a presentation of movements in individual equity elements during the financial year under review (total revenues and expenses as well as transactions with owners when they operate in their function as the owners), inclusive of the net profit distribution. Statement of comprehensive income is also included which increases net profit of the accounting period by total revenue directly recognised in the equity.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

Early application of IFRSs and IFRICs not yet effective

The Luka Koper Group has not early adopted any standards or interpretations that are not yet effective and which will come into force in the future.

In accordance with the IFRS and the EU, companies will have to follow following amended standards and interpretations in future periods:

IFRS 7 – Financial Instruments: Disclosures – Transfer of Financial Assets
The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised as well as disclosures about continuing involvement in derecognised assets The amendment is to be applied retrospectively.

The following amended and revised standards and interpretations will be adopted in future periods as required by International Financial Reporting Standards, if endorsed by the EU:

IFRS 7 – Financial Instruments: Disclosures (Amended) – Offsetting Financial Assets and Financial Liabilities
The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be applied retrospectively. This amendment has not yet been endorsed by the EU.

IFRS 9 – Financial instruments
The new standard is effective for annual periods beginning on or after 1 January 2015 and replaces IAS 39. Phase 1 of IFRS 9 sets new requirements for the classification and measurement of financial assets.

IFRS 10 – Consolidated financial statements
The new standard is effective for annual periods beginning on or after 1 January 2013 and addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent. Furthermore, the new standard changes definition of a controlling entity.

IFRS 11 – Joint Arrangements
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 identifies only two types of joint investments that can be jointly controlled: joint operations and joint ventures. Furthermore, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 – Disclosures of Involvement in Other Entities
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required in particular those related to assumptions used in determination of whether an entity controls another entity.

IFRS 13 – Fair Value Measurement
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

IAS 1 – Financial Statement Presentation: Presentation of Items of Other Comprehensive Income
The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

IAS 12 – Deferred Tax (Amended)
The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces: a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and b) the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

IAS 19 – Employee Benefits (Amended)
The fundamental change includes removal of the corridor mechanism for the recognition of changes made to defined benefits plan. Now, all changes are recognized when they are made either in the profit or loss or the statement of comprehensive income, depending on the type of changes. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 27 – Separate Financial Statements
The Standard is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The new standard is effective for periods beginning on or after 1 January 2013.

IAS 28 – Investments in Associates and Joint Ventures
The Standard was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 32 – Financial Instruments: Presentation (Amended) – Offsetting Financial Assets and Financial Liabilities
The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. This amendment has not yet been endorsed by the EU.

OPMSRP 20 – Stroški odkopa v proizvodni fazi površinskega rudnika
Pojasnilo predstavlja odmik od uporabe pristopa povprečnega razmerja med volumnom odpadnega materiala in izkopane rude v obstoječi življenjski dobi rudnika, ki se ga pri poročanju v skladu z MSRP poslužujejo številne družbe s področja rudarstva in pridobivanja kovin. Začetek uporabe pojasnila je za letna obdobja z začetkom 1.1.2013 ali kasneje. EU pojasnila še ni sprejela. Pojasnilo ne bo vplivalo na finančni položaj ali poslovanje družbe.

Skupina pregleduje vpliv še neobveznih standardov in pojasnil in v tem trenutku še ni ocenila vpliva novih zahtev. Skupina bo uporabila nove standarde in pojasnila v skladu z zahtevami le-teh v primeru, da jih EU sprejme

BASIS FOR CONSOLIDATION

Subsidiaries
Subsidiaries are entities controlled managed by another (parent) company. Having control means being able to decide on financial and operating policies of the controlled entity in order to obtain benefits from its operations. When assessing the influence, the existence and effect of possible voting rights, which can currently be exercised or exchanged, is considered. Increases in equity ownership interest in subsidiaries are recognised as equity transactions.

Financial statements of subsidiaries are included in consolidated financial statements as of the date when such control begins, until the date when it terminates.

Jointly controlled companies
Joint control is contractually agreed division of control and exists when strategic decisions on financing and performance, relating to company operation, require consents of the parties who share the control. They are included in the consolidated financial statements under the equity method.

Transactions not included in consolidation
The consolidated financial statements exclude the balances, unrealised gains and losses or revenue and expenses arising from intra-Group transactions. Unrealised losses are derecognised in the same way as profits, provided that no evidence of impairment exists.

JUDGEMENTS AND SOURCES OF UNCERTAINTY

Risk management
The Group monitors and strives to manage risks at all levels of business. In the assessment of risks, the Group considers various risk factors and compares costs with the related benefits. Appropriate risk management is ensured by their timely identification and management, by the relevant guidelines and policies, which are laid down in documents of the overall management system.

The Group's operations are exposed to strategic, operational and financial risks, which are largely dependent on market laws, and which requires their active monitoring. Procedures for risk identification, level of exposure and probability of damage occurring are described in the chapter Risk management on page 64. In addition to strategic and operational risks, the Group also encounters financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 31: Risk management of the Luka Koper Group.

SEGMENTS

IFRS 8 – Operating segments
The standard requires an entity to adopt management approach to reporting on the financial performance of its operating segments. As such it replaces the requirement for determining and reporting by business and regional segments.

The Group has identified a single business segment. Disclosure at the level of the whole Group is given in the table below.

Year 2011	Slovenia	Foreign markets	Total
Income			
Sales to customers	47,611,912	93,420,510	141,032,422
Total segment income	**47,611,912**	**93,420,510**	**141,032,422**

Year 2010	Slovenia	Foreign markets	Total
Income			
Sales to customers	42,874,842	82,300,459	125,175,301
Total segment income	**42,874,842**	**82,300,459**	**125,175,301**

31.12.2011	Slovenia		Foreign markets	Total
	Balance	Additions		
Intangible assets and long-term deferred costs	5,089,118	866,419	0	5,089,118
Property, plant and equipment	361,193,327	17,477,328	0	361,193,327
Investment property			0	0
Total	**366,282,445**	**18,343,747**	**0**	**366,282,445**

31.12.2010	Slovenia		Foreign markets	Total
	Balance	Additions		
Intangible assets and long-term deferred costs	7,299,398	531,877	0	7,299,398
Property, plant and equipment	373,840,418	19,617,376	0	373,840,418
Investment property	17,512,207	9,161	0	17,521,368
Total	**398,652,023**	**20,158,414**	**0**	**398,661,184**

9 DISCLOSURES OF THE INCOME STATEMENT ITEMS

Note 1: Operating revenue

(EUR)	2011	2010
Net sales	**143,633,226**	**127,346,489**
Sales on the local market	**47,611,912**	**42,874,842**
Sale of services on the local market	46,017,885	41,007,158
Sale of goods on the local market	24,548	31,301
Rental income on the local market	1,569,479	1,836,383
Sales on foreign markets	**93,420,510**	**82,300,459**
Sale of goods on foreign markets	93,261,933	82,286,518
Rental income on foreign markets	158,577	13,940
Other operating revenue	**2,600,804**	**2,171,188**
Other operating revenue	2,492,780	2,090,842
Revaluation operating revenue	108,024	80,347

In 2011, the Group achieved operating income of EUR 5,144,392 (2010: EUR 4,045,007).

Note 2: Other revenue

(EUR)	2011	2010
OTHER REVENUE	**486,606**	**392,177**
Other	127,722	4,315
Subsidies, grants and other revenue	358,884	387,862

Note 3: Costs of goods, materials and services

(EUR)	2011	2010
COSTS OF MATERIALS	**10,443,559**	**9,028,631**
Materials	28,349	135,264
Auxiliary materials	2,794,694	2,460,868
Fuel and power supply	7,138,180	5,882,650
Office supplies and professional literature	156,041	136,454
Other costs of materials	326,295	413,396
COSTS OF GOODS	**0**	**0**

(EUR)	2011	2010
COSTS OF SERVICES	**39,019,644**	**34,132,125**
Costs of physical services	16,920,479	13,169,606
Transport costs	231,817	249,883
Maintenance costs	6,362,758	5,944,470
Lease payments	795,081	945,423
Reimbursements of work-related costs to employees	325,681	299,942
Costs of payment processing and insurance premiums	459,026	454,244
Costs of professional and personal services	842,523	1,158,389
Costs of advertising, trade fairs and hospitality	1,201,814	1,220,409
Costs of services rendered by natural persons	249,072	99,072
Costs of other services	11,631,393	10,590,687

The majority of the costs of services relate to physical services which are inclusive of port services rendered by the contractors. The costs of professional and personal services include also audit fees. Total audit fee for the audit of the financial statements for the year 2011 reached EUR 36,500, whereas costs of other assurance services were EUR 6,020. The major amount of costs of other services represent costs of IT support of EUR 3,203,331 (2010: EUR 3,214,027). The costs of the concession fee amounted to EUR 4,473,430, compared to EUR 3,957,324 recorded in 2010.

In the category of payment processing costs and insurance premiums, the prevailing are insurance premiums amounting to EUR 395,245. The Group has insured the following: basic fire risks for property to an agreed new value, liability for damage to third persons, and it also has fire insurance for some of the goods owned by third parties. In accordance with the Concession Agreement, the port infrastructure intended for public transport is also insured (both the infrastructure owned by the company as the infrastructure under long-term lease).

Note 4: Labour costs

(EUR)	2011	2010
LABOUR COSTS	**37,897,391**	**36,100,966**
Salaries	24,551,523	23,327,623
Salary substitutes	4,196,705	3,934,857
Costs of supplementary pension insurance	1,189,871	1,127,251
Annual leave allowance, reimbursements and other costs	3,272,569	3,319,762
Employer's contributions on salaries	4,686,723	4,391,473

In the financial years 2011 and 2010, the annual holiday pay amounted to EUR 910 per employee.

In 2011 the employees (with exception of members of the Management Board), received the amount equal to one average salary (13th salary) on account of the planned added value achieved. Additional benefits paid to employees by the employer are supplementary pension insurance contributions (pension scheme), which the employer has been paying for the past ten years.

The Group increased the number of employees to 1020 as at 31 December 2011, compared to 972 reported at 31 December 2010. The average number of employees in 2011 was 998, and 1014 in 2010.

Average number of employees of the Luka Koper Group by educational level in 2011 and 2010.

Level of education	Average 2011 Group	Average 2010 Group
VIII/2	2	2
VIII/1	18	16
VII	103	103
VI/2	122	118
VI/1	61	58
V	259	263
IV	249	256
III	22	27
I-II	162	171
Total	**998**	**1014**

Number of employees at 31 December 2011 and 31 December 2010

Group company	31.12.2011	31.12.2010
Luka Koper, d. d.	787	748
Luka Koper INPO, d. o. o.	200	213
Luka Koper Pristan, d. o. o.	4	6
Adria Terminali, d. o. o.	27	30
TOC, d. o. o.	2	0
Total	**1020**	**997**

Note 5: Write-downs

(EUR)	2011	2010
Write-downs	**27,738,473**	**28,267,008**
Amortisation of intangible assets	275,241	152,946
Depreciation of buildings	11,798,140	11,456,224
Depreciation of equipment and small tools	15,079,083	14,617,121
Depreciation of investment property	139,076	42,507
Revaluation operating expenses for property, plant and equipment	33,023	56,867
Revaluation operating expenses for current assets	413,911	1,941,343

Depreciation and amortisation rates were not changed in 2011. Borrowing costs of EUR 33,900, which could be directly attributed to a purchase or construction of an asset in preparation, were capitalised and attributed to the cost of fixed assets. The used capitalisation rate for determining the amount of borrowing costs was between 3.29 and 3.89 percent in 2011.

Note 6: Provisions and other operating expenses

(EUR)	2011	2010
Provisions	**524,429**	**-251,369**
Provisions for damages	365,214	-191,484
Provisions for ordinary maintenance (concession agreement)	159,215	-59,885

Movements in provisions and accrued and deferred items are disclosed in Note 26.

(EUR)	2011	2010
Other expenses	**6,112,635**	**6,267,365**
Charges unrelated to labour costs	5,272,150	5,321,641
Environment protection expenditure	112,037	196,658
Awards and scholarship to students	10,050	5,698
Other costs	718,398	743,368

Charges unrelated to labour costs include in particular the fee for the building land, which in 2011 amounted to EUR 4,889,121 on the Group level (2010: EUR 4,841,289).

Note 7: Finance income

(EUR)	2011	2010
TOTAL FINANCE INCOME	**1,714,786**	**2,309,705**
Finance income from interests	**1,298,498**	**1,830,707**
Finance income from interests in associates	442,885	573,340
Finance income from interests in other companies	855,613	1,257,367
Finance income from loans	**256,170**	**288,754**
Finance income from loans to others	256,170	288,754
Finance income from operating receivables	**160,118**	**190,245**
Finance income from operating receivables due from others	156,730	156,300
Foreign exchange gains	3,389	33,945

Note 8: Finance expense

(EUR)	2011	2010
TOTAL FINANCE EXPENSES	**22,165,076**	**19,805,295**
Finance expenses for impairment and write-off of investments	**14,161,958**	**11,069,760**
Finance expenses relating to associates	14,160,047	6,736,095
Finance expenses relating to others	1,911	4,333,664
Finance expenses for financial liabilities	**8,001,150**	**8,630,937**
Finance expenses for borrowings from associates	29,081	37,484
Finance expenses for borrowings from banks	7,966,722	8,593,452
Finance expenses for other financial liabilities	5.347	0
Finance expenses for operating liabilities	**1,968**	**104,599**
Finance expenses for supplier payables and bills payable	453	52,196
Finance expenses for other operating liabilities	1,515	52,403

More significant items of investment impairments represent impairment of non-current financial assets (disposal groups) held for sale and relate to impairment of the investment in Intereuropa, d. d. to the amount of EUR 13,916,047. The amount of impairment was based on the appraisal of the market value of the investment held.

Market value appraisal of the investment in Intereuropa, d. d. was made as at 30 September 2011, using the 8-yearly free cash flow projections taking into consideration the discount rate which changes on a yearly basis depending on the structure of equity and liabilities, whereas cash flows in excess of 8 years were extrapolated with 1 percent growth rate.

Financial expenses for financial liabilities fell in 2011 by 7.8 percent as a result of a decline in the Group's debt and refinancing current liabilities using less expensive non-current resources. A more detailed analysis of the interest rate risk and the sensitivity of financial liabilities according to the changed variable interest rates is provided in Note 29: Financial risk management.

Note 9: Profit or loss before taxes

In 2011, the Luka Koper Group realised pre-tax profit of EUR 1,933,409, whereas in 2010 the Group incurred a loss of total EUR 3,301,651.

Note 10: Income tax

The Group calculates corporate income tax in accordance with the Corporate Income Tax Act. The corporate income tax of EUR 1,130,338 represents the sum of taxes payable by individual Group companies. Income tax for the year 2010 amounted to EUR 391,250.

(EUR)	2011	2010
Profit/loss before tax	**1,933,409**	**-3,301,652**
Income tax (20% in 2011; 20% in 2010	**-386,682**	**660,330**
Tax relief for employment of disabled persons	209,498	210,282
Other tax relief	312,027	297,254
Expenditure not recognised for tax and other increases in tax basis	-627,427	-630,989
Tax base increase – investment impairment	-1,479,669	-509,409
Non-taxable income and increase in expenditure	319,956	93,094
Non-taxable dividends received	166,617	277,438
Income tax credit/payable	-1,485,680	398,000
Effective tax rate	-	-

Note 11: Deferred tax

Deferred taxes decreased the net profit by EUR 355,340, whereas in 2010 the deferred tax reduced the losses incurred by EUR 789,249. Deferred tax assets were made on account of investment impairment, provisions for jubilee benefits, termination benefits, damages, and unutilised tax losses of the current year. On the other hand, deferred tax was reduced due to utilisation of provisions for jubilee benefits and termination benefits, as a result of disposal of previously impaired investments and by the amount of utilised tax losses.

Deferred tax assets and liabilities recognised in the profit or loss are presented below:

(EUR)	2011	2010
Deferred tax recognised in profit or loss	**-355,341**	**789,250**
Provisions for damages, jubilee and termination benefits	1,275	-90,343
Unutilised tax losses	-1,701,622	-903,272
Bad debt allowance	69,916	364,305
Non-current investments	1,275,090	1,418,560

Deferred tax assets and liabilities recognised in the comprehensive income are presented below:

(EUR)	2011	2010
Deferred tax on changes in fair value of AFS financial assets	-951,563	-132,427

At 31 December, deferred tax was recognised on account of:

(EUR)	Balance sheet		Income statement		Equity	
	2011	2010	2011	2010	2011	2010
Deferred tax liabilities	**1,677,161**	**2,628,722**			**-951,563**	**-132,427**
Fair value revaluation of financial instruments	74,574	0			74,571	0
Revaluation of AFS financial assets to fair value	1,602,587	2,628,722			-1,026,134	-132,427
Deferred tax assets	**9,060,844**	**9,416,185**	**-355,341**	**789,250**	**0**	**0**
Provisions	657,083	655,808	1,275	-90,343		
Fixed assets disposal	31,446	31,446	0	0		
Revaluation of financial assets	8,073,327	6,798,237	1,275,090	1,418,560		
Bad debt allowance	298,988	229,072	69,916	364,305		
Unutilised tax losses	0	1,701,622	-1,701,622	-903,272		
Netting of deferred tax assets and liabilities	**7,383,683**	**6,787,463**				

Note 12: Net profit or loss for the financial year

Net profit or loss of the Group – the majority shareholder, was net profit of total EUR 443,364, whereas in 2010 the Group incurred net loss of EUR 2,903,652. Net profit of the minority shareholder of EUR 4,364 represents the relevant amount of profit belonging to the minority owner of TOC, d. o. o.

Net profit or loss of subsidiaries

Subsidiaries (EUR)	Net profit or loss 2011	Net profit or loss 2010
Luka Koper Pristan, d. o. o.	**-94,501**	**-499,032**
Profit	20,419	120,968
Profit share paid	-114,920	-620,000
Luka Koper Inpo, d. o. o.	**2,215,186**	**-1,324**
Profit	3,120,469	2,263,206
Profit share paid	-905,282	-2,264,530
Adria Terminali, d. o. o.	**-45,916**	**-375,838**
Adria Investicije, d. o. o.	**-**	**11,213**
TOC, d. o. o.	**8,782**	**-**

Attributable profits/losses of associates and jointly controlled companies

Associates (EUR)	2011	2010
Avtoservis, d. o. o.	**-63,024**	**-366,469**
Profit attributed under the equity method	34,976	109,483
Profit share paid	-98,000	-475,952
Golf Istra, d. o. o.		
Loss/profit attributed under the equity method	-	23,511
TOC, d. o. o.		
Loss attributed under the equity method	-	-7,161
Railport Arad s. r. l.		
Profit/loss attributed under the equity method	-	-255,411

Jointly controlled entities (EUR)	2011	2010
Adriafin, d. o. o.	**-202,709**	**-98,351**
Profit attributed under the equity method	-2,709	64,135
Profit share paid	-200,000	-162,486
Adriatransport, d. o. o.	**3,791**	**78,542**
Profit attributed under the equity method	78,406	78,542
Profit share paid	-74,615	0
Adria-Tow, d. o. o.	**132,212**	**283,817**
Profit attributed under the equity method	332,212	483,817
Profit share paid	-200,000	-200,000
Ecoporto Koper, d. o. o	**0**	**0**
Adriasole, d. o. o.	**0**	**0**

10 DISCLOSURS OF THE BALANCE SHEET ITEMS

Note 13: Intangible assets

(EUR)	31.12.2011	31.12.2010
Intangible assets	**5,089,118**	**7,299,398**
Long-term property rights	4,756,548	7,299,398
Long-term deferred development costs	332,570	0

Intangible assets were not impaired in 2011. The changes and the related adjustments are shown in the attached table in Note 15 for the financial year 2011, with the 2010 figures provided for comparison. No intangible assets were pledged as collateral.

Note 14: Property, plant and equipment

(EUR)	31.12.2011	31.12.2010
Property, plant and equipment	**361,905,831**	**373,335,195**
Land	10,966,136	12,072,877
Buildings	245,041,382	246,239,204
Plant and machinery	81,758,020	88,756,918
Other plant and equipment	245,119	148,952
Fixed assets being acquired	23,895,174	26,117,245
Advances for fixed assets	**1,247,700**	**505,222**
Advances for acquisition of fixed assets	1,247,700	505,222

The Luka Koper Group measures the items of property, plant and equipment at cost less any accumulated depreciation and impairments. The assessed useful lives were not changed in 2011.
The following major capital investments were made in 2011:

- Equipment used for loading and unloading at the container terminal of total EUR 5.8 million,
- Dredging and reconstruction of bollards at the passenger terminal of total EUR 1.3 million,
- Landscaping of areas on terminals as well as elsewhere including reconstruction, lighting and other utility infrastructure of total EUR 2.2 million

No items of fixed assets have been pledged by the Group. As at 31 December 2011, the outstanding trade liabilities to the suppliers of fixed assets amounted to EUR 2,746,586.

Changes in the value of fixed assets are detailed in the attached tables of changes in fixed assets in Note 15.

Note 15: Investment property

(EUR)	31.12.2011	31.12.2010
Investment property	**20,283,050**	**17,512,207**

Investment property consists of buildings that are leased out to unrelated entities under an operating lease and land, which is held in order to increase its value in the long-term. The equity interest in the assets is checked on a regular basis. In 2011, the value of investment property increased as a result of lease of buildings to non related parties.

Changes in property, plant and equipment, investment property, intangible assets as well as in adjustments to their values are presented in the tables below for the year 2011 and comparatively for 2010.

Table of changes in property, plant and equipment and intangible assets in 2011

(EUR)	Land	Buildings
Cost		
Balance at 1 January 2011	**12,072,877**	**398,946,758**
The Group		33,373
Additions		5,693,404
Transfer to use		5,905,759
Transfer to property, plant and equipment		
Transfer from intangible assets		3,664,483
Disposals		-1,123,499
Transfer to investment property	-1,106,741	-3,620,697
Transfer to the sales account		-2,081,553
Advances		
Transfer to assets not usable		-4,535
Balance at 31 December 2011	**10,966,136**	**407,413,493**
Accumulated depreciation/amortisation		
Balance at 1 January 2011	**0**	**152,707,554**
The Group		2,670
Depreciation/amortisation		11,798,140
Disposals		-314,198
Transfer to property, plant and equipment		
Transfer from intangible assets		
Transfer to investment property		-1,817,520
Transfer to the sales account		
Transfer to assets not usable		-4,535
Balance at 31 December 2011	**0**	**162,372,111**
Advances		
Balance at 1 January 2011	**12,072,877**	**246,239,204**
Balance at 31 December 2011	**10,966,136**	**245,041,382**

Plant, equipment and small tools	Fixed assets being acquired and advances	Total property, plant and equipment	Intangible assets	Intangible assets being acquired	Total intangible assets
226,568,525	**26,622,467**	**664,210,627**	**11,915,537**	**6,906,261**	**18,821,798**
359,351		392,724	534,405		534,405
7,488,419	4,295,505	17,477,328	350,884	866,419	1,217,303
611,817	-6,517,576	0	3,140,828	-3,140,828	0
		0	-1,156,506	-3,664,483	-4,820,989
1,156,506		4,820,989			0
-1,265,839		-2,389,338	-3,934		-3,934
		-4,727,438			0
-1,786,355		-3,867,908			0
	742,478	742,478			0
0		-4,535	0		0
233,132,424	**25,142,874**	**676,654,927**	**14,781,214**	**967,369**	**15,748,583**
137,662,655	**0**	**290,370,209**	**11,522,400**	**0**	**11,522,400**
192,758		195,428	18,494		18,494
15,079,083		26,877,223	275,240		275,240
-1,194,314		-1,508,512	-163		-163
		0	-1,156,506		-1,156,506
1,156,506		1,156,506			0
		-1,817,520			0
-1,767,401		-1,767,401			0
0		-4,535	0		0
151,129,287	**0**	**313,501,398**	**10,659,465**	**0**	**10,659,465**
		0			
88,905,870	**26,622,467**	**373,840,418**	**393,137**	**6,906,261**	**7,299,398**
82,003,137	**25,142,874**	**363,153,529**	**4,121,749**	**967,369**	**5,089,118**

Table of changes in property, plant and equipment and intangible assets in 2010

(EUR)	Land	Buildings
Cost		
Balance as at 1 January 2010	**12,072,877**	**367,357,607**
Decreases in the initial balance – disposal		
Transfer of the opening balance impairment		**4,015**
Transfer of opening balance among associates		**595,585**
Additions		424,751
Transfer to use		29,538,234
Disposals		-155,940
Transfer from investment property		1,192,326
Transfer to the sales account		-9,820
Transfers to non-current operating receivables		
Transfers to assets being acquired		
Increases from the sales account		
Balance as at 31 December 2010	**12,072,877**	**398,946,758**
Accumulated depreciation/amortisation		
Balance as at 1 January2010		**140,773,719**
Decrease in the initial balance - disposal		**-597,644**
Depreciation		11,456,224
Disposals		-107,251
Transfer from investment property		1,192,326
Transfer to the sales account		-9,820
Transfer from investment		
Balance as at 31 December 2010	**0**	**152,707,554**
Advances given		
Advances given		
Balance as at 31 December 2010	**0**	**0**
Carrying amount		
Balance as at 1 January 2010	**12,072,877**	**226,583,888**
Balance as at 31 December 2010	**12,072,877**	**246,239,204**

Plant, equipment and small tools	Fixed assets being acquired and advances	Total property, plant and equipment	Intangible assets	Intangible assets being acquired	Total intangible assets
224,431,817	**47,420,088**	**651,282,389**	**11,909,003**	**6,484,499**	**18,393,502**
-597,528	**-2,969,295**	**-3,566,823**			
		4,015			
		595,585			
2,479,601	16,713,024	19,617,376		531,877	531,877
3,549,493	-33,394,854	-307,127	6,534	-4,414	2,120
-3,158,455		-3,314,395			
		1,192,326			
-263,246		-273,066			
	-1,757,419	-1,757,419			
	105,701	105,701		-105,701	-105,701
126,843		126,843			
226,568,525	**26,117,245**	**663,705,405**	**11,915,537**	**6,906,261**	**18,821,798**
125,749,336		**266,523,055**	**11,369,454**		**11,369,454**
		-597,644			
14,617,121		26,073,345	152,946		152,946
-2,610,822		-2,718,073			
		1,192,326			
-219,823		-229,643			
126,843		126,843			
137,662,655	**0**	**290,370,209**	**11,522,400**	**0**	**11,522,400**
	0	**0**			
	505,222	**505,222**			**0**
0	**505,222**	**505,222**	**0**	**0**	**0**
	0	**0**			
98,682,481	**47,420,088**	**384,759,334**	**539,549**	**6,484,499**	**7,024,048**
88,905,870	**26,622,467**	**373,840,418**	**393,137**	**6,906,261**	**7,299,398**

Table of changes in investment property 2011

(EUR)	Investment property	Investment property being acquired	Total investment property
Cost			
As at 1 January 2011	**17,301,099**	**305,006**	**17,606,105**
Additions			0
Transfer to use	305,006	-305,006	0
Transfer from FA	4,131,854		4,131,854
Disposals			0
Transfer from investments to land and buildings			0
Transfer from investment property			
Impairment			
As at 31 December 2011	**21,737,959**	**0**	**21,737,959**
Accumulated depreciation			
As at 1 January 2011	**93,898**		**93,898**
Depreciation	139,075		139,075
Transfer from FA	1,221,937		1,221,937
Transfer from investment property			
Disposals			
Transfer from investments to land and buildings			
As at 31 December 2011	**1,454,910**		**1,454,910**
Carrying amount			
As at 1 January 2011	**17,207,201**	**305,006**	**17,512,207**
As at 31 December 2011	**20,283,049**	**0**	**20,283,049**

Table of changes in investment property 2010

(EUR)	Investment property	Investment property being acquired	Total investment property
Cost			
As at 1 January 2010	**13,727,771**	**4,762,488**	**18,490,259**
Additions	5,146		5,146
Transfer to use		305,006	305,006
Transfer to investment property	4,762,488	-4,762,488	0
Disposals	-1,980		-1,980
Transfer from investments to land and buildings	-1,192,326		-1,192,326
Transfer from investment property			
Impairment			
As at 31 December 2010	**17,301,099**	**305,006**	**17,606,105**
Accumulated depreciation			
As at 1 January 2010	**51,391**		**51,391**
Depreciation	42,507		42,507
Transfer to investment property			
Transfer from investment property			
Disposals			
Transfer from investments to land and buildings			
As at 31 December 2010	**93,898**		**93,898**
Carrying amount			
As at 1 January 2010	**13,676,380**	**4,762,488**	**18,438,868**
As at 31 December 2010	**17,207,201**	**305,006**	**17,512,207**

Note 16: Non-current investments

(EUR)	31.12.2011	31.12.2010
Long-term investments	**48,310,023**	**51,015,089**
Long-term investments except loans	**43,742,721**	**48,671,349**
Interest in associates	12,269,902	12,826,668
Other shares and interests at fair value	24,284,278	28,669,236
Other shares and interests at cost	7,188,541	7,175,445
Long-term loans	**4,567,302**	**2,343,740**

Non-current investment excluding loans

On the last day of the financial year 2011, the Group's long-term investments totalled EUR 48,310,023 and accounted for 10.1 percent of its total assets. The investments mostly consist of the parent company's investments in associates and jointly controlled companies, and of other investments in securities and interests.

Investments in associates and jointly controlled companies include investments in the following entities: Adria-Tow, d. o. o., Adria Transport, d. o. o., AdriaFin, d. o. o., Avto Servis, d. o. o., Golf Istra, d. o. o. and Rail Port Arad in Rumania. In 2011, the value of investments in associates and jointly controlled entities decreased as a result of disposal of investment in Ecoporto, d. o. o.. Investments in Tehnološko okoljski center, d. o. o. (TOC, d. o. o.) was transferred to investments in subsidiaries due to the increase in the Group's interest in the enterprise to 66.8 percent. All the investments in this category are carried under the equity method. As of the last day of the financial year, the value of investments totalled EUR 12,269,902 compared to EUR 12,826,668 as of the last day of the financial year 2010.

At 31 December 2011, the value of available-for-sale financial assets was estimated at EUR 24,284,278, compared to EUR 28,669,236 at 31 December 2010. During the financial year, the value of available-for-sale financial assets was declining slightly and for this reason revaluation surplus was decreased to EUR 8,380,857 at 31 December 2011 compared to EUR 13,143,609 reported in 2010.

All other non-current investments carried at cost in the amount of EUR 7,188,541 represent investments in non-marketable securities and interests.

Non-current loans

As at 31 December 2011, long-term loans amounted to EUR 4,567,302, compared to EUR 2,343,740 in 2010. Of that, 3 percent represents housing loans approved to employees and others, bonds of Slovenian issuers account for 35 percent, whereas 62 percent accounts for investments in bank deposits.

Housing loans were granted to employees partly on the basis of the Housing Act of 1991 and subsequently in accordance with internal housing rules. Maximum repayment period is 20 years. All housing loans are appropriately collateralised.

Among investments in securities with a fixed rate of return, the largest share represent investments in bonds issued by Slovene commercial banks with maturities through 2020. The interest rate spread for investments classified as loans ranges between the nominal amount of 2.7 percent and 6.0 percent.

Note 17: Non-current operating receivables

(EUR)	31.12.2011	31.12.2010
Long-term operating receivables	**8,664**	**41,559**
Long-term operating receivables due from others	8,664	41,559

Note 18: Deferred tax assets

(EUR)	31.12.2011	31.12.2010
Deferred tax assets	**9,060,844**	**9,416,185**

Deferred tax assets are accounted for temporary differences arising from the creation of provisions for employee benefits, unused tax losses and the impairment of available-for-sale investments through profit or loss.

Deferred tax assets were recognised on account of the following:

(EUR)	31.12.2011	31.12.2010
Provisions	657,084	655,808
Unused tax losses	0	1,701,622
Non-current investments and receivables	8,403,760	7,058,755
Total	**9,060,844**	**9,416,185**

Note 19: Assets (disposal groups) held for sale

(EUR)	31.12.2011	31.12.2010
Current assets (disposal groups) held for sale	**6,975,723**	**18,224,413**
Fixed assets	1,402,475	1,426,412
Investments	5,573,248	16,798,001

Based on expressed interest in buying shares of the company Intereuropa, d. d., and in accordance with the adopted segmentation and policy of investment management, the Management Board decided to carry out the sale of interest in the company Intereuropa, d. d. In December 2010, it announced on SEOnet a public invitation to purchase shares.

In 2010 we therefore transferred to this group a long-term investment to the company Intereuropa at the book value of EUR 19,147,000, additionally impairing it by EUR 2,348,999 based on appraisal. In 2011, the investment was additionally impaired by EUR 13,916,047 and as at 31 December 2011, the investment value is EUR 2,881,954.

Further two investments were classified into this category in 2011: investment in subsidiary Adria Investicije, d. o. o., at the carrying amount of EUR 2,081,552 and investment in Logis Novo, d. o. o., in the amount of EUR 609,741.

Note 20: Inventories

Inventories are held by the subsidiary Luka Koper Pristan, d. o. o. which carries out restaurant and hotel management activities. The Group did not pledge any inventories as collateral for liabilities and neither were any inventories written-off. As at 31 December 2011 the Group had no inventories, whereas at 31 December 2010, the value of inventories stood at EUR 12,688.

Note 21: Current investments

(EUR)	31.12.2011	31.12.2010
Current investments	**681,227**	**837,691**
Current loans to others	641,201	837,691
Current deposits	40,026	0

Short-term investments of Luka Koper Group amounted to EUR 641,201 as at 31 December 2011. The major amount represents EUR 420,000 invested in bods of Factor banka, issue 15 and code FB15, which mature in 2012. Majority of the remaining investments are loans granted some years ago and which have been mostly impaired in the past.

Short-term deposits of EUR 40,026 account for 6.7 percent of total current investments of the Group.

Total interest earned on non-current and current investments (under the actual interest rate method) in 2011 amounted to EUR 256,170 representing a slight fall as compared to EUR 288,753 earned in 2010.

Note 22: Current operating receivables

(EUR)	31.12.2011	31.12.2010
Short-term operating receivables	**23,117,862**	**22,980,690**
Short-term domestic trade receivables	8,746,035	5,991,849
Bad debt allowance	-1,723,111	-174,664
Short-term foreign trade receivables	5,678,131	8,618,981
Advances for current assets	800	5,481
Short-term operating receivables due from exporters	7,407,604	6,184,268
Bad debt allowance	-35,368	-36,774
Short-term interest receivable	165,842	167,717
Bad debt allowance	-73,944	-43,434
Input VAT receivables	480,820	718,445
Other short-term receivables	1,221,167	539,089
Income tax receivables	388,388	0
Receivables for taxes and excise duties	861,498	1,009,732

With most trade receivables, the Luka Koper Group has an option to enforce a legal lien over warehoused goods in its possession, in accordance with Article 167 of the Law of Property Code. The Luka Koper Group has no claims towards members of the Management Board and the Supervisory Board. In accordance with the newly adopted policy of bad debt allowance, all receivables due and outstanding for more than 180 days were fully impaired.

Maturity structure of short-term receivables, advances and receivables due from exporters

Maturity (EUR)	31.12.2011	31.12.2010
Outstanding trade receivables neither past due nor impaired	**18,315,821**	**18,839,320**
Up to 30 days	2,275,655	2,274,509
31 to 60 days overdue	308,341	248,081
61 to 90 days overdue	100,270	174,833
91 to 180 days overdue	209,042	248,934
181 to 365 days overdue	336,602	288,915
More than 365 days overdue	452,681	312,332
Total due but not impaired	**1,850,168**	**3,291,598**
Overdue and (partly) impaired	**1,832,423**	**256,006**
Total trade receivables	**21,998,412**	**22,386,924**

Changes in bad debt allowance

(EUR)	2011	2010
Bad debt allowance at 1 January	**256,006**	**170,823**
–write-downs during the year	52,172	69,113
–payments during the year	35,722	6,945
+additional increase in bad debt allowance	448,094	161,241
+ transfer between accounts *	1,216,217	0
Closing balance at 31 December	**1,832,423**	**256,006**

*Transfer between accounts of total EUR 1,216,217 is a result of transfer posting made in 2010 from allowance of other short-term operating receivables to the allowance account of trade receivables due from local customers. Impairment of EUR 1,216,217 was recognised in 2010 in respect of the Panonija project running from 2008 to 2010.

Note 23: Cash

Cash, which amounted to EUR 1,038,270 as at 31 December 2011, represents deposit money and short-term bank deposits with the maturity of up to 3 months (2010: EUR 680,829. The Group has not agreed any automatic overdraft facilities on its current accounts with banks. For daily cash surpluses on transaction accounts the Group has agreed framework contracts with a commercial bank and a contract for transfer of any surplus cash, thus ensuring optimum liquidity.

Note 24: Deferred costs and accrued revenue

(EUR)	31.12.2011	31.12.2010
DEFERRED COSTS AND ACCRUED REVENUE	**552,748**	**484,137**
Insurance premiums	67,720	60,418
Short-term deferred costs	53,344	104,783
Accrued revenue	431,684	318,936

Note 25: Equity

(EUR)	31.12.2011	31.12.2010
EQUITY	**240,796,819**	**244,056,503**
MAJORITY SHAREHOLDERS' EQUITY	**240,688,679**	**244,056,503**
Share capital	58,420,965	58,420,965
Capital surplus	89,562,703	89,562,703
Legal reserves	18,882,889	18,882,890
Other revenue reserves	56,263,317	58,112,522
Revaluation surplus	6,703,698	10,514,887
Retained earnings	10,411,742	8,562,536
Net profit or loss for the period	443,364	0
MINORITY SHAREHOLDERS' EQUITY	**108,140**	**0**

The share capital consists of 14,000,000 registered ordinary no-par value shares of the controlling company Luka Koper, d. d. that are freely transferable.

For complete information about ownership structure, changes in the share's price, and dividend distribution policy, see chapter "The LKPG Share" on page 58 of the Business Report.

Revaluation surplus

Equity revaluation surplus of long-term investments of the available-for-sale group amounts to EUR 6,703,698, a decrease of EUR 3,811,189 over the 2010 financial year due to the sale of some investments and a decline in share prices.

Capital surplus

Capital surplus is carried at amounts incurred by the reversal of the general capital revaluation adjustment. It was not changed in 2011.

Revenue reserves

Revenue reserves comprise legal reserve and other revenue reserves. The latter were used to cover the net loss of the year incurred by the parent company.

Loss settlement

The Group generated net profit of EUR 443,364 in 2011. The loss of the parent company was settled from other revenue reserves, whereas the loss incurred by subsidiary Adria Terminali d. o. o. remained unsettled as there is no profits available to cover losses.

Consolidated equity of the Luka Koper Group

The Group's consolidated equity is the sum of the majority owner's and minority owners' equity after offsetting the long-term investments of the parent company against the equity of subsidiaries in proportion to the parent company's interest in these companies. Consolidated equity of the Group thus equals EUR 240,688,679.

Net profit/loss per share

(EUR)	2011	2010
Net profit or loss of majority shareholder	443,364	-2,903,652
Weighted average number of ordinary shares	14,000,000	14,000,000
Basic and diluted earnings/loss per share	**0.03**	**-0.21**

Dividend policy of Luka Koper, d. d.

The dividend policy of the company Luka Koper, d. d. represents a harmonised combination of the owners' aspiration for dividend yields, and the desire to use the net profit for financing investment plans. Considering the operating results, the Company does not plan dividend payment in 2010. Nevertheless, we plan for the Company to allocate in the future years approximately a third of the net profit of a period to dividends, while considering the investment plans in the port infrastructure and equipment.

Note 26: Provisions and accrued costs and deferred revenue

(EUR)	31.12.2011	31.12.2010
PROVISIONS	**12,435,924**	**12,636,801**
Provisions for pensions and similar benefits	1,251,736	1,495,685
Other provisions	4,903,216	4,378,787
Long-term accrued costs and deferred revenue	6,280,972	6,762,329

Movement of provisions and accrued costs and deferred revenue

(EUR)	Provisions for damages, lawsuits and compensation	Provisions for termination benefits on retirement	Provisions for jubilee benefits	Long-term accrued and deferred items	Long-term accrued and deferred items – GJS	Total
Opening balance at 1 January 2011	**1,972,368**	**1,090,634**	**405,051**	**6,762,329**	**2,406,419**	**12,636,801**
Created in 2011	1,184,901	63,719	29,916	3,870,600	909,722	6,058,858
Payment or reversal in 2011	-819,687	-290,888	-46,695	-4,351,957	-750,507	-6,259,734
Closing balance at 31 December 2011	**2,337,581**	**863,465**	**388,272**	**6,280,972**	**2,565,634**	**12,435,924**

Provisions for termination benefits upon retirement and jubilee benefits were formed in the amount of present value of expected future expenditure. The calculation of provisions for liabilities to employees regarding termination benefits and jubilee benefits for Luka Koper d. d. is based on actuarial calculation as at 31 December 2011 considering the following:
- Currently applicable amount of termination and jubilee benefits,
- Average annual increase of gross salaries and average inflation in 2011,
- Mortality based on mortality tables in Slovenia 2000–2002,
- 3.25 percent discount rate,
- Employees' turnover considering their age.

Provisions of other companies in the Group were reduced by the amount of jubilee benefits and termination benefits paid during the year, and increased by the new provisions made on the basis of the most recent actuarial calculation.

Provisions for lawsuits of total EUR 1,184,901 were made based on estimated amount of potential damages provided by internal legal services or other external attorneys at law considering the existing lawsuits and claims for damages and potential new lawsuits and claims.

In accordance with the Concession agreement, Luka Koper d. d. has obtained the right and obligation to collect port dues which represent income intended to cover costs of the provision of commercial public services. Any surplus of revenue over costs is retained as a provision for costs of ordinary maintenance of port infrastructure in future years.

Long-term accrued cost and deferred revenue comprise deferred revenue from fixed assets acquired free of charge or grants for the acquisition of fixed assets as well as retained contributions on the salaries of employees working for the disability firm Luka Koper INPO, d. o. o. The funds have been earmarked for a particular purpose and are mainly used to cover the fixed asset depreciation charge or else they are recognised as revenue when received and used to cover salaries of the disabled persons.

Note 27: Non-current liabilities

(EUR)	31.12.2011	31.12.2010
FINANCIAL AND OPERATING LIABILITIES	**158,672,802**	**161,192,848**
Long-term financial liabilities	**156,864,708**	**158,376,144**
Long-term borrowings from banks	155,303,673	158,376,144
Long-term liabilities to associates	1,064,212	0
Other long-term financial liabilities	496,823	0
Long-term operating liabilities	**130,935**	**187,982**
Long-term operating liabilities	130,935	187,982
Deferred tax liabilities	**1,677,159**	**2,628,722**

Non-current financial liabilities

The total borrowings from banks, long-term as well as short-term, decreased by EUR 20,497,618 in 2011 compared to 2010.

Long-term borrowings from banks total EUR 155,303,673. Only a part of long-term loan principals falling due in 2012 was transferred to short-term liabilities. In 2011, we raised a long-term loan of EUR 35 million from the European Investment Bank in order to restructure a portion of short-term loans raised in the past.

All bank loans are agreed at variable interest rate. Variable interest rates translated to the unified nominal annual interest rate as at 31 December 2011 are between 2.285 and 5.207 percent.

Repayments of all long-term borrowings from banks are progressing in accordance with the defined payment dynamics; for some borrowings, moratorium was agreed on the principal amount. All borrowings are collateralised with blank bills of exchange and financial covenants. Anticipated repayment dynamics of long-term borrowings from banks showing outstanding principal amounts is presented in the table below. EUR 48,777,193 of principal amount of borrowings will mature in 2012. As at 31 December 2011, the Group had a total of EUR 27 million of long-term borrowings which were used to refinance short-term borrowings that matured in the beginning of 2012.

In addition to bank borrowings, the Group has agreed EUR 1,500,000 of long-term loan contracts with associates for the Group to manage its liquidity. Of the total amount, by the end of 2011, only EUR 1,064,212 was withdrawn since loan contracts are agreed as long-term revolving loans maturing in 2016. Interest rate agreed on these loans is tax recognised rate for transactions with related parties. Short-term loans include a bank loan which matured in the beginning of 2012 and a revolving loan of EUR 2.8 million granted by commercial banks. As of the last day of the year, only EUR 1.8 million was withdrawn.

If the variable rate of interest remained unchanged, total interest expense for the projected period would amount to EUR 35,353,987.

Principal balance of long-term borrowings as at 31 December 2011 and their maturity	2012	2013	2014	2015	2016	Period 2017–2031
204,377,105	48,777,193	40,478,860	10,743,859	13,608,939	10,538,017	80,230,237
Interest	6,746,265	5,780,776	4,563,696	4,001,291	3,420,853	10,841,106

Principal balance of long-term borrowings as at 31 December 2010 and their maturity	2011	2012	2013	2014	2015	Period 2016–2025
224,879,001	66,202,339	28,893,860	45,478,860	15,437,860	15,331,161	53,534,921

The Group regularly meets its long-term financial liabilities in line with the agreed repayment plan.

Long-term operating liabilities

Long-term operating liabilities include long-term collaterals received in connection with leased business premises and deferred tax liabilities arising from the valuation of investments at fair value, which were recorded as a specific equity component. Deferred taxes were accounted for using a 20 percent tax rate.

Note 28: Short-term liabilities

(EUR)	31.12.2011	31.12.2010
Short-term financial liabilities	**48,934,765**	**67,893,506**
Short-term financial liabilities to associates	45,000	1,577,856
Short-term financial liabilities to banks	48,777,193	66,202,339
Short-term financial liabilities to others	112,572	113,311
Short-term operating liabilities	**16.128.974**	**15.780.021**
Short-term operating liabilities to associates	51,727	133,637
Short-term operating liabilities from advances	26,816	32,646
Short-term supplier payables	9,768,404	11,089,787
Short-term operating liabilities to others	6,282,027	4,523,951

Short-term financial liabilities

As at 31 December 2011, short-term financial liabilities to banks amounted to EUR 48,777,193 (2010: EUR 66,202,339) and represent current amounts of long-term financial liabilities that mature in 2012, a bank loan which matured in the beginning of 2012, and a revolving loan granted by commercial banks. In accordance with the financing policy, we restructured a major part of the short-term financial liabilities to long-tem financial liabilities.

All borrowings from banks are greed at variable interest rate. Variable interest rates translated to the unified nominal annual interest rate as at 31 December 2011 are between 3.25 and 4.36 percent.

In 2011, the Group paid a total of EUR 7,995,803 of interest charged under the actual interest rate method, which is 7.4 percent less than in 2010 when the total amount of interest paid was EUR 8,630,937.

Short-term operating liabilities

As at 31 December 2011, the Group had no outstanding liabilities to suppliers.

Note 29: Accrued costs and deferred revenue

(EUR)	31.12.2011	31.12.2010
ACCRUED COSTS AND DEFERRED REVENUE	**1,301,777**	**785,625**
Foreign commercial discounts	47,004	189,700
Accrued costs	1,254,773	595,925

Note 30: Off balance sheet records

Off-balance sheet accounts include items that do not qualify for balance sheet recognition:

(EUR)	31.12.2011	31.12.2010
Total off-balance sheet assets and liabilities	**44,357,093**	**10,751,637**
Joint collateral for a guarantee issued to subsidiary Adria Terminali, d. o. o.	250,000	250,000
Liabilities for a guarantee issued to the Ministry of Finance	1,260,000	1,260,000
Liability for outstanding letters of credit to suppliers	1,850,000	492,000
Guarantee to Banka Koper for loans	1,500,000	247,428
Subsidiary collateral for leasing and related party's borrowings	9,497,093	8,502,209
Derivatives (interest rate swap)	30,000,000	0

Subsidiary collateral of EUR 9,497,092 consist of the following amounts:
- EUR 5,747,092 guaranteed to Adria Transport, d. o. o. in respect of finance lease of train engines (2010: EUR 4,752,209).
- EUR 750,000 guaranteed for a loan raised by Railport Arad s.r.l. (2010: EUR 750,000)
- EUR 3,000,000 guaranteed for a loan raised by Adria-Tow, d. o. o.

In 2011 we agreed an interest rate swap of EUR 30,000,000 for a loan. In books of account, the interest rate swap is recognised in the off balance sheet records under the principle of hedge accounting.

Note 31: Risk management of the Luka Koper Group

The most significant financial risks of Luka Koper Group, include:
1. The risk of changes in fair value
2. The risk of changes in interest rates
3. Liquidity risk
4. The risk of changes in foreign currency rates
5. Credit risk
6. The risk of adequate capital structure

The management of financial risks has been organised within the parent company's finance department. The specifics of the existing economic environment make forecasting future financial categories even more demanding and introduce into the plans a higher degree of variability and, consequently, higher level of risk. The parent company has consequently tightened the control of individual financial categories. Other, mainly non-financial risks are described in detail in the Business Report in section Risk Management.

Managing the risk of fair value changes

The Luka Koper Group has invested 5.1 percent of its assets (2010: 5.7 percent) in investments measured at fair value. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal. This type of risk was identified in association with investments in market securities of successful Slovene companies. As at the last day of 2011, the value of investments at fair value through profit or loss amounted to EUR 24,284,278 and represents primarily shares of the Slovene companies and units of mutual funds assets.

In given conditions on capital markets it is difficult to forecast any future changes. Nevertheless the Group estimates that the stock market prices have reached their lowest levels and that most likely, in a few years the value of all investments carried at fair value will stabilise at higher levels. The sensitivity of investments (with exception of a derivative financial instrument recognised in this category) to changes in fair values is shown in Table A.

Table A: Sensitivity analysis of investments to the changes in fair values
The sensitivity analysis of investments at fair value is made under the assumption that past fair value changes (the SBI TOP is used) will be reflected in future periods. The average variability of the class was assessed for the period of the past five years by calculating the average deviation of daily values (both in terms of increases and decreases) from the annual trend of the SBI TOP. index. According to the above analysis we can assume that in 2012, the fair value of investment portfolio carried at fair value could decrease by 5.80 percent or increase by 9.88 percent. When considering the highest annual increase in the level of the index in the past five-year period, in 2012 we can expect the risk item to increase by 70.97 percent or decrease by 66.09 percent. If we further simplify our expectations by assuming a 10 percent increase in the value of the index, such growth would result in an increase in the fair value of the market securities portfolio by EUR 2,428,428. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by that same amount.

If this were the case, the total changed fair value would be recognised as either an increase or decrease in equity.

Item	Balance at the end of the year (EUR)	Increase in comparable class (%)	Envisaged increase in value (EUR)	Decrease in comparable class (%)	Envisaged decrease in value (EUR)
2011					
Shares and interests at fair value	24,284,278	9.88	2,398,670	-5.8	-1,408,774
Shares and interests at fair value (10 percent change)	24,284,278	10	2,428,428	-10	-2,428,428
Shares and interests at fair value (annualised maximum change over the last five years	24,284,278	70.97	17,234,020	-66.09	-16,048,571
2010					
Shares and interests at fair value	28,669,236	8.52	2,442,232	-5.21	-1,494,837
Shares and interests at fair value (10 percent change)	28,669,236	10	2,866,924	-10	-2,866,924
Shares and interests at fair value (annualised maximum change over the last five years	28,669,236	70.97	20,345,929	-66.09	-18,946,426

Fair value hierarchy

Financial assets at fair value (EUR)	31.12.2011	Level 1
Available-for-sale financial assets	24,284,278	24,284,278
Securities and other investments	24,284,278	24,284,278

Fair value hierarchy (EUR)	31.12.2011	31.12.2010
Financial assets at fair value	24,284,278	28,669,237
Available-for-sale financial assets	24,284,278	28,669,237

The Luka Koper Group assesses that the fair values of financial assets and liabilities do not deviate significantly from the book values.

Management of the risk of changes in interest rates

Due to the structure of financial liabilities, the risk of changes in interest rates is increasingly more important as unexpected growth in variable interest rates can jeopardize the planned results. In 2011, the Luka Koper Group managed to decrease its financial liabilities by 9 percent compared to the previous year to EUR 205,799,473 as at the last day of 2011. In the structure of equity and liabilities, financial liabilities account for 43 percent, compared to 45 percent reported in the previous year. Detailed information concerning long-term financial liabilities is provided in Chapters Analysis of operations in 2011 of the Business Report and Financial management. The impact of potential changes in variable interest rates on future income is described in table B.

Table B: Sensitivity analysis of financial liabilities with regard to changes in variable interest rates

Sensitivity analysis for 2011

Balance of liabilities linked to individual variable rate of interest	Amount of liabilities 31.12.2011	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
(EUR)				
1M EURIBOR	1,800,000	2,765	9,216	18,432
3M EURIBOR	135,777,105	276,171	920,569	1,841,138
6M EURIBOR	66,800,000	162,023	540,078	1,080,156
Total effect	**204,377,105**	**440,959**	**1,469,863**	**2,939,726**

Sensitivity analysis for 2010

Balance of liabilities linked to individual variable rate of interest	Amount of liabilities 31.12.2010	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
(EUR)				
1M EURIBOR	1,000,000	1,173	3,910	7,820
3M EURIBOR	141,029,000	212,813	709,376	1,418,752
6M EURIBOR	82,850,000	152,485	508,285	1,016,570
Total effect	**224,879,000**	**366,471**	**1,221,571**	**2,443,142**

The analysis of financial liabilities' sensitivity to changes in variable interest rates is based on assumption of potential growth in interest rates of 15, 50 and 100 percent. If variable interest rates increased in 2012 by 15 percent, the Group would incur a negative effect on interest expenses of EUR 440,959 (taking into account the level of financial liabilities as at 31 December 2010). If variable interest rates rose by 50 percent or 100 percent, the negative effect of the increase in variable interest rates would result in an increase in interest expense by EUR 1,469,863 or EUR 2,939,726 respectively. Potential drop in interest rates by the same percentage would result in a decrease of interest expense by the same amounts.

To reduce exposure to the risk of interest rate changes, on 6 October 2011 we entered into an interest rate swap of EUR 30 million for a period of five years in respect of a long-term loan. The hedge item accounts for 19.4 percent of all long-term financial liabilities. The loan is linked to variable interest 6M Euribor. The swap contract is recognised in the books of account under the principle of hedge accounting. Since the hedging instrument is tailored to the loan, we can justifiably expect that the interest rate hedge will be successful. As of the last day of 2011, the Group recognised EUR -372,857 under capital revaluation adjustment on account of the hedge instrument, representing market value of the interest rate hedge and is carried in books of account as a long-term financial liability.

Regardless of the sensitivity analysis the Group assesses that no significant rise in variable interest rates will occur in 2012 and has significantly decreased the risk of changes in variable interest rates in 2012 by means of interest rate swap as a means of long-term interest risk hedge in the amount of EUR 30 million.

Management of liquidity risk

The Luka Koper Group manages liquidity risk by regular planning of cash flows with different maturities. By careful planning of all liabilities the Group ensures consistent compliance with the agreed deadlines. Our preventive measures of regular monitoring and responding to delayed payments of receivables ensure effective management of receivable collection. Additional measures for preventing delays in receivable collection include charging penalty interest in accordance with our uniform policy of receivable management. In 2011, the parent company continued its process of converting short-term financial liabilities to long-term liabilities and raising new loans with extended maturity which has additionally reduced its exposure to liquidity risk.

Maturity of financial liabilities

(000 EUR)	Past due	Up to 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
2011						
Borrowings		30,393	18,384	76,479	80,230	205,486
Interest		1,009	5,522	16,561	10,841	33,933
Other financial liabilities		112		497		609
Supplier payables		9,847				9,847
2010						
Borrowings		5,945	61,534	105,142	53,535	226,156
Interest		1,573	5,213	14,305	7,712	28,803
Other financial liabilities		113				113
Supplier payables		11,148				11,148

The Luka Koper Group estimates that the Group's exposure to liquidity risk is low, and due to the risk management mechanisms put in place, there is a low likelihood of damages.

Management of currency risk

The risk of changes in foreign exchange rates arises from trade receivables denominated in US dollars. The average monthly invoiced sales in USD in 2011 totalled USD 0.6 million. As at 31 December 2011, outstanding receivables denominated in US dollars amount to only 3.47 percent (in 2010: 2.15 percent) of total outstanding trade receivables. According to the Group's estimates, the share of receivables denominated in US dollars is insignificant and for this reason it was decided not to continue hedging the risk item by internal hedging methods.

The Luka Koper Group estimates that the Group's exposure to currency risk is low, and due to the risk management mechanisms put in place, there is a low likelihood of damages.

Management of credit risk

In view of the global recession, the management of counterparty risk, i.e. credit risk has gained in importance. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduced the assessed probability of inflows and additional costs of financing the operation. The accelerated debt collection contributes to minimising negative effects of wide-spread insolvency. The specific structure of our customers (the Group predominantly does business with a limited number of major companies i.e. freight forwarders and agents), has a positive effect in terms of credit risk as it considerably reduces exposure to credit risk. Another distinctive feature of the Group's business is the use of liens on stored goods, which may be exercised in order to collect debt or receive payment for obligations that are not voluntarily settled by customers. Some receivables have been secured with collaterals which are returned to the customers once all obligations have been settled. Investments include loans which are secured with blank bills of exchange and other movable and immovable property. The credit risk management policy as outlined above is reflected in a relatively low share of bad debt impairment which in 2011 reached 2 percent compared to 0.73 percent in 2010.

The Luka Koper Group estimates that the Group's exposure to credit risk is low, and due to the risk management mechanisms put in place, there is a low likelihood of damages.

Management of the risk of adequate capital structure

Optimum capital structure, expressed as a ratio between equity and all sources of liabilities has a significant impact on the performance of the entire Group. Equity is the most expensive source of financing, therefore it is vital for successful companies to identify optimal capital structure and align their existing capital structure with it. In recent years, the Group has been increasing the share of liabilities primarily to finance its further development. In 2011, the Luka Koper Group reduced its overall debt by 9 percent compared to the previous year to EUR 205,799,473. This has had a positive impact on the risk of adequate capital structure. In future years, the Company will, in line with its long-term policy, try to gradually decrease its share of liabilities.

The Luka Koper Group estimates that the Group's exposure to adequate capital structure risk is moderate, and due to the risk management mechanisms put in place, there is a moderate likelihood of damages.

11

DISCLOSURES OF THE CASH FLOW STATEMENT

Cash flow from operating activities are presented under the indirect method. Material increases or decreases in individual items that affected the cash flows of the Group are disclosed in the income statement, balance sheet and the statement of changes in equity.

The cash flow statement shows that the Group generated EUR 49,453,131 in cash flows from operating activities and EUR 4,392,628 in cash flows from investing activities (dividends, disposal of investments and fixed assets), which were used to cover expenses incurred on increased investing activities, primarily investments in fixed assets and long-term investments, of total EUR 24,621,595 and disbursements relating to repayment of financial liabilities of EUR 104,090,193. The Group raised additional EUR 75,223,470 to settle its financial liabilities.

The net cash for the period amounted to EUR 1,038,270.

The Group has compiled its annual cash flow plan as it is faced with uncertainty regarding forecasts. The following was considered in planning cash flows for the 2011 financial year:

- The share of credit sales,
- Repayment of financial liabilities,
- The method of payment of overhead costs,
- Expenses for capital investments, and
- Timing of tax payments.

Based on the above, the Group is drawing up measures to eliminate cash flow imbalances.

12

DISCLOSURS TO THE STATEMENT OF CHANGES IN EQUITY

Equity was increased by the majority owner's net profit of the year in the amount of EUR 443,364 and decreased by EUR 3,811,188 on account of revaluation of investments at fair value classified as available for sale.

Movements within equity

Following the resolution of the Management Board, the parent company's loss of EUR 1,849,205 was covered while compiling the annual report from other revenue reserves formed in previous years.

Movements from equity

The minority shareholder interest of EUR 103,776 resulted from a withdrawal of INSOL, d. o. o., from a joint venture, and as a consequence, our associate TOC, d. o. o. became a subsidiary.

13 RELATED PARTY TRANSACTIONS

Remuneration by employee group in 2011

Gross remuneration of members of the Management Board (EUR)

Name and surname	Gross salary (fixed part)	Gross salary (variable part)	Annual leave allowance	Benefits and other receipts	Total
Gregor Veselko, Chairman	133,736	9,610	910	6,006	150,262
Tomaž Martin Jamnik, Deputy chairman	119,949	8,633	910	2,936	132,428
Marko Rems, Member	120,150	7,219	910	4,182	132,461
Matjaž Stare, Worker's director	120,145	1,731	910	3,597	126,383
Mirko Pavšič, Director of Luka Koper INPO, d. o. o.	98,759	9,164	910	0	108,833
Darko Grgič, Director Luka Koper PRISTAN, d. o. o.	61,447	0	910	0	62,357
Dimitrij Pucer, Director of Adria Terminali, d. o. o.	62,181	859	910	3,498	67,448
Total	**716,367**	**37,216**	**6,370**	**20,219**	**780,172**

Net remuneration of members of the Management Board (EUR)

Name and surname	Net salary (fixed and variable part)	Annual leave allowance	Total
Gregor Veselko, Chairman	69,005	563	69,568
Tomaž Martin Jamnik, Deputy chairman	63,542	565	64,107
Marko Rems, Member	62,638	567	63,205
Matjaž Stare, Worker's Director	58,375	566	58,941
Mirko Pavšič, Director of Luka Koper INPO, d. o. o.	54,002	573	54,575
Darko Grgič, Director of Luka Koper PRISTAN, d. o. o.	35,954	604	36,558
Dimitrij Pucer, Director of Adria Terminali, d. o. o.	33,135	634	33,769
Total	**376,651**	**4,072**	**380,723**

Gross remuneration of members of the Supervisory Board and its Committees (EUR)

Name and surname	Attendance fees and reimbursement of costs	Benefit – insurance premiums	Performance of the function	Total
Janez Požar, Member since 14.7.2009	7,420	183	6,875	14,478
Tomaž Može, Member since 14. 7. 2009	5,093	183	5,729	11,005
Bojan Brank, Member since 14. 7. 2009	6,749	183	7,448	14,380
Jordan Kocjančič, Member since 14. 7. 2009	8,452	183	6,302	14,937
Marko Simoneti, Member since 14. 7. 2009	6,060	183	7,448	13,691
Stojan Čepar, Member since 8. 4. 2009	5,083	183	4,583	9,849
Mladen Jovičič, Member since 8. 4. 2009	6,743	183	5,729	12,655
Nebojša Topič, Member since 27. 7. 2008	5,643	183	6,875	12,701
Sabina Mozetič, Member since 11.7.2011	1,997	70	5,729	7,796
Blanka Vezjak, Member of the Audit Committee	3,298	0	4,583	7,881
Total	**56,538**	**1,534**	**61,301**	**119,373**

Net remuneration of members of the Supervisory Board and its Committees (EUR)

Name and surname	Net attendance fees and reimbursement of costs	Net for performance of the function	Net attendance fees and reimbursement of costs of Committees	Total
Janez Požar, Member since 14.7.2009	5,721	5,328	171	11,220
Tomaž Može, Member since 14. 7. 2009	3,748	4,440	341	8,529
Bojan Brank, Member since 14. 7. 2009	4,876	5,772	496	11,144
Jordan Kocjančič, Member since 14. 7. 2009	4,454	4,884	2,238	11,576
Marko Simoneti, Member since 14. 7. 2009	4,139	5,772	699	10,610
Stojan Čepar, Member since 8. 4. 2009	4,081	3,552	0	7,633
Mladen Jovičič, Member since 8. 4. 2009	4,003	4,440	1,364	9,807
Nebojša Topič, Member since 27. 7. 2008	4,003	5,328	512	9,843
Sabina Mozetič, Member since 11.7.2011	1,257	4,440	345	6,042
Blanka Vezjak, Member of the Audit Committee	0	3,552	2,556	6,108
Total	**36,282**	**47,508**	**8,722**	**92,512**

Remuneration by employee group in 2011 (EUR)

Employee groups	Gross salary (fixed and variable part)	Annual leave allowance	Other receipts and benefits	Total
Employees with individual employment contracts in the Luka Koper Group	2,550,488	31,562	80,554	2,662,604
Employees under enterprise collective agreement	25,633,130	977,898	145,809	26,756,837

Loans approved to employees with individual employment agreement

	Total outstanding		Repayment of principal	
(EUR)	**2011**	**2010**	**2011**	**2010**
Luka Koper, d. d.	2,508	10,185	1,083	1,745

All loans approved to employees with individual employment contract are housing loans. All housing loans bear interest at a 6-percent nominal annual interest rate and are repaid according to an amortisation schedule. In accordance with internal regulations, loans are collateralised with prescribed security instruments, most frequently assignment statements (wage assignments) and blank bills of exchange accompanied with a signed settlement and realisation authorisation. In the case of significant amounts, a mortgage has to be taken on the property that is the subject of the loan agreement. The reduction of the outstanding amount of loans is the result of regular repayments and employee turnover. No loans were granted to members of the Management Board or the Supervisory Board.

Transactions with the government of the Republic of Slovenia

No significant transactions were undertaken with the government outside the framework of the Concession Agreement. All transactions relating to the Concession Agreement are disclosed in the appendix to the annual report of Luka Koper, d. d., in Chapter 10.

Transactions with associated and jointly controlled companies

Key financial data - associates

	Avtoservis, d. o. o.		Golf Istra, d. o. o.		Railport Arad, s. r. l.	
(EUR)	2011	2010	2011	2010	2011	2010
Revenue	2,662,762	3,192,252	50,027	206,209	450,525	242,906
Expenditure	2,579,883	2,919,136	123,395	88,655	1,169,888	1,220,293
Non-current assets	1,207,806	1,041,012	998,549	881,191	7,119,818	7,649,058
Current assets	1,265,272	1,273,333	60,484	19,357	620,950	810,678
Current liabilities	496,754	209,257	419,383	223,075	13,480	45,660
Non-current liabilities	0	0	0	0	1,200,000	1,200,000
Net profit or loss	71,380	223,434	-73,367	117,557	-719,363	-772,189

Key financial data – jointly controlled companies

	Adriafin, d. o. o.		Adria-Tow, d. o. o.		Adria Transport, d. o. o.	
(EUR)	2011	2010	2011	2010	2011	2010
Revenue	84,636	178,701	4,746,151	4,353,134	4,383,660	3,409,499
Expenditure	100,612	408,724	3,939,117	3,143,841	4,211,258	3,232,430
Non-current assets	8,150,191	8,170,902	13,357,592	9,348,991	12,225,628	9,601,474
Current assets	3,528,368	3,808,134	1,259,648	1,104,938	1,244,648	1,603,066
Current liabilities	431,227	326,365	2,463,873	315,125	1,402,835	1,091,738
Non-current liabilities	0	0	4,099,483	2,280,000	10,822,725	8,884,619
Net profit or loss	-5,419	128,270	664,424	967,635	148,971	157,084

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14 EVENTS AFTER THE BALANCE SHEET DATE

A group of shipping companies (Hanjin, Yang Ming, Hyundai Merchant Marine and United Arab Shipping Company) terminated the direct container line that linked the port of Koper with the Far East. The last ship of the shipping line sailed to Koper in mid January 2012. In spite of this, the shipping companies will remain present in the Luka Koper through indirect (feeder) connections.

15
INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Luka Koper d.d.

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Luka Koper Group, which comprise the consolidated statement of financial position as at December 31, 2011, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Luka Koper Group as of December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited consolidated financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the consolidated financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited consolidated financial statements.

Ljubljana, April 10, 2012

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified Auditor

NON-CONSOLIDATED FINANCIAL STATEMENTS OF LUKA KOPER, D. D., FOR THE YEAR 2011

1
INCOME STATEMENT – audited and non-consolidated

(EUR)	Notes	2011	2010
OPERATING REVENUE	**1**	**134,426,837**	**118,938,924**
Other revenue	**2**	**386,007**	**370,322**
OPERATING COSTS		**-115,814,715**	**-107,181,329**
Costs of materials and services	3	-51,283,601	-44,186,813
Labour costs	4	-31,764,802	-30,057,873
Write-downs	5	-26,196,999	-27,037,980
Other operating expenses and provisions	6	-6,569,314	-5,898,662
OPERATING PROFIT OR LOSS		**18,998,129**	**12,127,917**
TOTAL FINANCIAL INCOME	**7**	**2,862,317**	**5,433,118**
Finance income from shares		2,448,430	4,980,335
Finance income from loans		262,300	276,026
Finance income from operating receivables		151,587	176,757
TOTAL FINANCE EXPENSES	**8**	**-22,811,606**	**-20,125,398**
Impairment and write-offs of investments		-14,538,345	-11,069,760
Finance expenses from financial liabilities		-8,271,455	-8,951,286
Finance expenses from operating liabilities		-1,806	-104,353
EARNINGS BEFORE TAXES	**9**	**-951,161**	**-2,564,363**
Income tax	10	-586,187	0
Deferred tax	11	-311,858	132,475
NET PROFIT OR LOSS FOR THE PERIOD		**-1,849,205**	**-2,431,888**
NET LOSS PER SHARE: basic and diluted	**12**	**-0.13**	**-0.17**

The accompanying notes are an integral part of these financial statements and should be read in conjunction with them.

2 STATEMENT OF COMPREHENSIVE INCOME – audited and non-consolidated

(EUR)	Notes	1 -12 2011	1 -12 2010
Profit or loss for the period		**-1,849,205**	**-2,431,888**
Other comprehensive income for the period:			
Changes in fair value of available-for-sale financial assets	24	-4,389,895	-662,135
Deferred tax	11	876,992	132,427
Revaluation of available-for-sale financial assets in net amount	**24**	**-3,512,903**	**-529,708**
Change in fair value of financial instruments used for hedging		-372,857	0
Deferred tax		74,571	
Change in fair value of financial instruments used for hedging in net amount		**-298,286**	**0**
Total other comprehensive income for the period		**-3,811,189**	**-529,708**
Total comprehensive income for the period		**-5,660,394**	**-2,961,596**

The accompanying notes are an integral part of these financial statements and should be read in conjunction with them.

3

BALANCE SHEET – audited and non-consolidated

(EUR)	Notes	31.12.2011	31.12.2010
ASSETS		**468,699,491**	**494,944,677**
NON-CURRENT ASSETS		**437,991,718**	**452,202,350**
Intangible assets	13	**4,580,294**	**7,299,398**
Property, plant and equipment	14	**338,692,966**	**343,843,293**
Land and buildings		236,422,702	233,069,731
Manufacturing plant and equipment		76,988,193	84,045,380
Other plant and equipment		139,696	138,696
Property, plant and equipment being acquired		25,142,375	26,589,487
Investment property	15	**35,523,894**	**37,120,101**
Non-current investments	16	**50,074,283**	**54,474,523**
Non-current investments, excluding loans		45,506,981	52,130,784
Non-current loans		4,567,302	2,343,740
Non-current operating receivables	17	**8,664**	**41,559**
Deferred tax assets	18	**9,111,617**	**9,423,475**
CURRENT ASSETS		**30,167,345**	**42,270,577**
Assets (disposal groups) held for sale	19	**6,963,061**	**18,211,752**
Current investments	20	**817,560**	**1,131,029**
Current operating receivables	21	**21,485,590**	**22,335,500**
Current income tax receivables	21	**0**	**0**
Cash and cash equivalents	22	**901,134**	**592,296**
DEFERRED COSTS AND ACCRUED REVENUE	23	**540,427**	**471,750**
EQUITY AND LIABILITIES		**468,699,491**	**494,944,677**
EQUITY	24	**229,715,798**	**235,376,191**
Share capital	24	**58,420,965**	**58,420,965**
Capital surplus	24	**89,562,703**	**89,562,703**
Revenue reserves	24	**75,028,431**	**76,877,636**
Revaluation surplus	24	**6,703,698**	**10,514,887**
Retained earnings	24	**0**	**0**
Net profit of loss for the year		**0**	**0**
PROVISIONS AND ACCRUED COSTS AND DEFERRED REVENUE	25	**6,026,604**	**5,358,127**
NON-CURRENT LIABILITIES	26	**168,279,760**	**161,075,952**
Non-current financial liabilities	26	**166,525,580**	**158,376,144**
Non-current operating liabilities	26	**77,021**	**71,086**
Deferred tax liabilities	26	**1,677,159**	**2,628,722**
CURRENT LIABILITIES	27	**63,478,830**	**92,402,544**
Current financial liabilities	27	**48,934,765**	**77,693,895**
Current operating liabilities	27	**14,544,065**	**14,708,649**
ACCRUED COSTS AND DEFERRED REVENUE	27	**1,198,500**	**731,863**

The accompanying notes are an integral part of these financial statements and should be read in conjunction with them.

4
CASH FLOW STATEMENT – audited and non-consolidated

(v EUR)		2011	2010
A.	**Cash flows from operating activities**		
a)	**Net profit or loss**	**-1,537,348**	**-2,564,363**
	Profit or loss before tax	-951,161	-2,564,363
	Income tax and other taxes not included in operating expenses	-586,187	0
b)	**Adjustments for**	**46,740,535**	**39,853,100**
	Depreciation and amortisation, and provisions (+)	26,374,436	25,110,887
	Revaluation operating revenue associated with investing and financing (-)	-79,963	-78,463
	Revaluation operating expenses associated with investing and financing (+)	346,992	55,990
	Finance income less finance income from operating receivables (-)	-2,710,731	-5,256,361
	Finance expense less finance expense from operating liabilities (+)	22,809,800	20,021,046
c)	**Changes in net operating assets in balance sheet items (including accruals and deferrals, provisions and deferred tax assets and liabilities**	**1,625,733**	**-18,826,107**
	Opening less closing operating receivables	566,272	-4,146,196
	Opening less closing deferred costs and accrued revenue	229,323	217,387
	Opening less closing assets of disposal groups held for sale	378,101	-30,764
	Closing less opening operating liabilities	-158,648	-13,739,618
	Closing less opening accrued costs and deferred revenue, and provisions	610,685	-1,126,917
d)	**Net cash from operating activities (a + b+c)**	**46,828,920**	**18,462,630**
B.	Cash flows from investing activities		
a)	**Receipts from investing activities**	**6,152,164**	**19,191,416**
	Interest and shares of profits from investing activities	2,187,795	5,165,853
	Receipts from disposal of intangible assets	3,771	0
	Receipts from disposal of property, plant and equipment	136,661	2,457,339
	Receipts from disposal of investment property	805,253	1,079
	Receipts from disposal of non-current investments	494,038	9,324,532
	Receipts from disposal of current investments	2,524,646	2,242,613
b)	**Payments for investing activities**	**-23,418,239**	**-20,011,127**
	Payments to acquire intangible assets	-1,213,435	-533,397
	Payments to acquire property, plant and equipment	-16,023,244	-17,982,309
	Payments to acquire investment property	-43,870	-314,167
	Payments to acquire non-current investments	-3,405,728	-952,174
	Payments to acquire current investments	-2,731,962	-229,080
c)	**Net cash from investing activities (a + b)**	**-17,266,075**	**-819,711**
C.	**Cash flows from financing activities**		
a)	**Receipts from financing activities**	**76,333,352**	**158,358,137**
	Proceeds from increase in non-current financial liabilities	45,000,000	78,550,000
	Proceeds from increase in current financial liabilities	31,333,352	79,808,137
b)	**Payments for financing activities**	**-105,587,359**	**-175,897,341**
	Interest paid on financing activities	-8,271,455	-8,951,286
	Cash repayment of non-current financial liabilities	-34,895,279	-40,437,007
	Cash repayment of current financial liabilities	-62,420,517	-126,508,645
	Dividends and other share of profits paid	-108	-403
c)	**Net cash from financing activities (a + b)**	**-29,254,007**	**-17,539,204**
D.	**Closing cash balance**	**901,134**	**592,295**
	Net cash for the period (sum total of net cash Ad, Bc and Cc)	**308,838**	**103,715**
	Opening cash balance	**592,295**	**488,580**

The accompanying notes are an integral part of these financial statements and should be read in conjunction with them.

5 STATEMENT OF CHANGES IN EQUITY – audited and non-consolidated

(EUR)	Called-up capital	Capital surplus
As at 1 January 2010	**58,420,965**	**89,562,703**
Net profit or loss for the year	0	0
Other comprehensive income for the year	0	0
Comprehensive income for the year	**0**	**0**
Release of other revenue reserves based on a decision of the Management Board	0	0
As at 31 December 2010	**58,420,965**	**89,562,703**
As at 1 January 2011	**58,420,965**	**89,562,703**
Net profit or loss for the year	0	0
Other comprehensive income for the year	0	0
Comprehensive income for the year	**0**	**0**
Release of other revenue reserves based on a decision of the Management Board	0	0
As at 31 December 2011	**58,420,965**	**89,562,703**

Legal reserves	Other revenue reserves	Retained earnings	Net profit/loss for the year	Revaluation surplus	Total
18,765,115	**60,544,409**	**0**	**0**	**11,044,595**	**238,337,787**
0	0	0	-2,431,888	0	-2,431,888
0	0	0	0	-529,708	-529,708
0	**0**	**0**	**-2,431,888**	**-529,708**	**-2,961,596**
0	-2,431,888	0	2,431,888	0	0
18,765,115	**58,112,521**	**0**	**0**	**10,514,887**	**235,376,191**
18,765,115	**58,112,521**	**0**	**0**	**10,514,887**	**235,376,191**
0	0	0	-1,849,205	0	-1,849,205
0	0	0	0	-3,811,189	-3,811,189
0	**0**	**0**	**-1,849,205**	**-3,811,189**	**-5,660,394**
0	-1,849,205	0	1,849,205	0	0
18,765,115	**56,263,316**	**0**	**0**	**6,703,698**	**229,715,797**

Pojasnila k računovodskim izkazom so njihov sestavni del in jih je treba brati v povezavi z njimi.

6 NOTES TO THE FINANCIAL STATEMENTS

Luka Koper, d. d., pristaniški in logistični sistem, established in the Republic of Slovenia, is the controlling entity of the Luka Koper Group.

The financial statements of the Company are prepared for the year ended 31 December 2011.

A list and information about entities in which Luka Koper d. d. holds a minimum of a 20 percent interest is disclosed in Chapter of the Annual Report of the Luka Koper Group: Composition of the Luka Koper Group.

STATEMENT OF COMPLIANCE

The financial statements are compiled in accordance with the Companies Act and International Financial Reporting Standards (IFRS) promulgated by the International Accounting Standards Board (IASB), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), as adopted by the EU.

As at the balance sheet date, due to the endorsement process of the EU, there is no difference in the policies applied by Luka Koper d. d. between International Financial Reporting Standards and IFRS adopted by the EU.

The Management Board of Luka Koper, d. d. approved these financial statements on 10 April 2012.

BASIS OF PREPARATION

The financial statements are expressed in euro (EUR) without cents.

Fair value

Available-for-sale financial assets are carried at fair value with all other financial statement items presented at cost or amortised amount.

Accounting policies used

The accounting policies used are consistent with those applied in the previous years, except for the adoption of new standards and interpretations, which have been effected as of 1 January 2011 and are set out below.

The adoption of these standards and interpretations did not have any significant effect on the financial position or performance of the Company.

IAS 24 Related Party Transactions (Amendment)
Amendments to IAS 24 define in more detail and simplify definition of a related party but do not change fundamental related party disclosures. Furthermore in paragraph 25 the amended standard reduces the scope of disclosures of transactions of a government owned entity with the government and other government owned entities. The amendment is effective for periods beginning on or after 1 January 2011. The amendment had no effect on disclosures of the Company since all the information has been appropriately captured and disclosed.

IAS 32 – Financial instruments: Presentation, Classification of the Option to Purchase Shares (Amended)
This amendment relates to the rights issues offered for a fixed amount of foreign currency which were treated as derivative liabilities by the existing standard. The amendment states that if certain criteria are met, these should be classified as equity regardless of the currency in which the exercise price is denominated. The amendment is effective for periods beginning on or after 1 February 2010.

IFRIC 14 – Prepayments of a minimum funding requirement.
The amendment is effective for periods beginning on 1 January 2011 and is applied retrospectively. The amendment permits a prepayment of future service cost by the entity to be recognised as a pension asset, and includes guidance for assessment of recoverable amount of net pension assets.

IFRIC 19 – Extinguishing Financial Liabilities with Equity Instruments.
The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognised immediately in profit or loss. The interpretation is effective for periods beginning on or after 1 July 2010.

Improvements to IFRS
In May 2010 the Board issued its omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. These amendments are effective for annual periods beginning on 1 July 2010 or 1 January 2011.

The adoption of these amendments affected the change in the accounting policies applied but have no impact on the financial position or operations of the Company:

IFRS 3 – Business Combinations.
The measurement options available for non-controlling interest (NCI) were amended. Only components of NCI that constitute a present ownership interest that entitles their holder to a proportionate share of the entity's net assets in the event of liquidation should be measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components are to be measured at their acquisition date. These amendments are effective for periods beginning on or after 1 July 2010.

The second improvement applies to contingent consideration that arose from business combinations whose acquisition dates precede the application of IFRS 3R (as revised in 2008) and clarifies that these contingent considerations should be accounted for in accordance with IFRS 3 adopted in 2005.

Finally, it requires an entity (in a business combination) to account for the replacement of the acquiree's share-based payment transactions (whether obliged or voluntarily), i.e. split between consideration and post combination expenses.

IFRS 7 – Financial Instruments: Disclosures.
The amendment was intended to simplify the disclosures provided by reducing the volume of disclosures around collateral held and improving disclosures by requiring qualitative information to put the quantitative information in context. The amendment is effective for periods beginning on or after 1 January 2011.

IAS 1 – Presentation of Financial Statements.
This amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment is effective for periods beginning on or after 1 January 2011.

IAS 27 – Consolidated and Separate Financial Statements.
This improvement clarifies that the consequential amendments from IAS 27R made in 2008 also apply for subsequently amended standards. The amendment is effective for periods

IAS 34 – Interim Financial Reporting
This improvement requires additional disclosures for fair values and changes in classification of financial assets, as well as changes to contingent assets and liabilities in interim condensed (consolidated) financial statements.

The following amendments had no impact on the accounting policies applied by the Company, its financial position or operations:

IFRS 1 First-time adoption
This improvement clarifies the treatment of accounting policy changes in the year of adoption after publishing an interim financial report in accordance with IAS 34 Interim Financial Reporting, allows first-time adopters to use an event-driven fair value as deemed cost and expands the scope of 'deemed cost' for property, plant and equipment or intangible assets to include items used subject to rate regulated activities

IFRIC 13 – Customer Loyalty Programmes.
This improvement clarifies that when the fair value of award credits is measured based on the value of the awards for which they could be redeemed, the amount of discounts or incentives otherwise granted to customers not participating in the award credit scheme, is to be taken into account. The amendment is effective for periods beginning on or after 1 January 2011.

Foreign currency transactions
Transactions in foreign currency are translated into euro at the reference exchange rate of the European Central Bank prevailing at the transaction date. Monetary assets and liabilities in foreign currency are translated at the reference exchange rate of the ECB at the balance sheet date. All differences resulting from foreign currency translation are recognized in the income statement.

Profit from operations
Profit from operations is defined as the result before income tax and finance items. Finance items comprise interest revenue on cash balances and the bank, deposits, interest bearing available-for-sale investments, interest expense on borrowings, gains and losses on derivatives and on sale of available-for-sale financial instruments and foreign exchange gains and losses on all monetary assets and liabilities denominated in foreign currency.

Significant accounting estimates and judgements
In the preparation of financial statements under International Financial Reporting Standards, management makes certain estimates, judgements and assumptions which impact the accounting policies used and the carrying value of assets and liabilities, revenues and expenses. These estimates are based on experience from previous periods as well as expectations in the accounting period. Actual results differ from those estimates and for that reason they are constantly revised and adjusted accordingly.

DEFERRED TAX

Based on our estimates that in future sufficient taxable profit will be available, deferred tax was provided on account of the following items:

- Provisions for jubilee benefits and termination benefits upon retirement,
- Provisions for claims and damages,
- Impairment of investments.

Deferred tax assets recognised on account of provisions for jubilee benefits, termination benefits, claims, and damages are reduced by the relevant amount of provisions utilised or increased by the amounts of newly formed provisions.

Deferred tax assets were recognised in the relevant amount of impairment loss on investments as impairment losses are not recognised as tax expenditure until the investments' derecognition. Deferred tax assets will be utilised on derecognition of these investments.

The tax rate used in the calculation of deferred tax on temporary differences is 20 percent.

Deferred tax liabilities were recorded for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss).

At the balance sheet date the amount of deferred tax assets and liabilities is reassessed. If there is no sufficient amount of available taxable profits, the amount of deferred tax assets is reduced accordingly.

PROVISIONS

The Management approves the substance and amount of provisions on the basis of the following:

- Actuarial calculation of provisions for jubilee benefits and termination benefits,
- Assessment of the amount of potential claims prepared by the legal services or another external lawyer considering existing lawsuits and claims.

The amount of provisions is the best estimate of future expenditure.

7 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DISCLOSURES

Individual categories are disclosed under International Financial Reporting Standards. All significant items and issues have been disclosed. Accounting policies used as well as their nature and degree of significance are identified in the Company's internal rules. For all significant amounts reported in the financial statements, we have also disclosed comparable information for the previous period and included in numerical and descriptive information. Comparative information has been adjusted to be consistent with the presentation in the current financial year.

The accounting policies detailed below were consistently applied in all the periods presented in the financial statements.

PROPERTY, PLANT AND EQUIPMENT

The items of property, plant and equipment are carried at cost. Under the cost model, an item of property, plant and equipment is carried at its cost less accumulated depreciation and accumulated impairment losses. The manner and methods used in the valuation of assets due to impairment are described in the section "Impairment of Property, Plant and Equipment". The cost of an item of property, plant and equipment is equal to its monetary price on the day the asset is recognised.

Parts of property, plant and equipment, which have different useful lives, are accounted for as individual assets, which are depreciated within the estimated useful life. Land is accounted for separately and is not depreciated.

Borrowing costs

Borrowing costs that may be directly attributed to the acquisition, construction or production of a qualifying asset, increase its cost. Borrowing costs are capitalised as a portion of costs of a qualifying asset when expenditures for the asset are incurred, when borrowing costs are incurred and when activities begin which are necessary to make the asset ready for its intended use or disposal.

Finance lease

At the inception of a lease, finance lease is recognised in the balance sheet as an asset and liability in the amounts equal to the lower of the fair value of the leased asset or the present value of the minimum lease payments, whereby both values are determined upon inception of the lease. In deriving the present value of the minimum lease payments, the discount rate is the related interest rate, or if it is not determinable, the lease's incremental borrowing rate which the lessee would incur, is used. All direct costs of a lessee are added to the amount recognised as an asset.

In 2011, the Company did not acquire any items of property, plant and equipment under finance lease.

Subsequent expenditure

Subsequent expenditure incurred on a replacement of an individual part of an item of property, plant and equipment increases its cost, while other subsequent expenditure increases the cost of the asset only if it is probable that the economic benefits of the asset will increase over its originally estimated value. All other expenditure is expensed when incurred.

Depreciation

Depreciation charge is recognised in an individual period in the statement of profit or loss. An asset is subject to depreciation when it is made available for its use. The items of property, plant and equipment are depreciated under the straight-line depreciation method over the estimated useful life of individual assets. The depreciation method used is reassessed at the end of each financial year. As a rule, the residual value of an asset is considered only for significant items of property, plant and equipment, as is their cost of disposal. Land, assets being acquired, non-current available-for-sale assets (derecognition) and works of art are not depreciated.

Asset	2011	2010
Buildings	1.5–6%	1.3–6%
Transport and transhipment equipment	5.6–20%	5.6–25%
Computer hardware	20–25%	20–25%
Other equipment	10–25%	10–25%

Derecognition

The carrying amount of an individual item of property, plant and equipment is derecognised upon its disposal or when no future economic benefits are expected from the asset's use or disposal. Any profit or loss resulting from derecognition of individual item of property, plant and equipment is determined as the difference between the revenue from derecognition and the carrying amount and are included in the income statement.

INTANGIBLE ASSETS

Initially, intangible assets are recognised at cost. Subsequent to initial recognition, they are recognised at their cost reduced by accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation begins when an asset is ready for its use, i.e. when the asset is on the location and in the condition necessary for it to operate as intended.

The net carrying amount of an item of intangible assets with a useful life is reduced using the straight-line amortisation method over the period of its useful life.

The period and method of amortisation of an intangible asset with finite useful life are reassessed at least at the end of each financial year. When expected useful life of an intangible asset differs from previous assessments, its amortisation rate is adjusted accordingly.

The useful life of an item of intangible assets that arises from contractual or other legal rights does not exceed the period of these contractual rights or legal rights, however, it may be shorter, depending on the period during which the asset is expected to be used. Estimated useful life of other intangible assets is 10 years.

INVESTMENT PROPERTY

Investment properties are held to bring rent and/or appreciate in their value. Investment property is measured under the cost model. Depreciation is accounted for under the straight-line depreciation method over the estimated useful life of an individual asset. Land is not depreciated. Facilities under lease and those owned by the Company are divided into individual parts with different useful lives.

INVESTMENTS IN RELATED PARTIES

Investments in subsidiaries, associates, jointly controlled entities and other entities are measured at cost.

FINANCIAL INSTRUMENTS

Financial instruments are classified into the following categories:

1. Financial instruments at fair value through profit or loss
2. Held to maturity investments
3. Loans and receivables
4. Available-for-sale financial assets

1. Financial instruments at fair value through profit or loss

The first category comprises financial instruments recognised on trading date, which are measured at fair value through profit or loss, and which are intended for active trading.

2. Held-to-maturity investments

The second category comprises investments which are, on their recognition, designated as held to maturity. They are recognised on the settlement date and measured at amortised cost using the effective interest rate method. So far none of the Company's investments have been classified into this category.

3. Loans and receivables

The third category comprises all loans and borrowings as well as receivables. They are recognised on the settlement date and measured at amortised cost using the effective interest rate method.

Trade receivables

In our books of accounts, long-term and short-term receivables are carried separately as are trade receivables and receivables due from the state and employees. Trade receivables include interest receivables. Long-term and short-term trade receivables are initially recognised at amounts agreed in the contracts or recorded in the relevant accounting documents. On the last day of the financial year, trade receivables expressed in foreign currency are translated into the local currency at the reference rate of the ECB.

Trade receivables impairment

Bad debt allowances of the total amount are recognised regularly for all trade receivables and interest receivables that are due and outstanding for more than 180 days. Impairment loss is recognised as revaluation operating expenses associated with receivables of individual organisational unit, where a receivable incurred.

Impairment of receivables to companies, which are in bankruptcy or liquidation procedure, is recognised in the total amount (100%) of the receivable immediately after the commencement of such procedure has been determined. Impairment loss is recognised as revaluation operating expenses associated with receivables of individual organisational unit, where a receivable incurred.

Loans

On initial recognition loans are carried at their amortised cost using the effective interest rate method. In terms of their maturity, loans are classified on the settlement date into long-term or short-term assets. With a view of credit risk management, maturity of individual loans as well as the method of settlement and collateral is determined taking into consideration the credit rating of a borrower (e.g. bills of exchange, pledge of securities and other movable or immovable property, potential for unilateral netting of mutual liabilities, and similar collateral). In the event of the borrower failing to meet his contractual liabilities, collateral is liquidated or, if legal proceedings have been instituted, the investment is impaired.

Borrowings

On initial recognition, borrowings are carried at their amortised cost using the effective interest rate method. Major amount of borrowings represent bank loans with repayment of principal when the loan contract matures. In terms of their maturity, borrowings are classified into long-term and short-term financial liabilities. On the last day of the year, all financial liabilities in respect of which debt covenants were not met primarily due to impairment, were transferred to short-term financial liabilities. Interest-bearing borrowings are insured with bills of exchange and certain loan covenants.

4. Available-for-sale financial asset

Available-for-sale financial assets comprise all of the investments in equity securities. On initial recognition they are measured at fair value, increased by the cost of transaction relating to the acquisition of individual financial assets. Fair value is considered market value based on the single market value of securities or published daily value of a unit of a mutual fund's assets. Fair value changes are recognised directly in the statement of comprehensive income. Declining volume of securities is accounted for in books of account using the average prices method. When available-for-sale financial assets are derecognised, the accumulated gains or losses are transferred to the income statement. Additions and disposals of available-for sale financial assets are recognised on the trading date.

All other financial assets, for which there is no active market and consequently market price, are valued at cost.

NON-CURRENT ASSETS (DISPOSAL GROUPS) HELD FOR SALE

This category includes non-current assets, items of property, plant and equipment and financial assets that are non-current in nature and whose carrying amounts will be settled predominantly by their sale in the next 12 months. The period of sale completion may be extended over 12 months is this delay is caused by events and circumstances that are beyond the control of the Company and there is sufficient evidence that the Company is consistently pursuing its plans to dispose of the asset.

After the assets' reclassification to Non-current assets (disposal groups) held for sale, they are measured at the lower of the carrying amount or fair value, less costs to sell.

Any losses due to reduction in the fair value are recognised immediately in the profit or loss.

CASH AND CASH EQUIVALENTS

Cash comprises cash in hand and demand deposits, deposits redeemable at notice or deposits with maturities of up to three months. The balance of cash in foreign currency is translated into the local currency at the reference rate of the ECB on the last day of the financial year.

DERIVATIVE FINANCIAL INSTRUMENTS

The Company does not issue derivative financial instruments for trading purposes. Derivative financial instruments are used to hedge the Group's exposure to risks arising from financing and investing activities. Derivative financial instruments are recognized at fair value. The method of recognition of gains or losses arising from the change in fair value depends upon whether hedge accounting has been applied or not. Luka Koper, d. d. applies derivatives only for hedge accounting. When hedge accounting has been applied gains or losses arising from the change in fair value are recognised by recognising the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge directly in equity in the statement of comprehensive income. When the forecasted transaction results in the recognition of an asset or a liability, the associated cumulative gains or losses are removed from equity and entered into the initial measurement of the acquisition cost or other carrying amount of the asset or liability. The ineffective portion of the cash flow hedge is immediately recognized in the income statement.

EQUITY

Share capital

The share capital of Luka Koper, d. d. is represented by 14,000,000 ordinary, freely transferable nominal non-par value shares.

Dividende

Dividends are recognised in the financial statements when the Shareholders Meeting's decision on the payment of dividends has been approved.

Redemption of treasury shares

In 2011, the Company did not trade in treasury shares.

Authorised capital

As at 31 December 2011, the Company had no authorised capital.

PROVISIONS

Provisions for lawsuits

The Company made provisions for claims and damages related to alleged business offences. The amount of the provisions is determined based on the amount of compensation claims or an estimate if the amount of the claim is not yet known. The amount of provisions made is verified on a regular basis.

Provisions for termination and jubilee benefits

In accordance with the statutory requirements and the collective agreement, the Company is obligated to pay jubilee benefits and termination benefits upon retirement. These payments are measured using the simplified method of accounting, which requires that an actuarial liability is assessed on the basis of the expected salary increase from the valuation date until the anticipated retirement of an employee. This means that benefits are accrued in proportion with the work performed. The assessed liability is recognised as the present value of expected future expenditure. Anticipated salary increase and employee turnover are also considered as part of the measurement. Actuarial gains or losses of the current year, based on actuarial calculations, are recognised in the income statement.

Provisions for anticipated costs of maintenance of the port infrastructure

In accordance with the concession agreement concluded with the government of the Republic of Slovenia, the Company creates provisions for ordinary maintenance of the port infrastructure up to an amount equal to the surplus of the income from the port dues over the costs.

Operating liabilities

Long-term operating liabilities include collateral received for rented business premises. Liabilities to suppliers, the State and employees are presented separately. Operating liabilities are inclusive of interest and dividends payable. Operating liabilities denominated in foreign currency are converted into the local currency at the reference rate of the ECB on the balance sheet date.

Income tax

Income tax is provided for in accordance with the Corporate Income Tax Act and, as we have the status of an Economic Zone user, also in accordance with the Economic Zones Act. This allows the Company to claim tax relief for investments in fixed assets located within the economic zone. Since in 2011 the Company did not receive a positive decision from Tax Authorities which provides the basis for claiming tax relief, the Company could not claim any tax relief. The basis for the income tax calculation is the gross amount of profit increased by the amount of non-deductible expenditure and reduced by the amount of statutory tax relief. In 2011, income tax liability was calculated at the rate of 20 percent of the tax basis.

Deferred tax

With a view of reporting the relevant profit or loss for the period, the Company also accounted for deferred tax. Deferred tax includes deferred tax assets and deferred tax liabilities. Deferred tax was provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The differences were identified as permanent or temporary, while the latter were further divided into taxable and deductible. Taxable deductible differences increase the taxable amounts and deferred tax liabilities, while deductible temporary differences reduce taxable amounts and deferred tax assets.

Earnings per share

The basic and diluted earnings per share was calculated by dividing the net profit for the financial year 2011 by the weighted average number of ordinary shares in issue.

REVENUE

Operating revenue

Revenue from services rendered

Operating revenue is recognised when it can be reasonably expected that it will result in receipts, unless these were already realised when revenue was generated, and their amount can be reliably measured.

Revenue from services rendered is recognised using the stage of completion method on the balance sheet date. Under this method, revenue is recognised in the accounting period in which the services are rendered. The amount of each significant category of revenue recognised in the accounting period is disclosed, as well as revenue generated in the local and foreign markets. Revenue from the local market was achieved in Slovenia, while revenue from foreign markets was generated in the EU and third countries.

Rental income

Rental income from investment property comprises revenue generated from construction facilities and land that are leased out under operating lease. Rental income is recognised within operating revenue.

Other revenue

Other revenue includes subsidies, grants, premiums and reversal of the net amount of provisions.

Finance income and expenses

Finance income comprises interest income from loans, income from dividends, income from disposal of available-for-sale financial assets, and foreign exchange gains. Interest income is recognised when accrued using the effective interest rate method. Income from dividends is recognised in the income statement when a shareholder's right to payment is established.

Finance expenses comprise interest costs on borrowings, foreign exchange losses and impairment losses on financial assets recognised through the income statement. Borrowing costs are recognised in the income statement using the effective interest rate method.

EXPENSES - COSTS

Costs are recognised as expenses in the accounting period in which they are incurred. They are classified according to their nature. Costs are carried and disclosed by natural types using the Company's three-digit chart of accounts. Expenses are recognised when a decrease in economic benefits in the accounting period results in a decrease of assets or increase in liabilities and this decrease can be reliably measured.

Impairment of property, plant and equipment

If there is any indication that an asset may be impaired, the asset's recoverable amount is assessed. When the asset's recoverable amount cannot be assessed, the Company determines the recoverable amount of the cash generating unit to which the asset belongs. Impairment loss is recognised in the income statement. Impairment losses should be reversed if the estimates used to determine the asset's recoverable amount have changed. Impairment loss is reversed to the extent that the increased carrying amount of the asset does not exceed its carrying amount that would have been determined net of depreciation, had no impairment loss been recognised in respect of the asset. The reversal of the impairment loss is recognised as revenue in the income statement.

Impairment of intangible assets

On the reporting date, intangible assets are tested for impairment.

When the recoverable amount of an asset is less than its carrying amount, the asset's carrying amount is reduced to its recoverable amount. The decrease is disclosed as an impairment loss and recorded as a revaluation operating expense.

Impairment of financial assets

On each reporting date, financial assets are tested for impairment using criteria set out in the accounting manual in order to determine whether there is any objective evidence of impairment. If such objective evidence exists, the Company calculates the amount of impairment loss.

When the Company determines that investments carried at amortised cost should be impaired, the amount of the loss is measured as the difference between the investment's carrying amount and the present value of expected future cash flows discounted at the original effective interest rate. The amount of impairment loss is recognised in the income statement. When the reasons for impairment of an investment cease to exist, the reversal of the impairment of the investment carried at amortised cost is recognised in the income statement.

When the Company determines that investments in subsidiaries, associates jointly controlled entities and other companies carried at cost should be impaired, the impairment loss is recognised as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for similar financial assets. The impairment loss is recognised in the income statement as a revaluation financial expense.

Impairment loss on available-for sale financial assets is recognised in the income statement as the difference between the investment's carrying amount and market or fair value on the balance sheet date. Available-for-sale financial assets are impaired when the fair value falls more than 40 percent below their cost on the balance sheet date. The amount of impairment loss is the difference between the cost and fair value of the investment.

COMPREHENSIVE INCOME

In the statement of comprehensive income the Company reports revenue and expenses (inclusive of any adjustments due to reclassification) that are not included in the income statement in accordance with other IFRSs.

CASH FLOW STATEMENT

The cash flow statement is presented using an indirect method, on the basis of the balance sheet items as at 31 December 2011 and 31 December 2010, as well as the items in the income statement for the financial year 2010, inclusive of any necessary adjustments of the cash flows.

STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity is a presentation of movements in individual equity elements during the financial year under review (total revenues and expenses as well as transactions with owners when they operate in their function as owners), inclusive of the net profit distribution. The statement of other comprehensive income is also included which increases net profit of the accounting period by total revenue directly recognised in the equity.

NEW STANDARDS AND INTERPRETATIONS THAT ARE NOT YET EFFECTIVE

Early application of IFRSs and IFRICs not yet effective

Luka Koper d. d. has not early adopted any standards or interpretations that are not yet effective and which will come into force in the future.

The following new and amended interpretations will be adopted in future periods as required by International Financial Reporting Standards:

IFRS 7 – Financial Instruments: Disclosures – Transfer of Financial Assets
The amendment is effective for annual periods beginning on or after 1 July 2011. The amendment requires additional disclosure about financial assets that have been transferred but not derecognised as well as disclosures about continuing involvement in derecognised assets. The amendment is to be applied retrospectively.

The following amended standards and interpretations will be adopted in future periods as required by International Financial Reporting Standards and if endorsed by the EU:

IFRS 7 – Financial Instruments: Disclosures (Amended) – Offsetting Financial Assets and Financial Liabilities.
The amendment is effective for annual periods beginning on or after 1 January 2013. The amendment introduces common disclosure requirements. These disclosures would provide users with information that is useful in evaluating the effect or potential effect of netting arrangements on an entity's financial position. The amendments to IFRS 7 are to be applied retrospectively. This amendment has not yet been endorsed by the EU.

IFRS 9 – Financial Instruments
The Standard replaces IAS 39 and is applicable for periods beginning on 1 January 2015. The first part of the standard introduces new requirements for classifying and measuring financial assets.

IFRS 10 – Consolidated financial statements
The new standard is effective for annual periods beginning on or after 1 January 2013 and addresses the accounting for consolidated financial statements. IFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by IFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent. Furthermore, the new standard changes definition of a controlling entity.

IFRS 11 – Joint Arrangements
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC-13 Jointly-controlled Entities — Non-monetary Contributions by Venturers. IFRS 11 identifies only two types of joint investments that can be jointly controlled: joint operations and joint ventures. Furthermore, IFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method.

IFRS 12 – Disclosures of Involvement in Other Entities
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 12 includes all of the disclosures that were previously in IAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 31 and IAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required in particular those related to assumptions used in determination of whether an entity controls another entity.

IFRS 13 – Fair Value Measurement
The new standard is effective for annual periods beginning on or after 1 January 2013. IFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under IFRS when fair value is required or permitted.

IAS 1 – Financial Statement Presentation: Presentation of Items of Other Comprehensive Income.
The amendment is effective for annual periods beginning on or after 1 July 2012. The amendments to IAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or 'recycled') to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items that will never be reclassified.

IAS 12 – Deferred Tax (Amended)
The amendment is effective for annual periods beginning on or after 1 January 2012. The amendment clarified the determination of deferred tax on investment property measured at fair value. The amendment introduces: a rebuttable presumption that deferred tax on investment property measured using the fair value model in IAS 40 should be determined on the basis that its carrying amount will be recovered through sale; and b) the requirement that deferred tax on non-depreciable assets that are measured using the revaluation model in IAS 16 always be measured on a sale basis of the asset.

IAS 19 – Employee Benefits (Amended)
The fundamental change includes removal of the corridor mechanism for the recognition of changes made to defined benefits plan. Now, all changes are recognized when they are made either in the profit or loss or the statement of comprehensive income, depending on the type of changes. The amendment is effective for annual periods beginning on or after 1 January 2013.

IAS 27 – Separate Financial Statements
The Standard is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The new standard is effective for periods beginning on or after 1 January 2013.

IAS 28 – Investments in Associates and Joint Ventures
The Standard was issued in May 2011 and is effective for annual periods beginning on or after 1 January 2013. As a consequence of the new IFRS 10, IFRS 11 and IFRS 12, IAS 28 has been renamed IAS 28 Investments in Associates and Joint Ventures, and describes the application of the equity method to investments in joint ventures in addition to associates.

IAS 32 – Financial Instruments: Presentation (Amended) – Offsetting Financial Assets and Financial Liabilities.
The amendment is effective for annual periods beginning on or after 1 January 2014. This amendment clarifies the meaning of "currently has a legally enforceable right to set-off" and also clarifies the application of the IAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments to IAS 32 are to be retrospectively applied. Earlier application is permitted. However, if an entity chooses to early adopt, it must disclose that fact and also make the disclosures required by the IFRS 7 Offsetting Financial Assets and Financial Liabilities amendments. This amendment has not yet been endorsed by the EU.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine
The interpretation applies to waste removal (stripping) costs incurred in surface mining activities, during the production phase of the mine. It represents a change from the current life of mine average strip ratio approach used by many mining and metals entities reporting under IFRS. The Interpretation is effective for annual periods beginning on or after 1 January 2013. This interpretation has not yet been endorsed by the EU. The interpretation has no impact on the financial position or operations of the Company.

The Company is reviewing the not yet effective standards and interpretations and at this stage cannot reasonable assess the impact of the new requirements. The Company will comply with new standards and interpretations as and when effective and endorsed by the EU.

JUDGEMENTS AND SOURCES OF UNCERTAINTY

Risk management

The Company monitors and strives to manage risks at all levels of business. In the assessment of risks, the Company considers various risk factors and compares costs with the related benefits. Appropriate risk management is ensured by their timely identification and management, by the relevant guidelines and policies, which are laid down in documents of the overall management system.

The Company's operations are exposed to strategic, operational and financial risks, which are largely dependent on market laws, and which require their active monitoring. In addition to strategic and operational risks, the Company also encounters financial risks, of which the most significant ones include the risk of fair value changes, interest rate risk, liquidity risk, currency risk and credit risk, as well as the risk of adequate capital composition. How financial risks are identified and managed is disclosed in Note 29: Financial Risk Management.

8 ADDITIONAL NOTES TO THE INCOME STATEMENT

Note 1: Operating revenue

(EUR)	2011	2010
NET SALES	**134,346,847**	**118,860,425**
SALES IN THE LOCAL MARKET	**45,492,364**	**39,841,340**
Revenue from the sale of services in the local market	43,529,412	37,885,147
Rental income on the local market	1,938,405	1,924,892
Revenue from the sale of goods and materials	24,548	31,301
SALES IN FOREIGN MARKETS	**88,854,483**	**79,019,085**
Revenue from the sale of services in foreign markets	88,702,506	79,008,995
Rental income on foreign markets	151,977	10,090

Luka Koper, d. d. ended the financial year 2011 with revenue from the main line of business amounting to EUR 134,346,847, which represents a year-on increase of 13 percent. The majority of revenue (66 percent) was generated abroad, the remaining 34 percent in the domestic market.

(EUR)	2011	2010
OTHER OPERATING REVENUE	**79,990**	**78,499**
Revaluation operating revenue	79,990	78,499

Note 2: Other revenue

(EUR)	2011	2010
OTHER REVENUE	**386,007**	**370,322**
Subsidies, grants and similar revenue	335,398	348,987
Other	50,609	21,335

A majority part of other revenue comprises accrued revenue based on expenditure relating to European projects, in amount of EUR 326,612, which were handed over to certification and it is rightfully expected that these funds will be received.

Note 3: Costs of material and services

(EUR)	2011	2010
COSTS OF MATERIALS	**9,858,119**	**8,365,291**
Cost of auxiliary materials	2,647,886	2,313,287
Cost of power supply	6,796,273	5,560,626
Cost of office supplies and professional literature	133,209	114,013
Other costs of materials	280,751	377,365

(EUR)	2011	2010
COSTS OF SERVICES	**41,425,483**	**35,821,522**
Cost of physical services	16,909,791	13,406,743
Cost of transport services	192,367	207,423
Cost of maintenance services	8,529,566	7,206,256
Lease payments	781,358	954,486
Reimbursements of work-related costs to employees	292,429	270,496
Costs of payment processing and insurance premiums	384,471	365,811
Cost of professional and personal services	814,983	1,117,514
Cost of advertising, trade fairs and hospitality	1,215,827	1,237,050
Cost of services rendered by natural persons	247,614	96,375
Cost of other services	12,057,077	10,959,367

The majority of the costs of services relate to physical services which are inclusive of port services rendered by the contractors. The cost of professional and personal services include also audit fees as follows: fee for the audit of the financial statements for the year 2011 of EUR 28,500, and other non-audit services carried out by auditing firms to the amount of EUR 6,020. The costs of other services include two significant items: the cost of information technology support of EUR 3,140,116 (in 2010: EUR 3,152,677), and concession charges of EUR 4,473,430 (in 2010: EUR 3,957,324).

The cost of payment processing and insurance premiums include property insurance costs and personnel insurance in amount of EUR 336,529. The property insurance includes basic insurance against fire damages for agreed value as new of the assets, for any damages done to the third parties and certain goods and products belonging to third parties. In accordance with the Concession Agreement, the port infrastructure intended for public transport (both the infrastructure owned by the Company as well as the infrastructure in long-term lease) is insured against any damages.

Note 4: Labour costs

(EUR)	2011	2010
LABOUR COSTS	**31,764,802**	**30,057,873**
Salaries	20,707,707	19,668,655
Salary compensation	3,450,337	3,272,566
Cost of supplementary pension insurance	973,198	929,304
Employer's contributions on salaries	3,943,012	3,662,796
Annual leave allowance, reimbursements and other costs	2,690,548	2,524,552

On 31 December 2011, Luka Koper, d. d., had 787 employees, which represents a year-on decrease of 5 percent. Increased number of employees is a result of recruitments in the basic throughput and storage process due to intensive growth of throughput. The average number of employees for the year 2011 was 759 compared to 757 in the year 2010.

Average number of employees by level of education in 2011 and 2010

Educational level	Average in 2011	Average in 2010
VIII/2	2	2
VIII/1	17	15
VII	94	93
VI/2	117	113
VI/1	51	48
V	228	230
IV	182	183
III	15	19
I–II	53	54
Total	**759**	**757**

In 2011, all the employees, except for the members of Management Board, received an additional salary (13th salary) equal to each employee's average salary, for having reached the planned value added. Other benefits awarded to employees include the payment of supplementary pension insurance premium by the employer, which has been funding the pension scheme for the tenth consecutive year.

In 2011 and 2010, the annual leave allowance amounted to EUR 910 per employee.

Loans granted to employees with individual employment agreement:

	Total outstanding		Repayment of principal	
(EUR)	2011	2010	2011	2010
Luka Koper, d. d.	2,508	10,185	1,083	1,745

In accordance with the internal rules and its business plan, Luka Koper, d. d. approves housing loans to its employees as means of resolving their housing problems. The balance of the outstanding amount and repayments made in 2011 and 2010 are presented in the table above.

No loans were granted to members of the Management and Supervisory Boards.

Note 5: Write-downs

(EUR)	2011	2010
Write-downs	**26,196,999**	**27,037,980**
Depreciation/Amortisation	25,237,836	24,472,798
Depreciation of investment property	612,172	638,090
Revaluation operating expenses for property, plant and equipment	30,459	55,990
Revaluation operating expenses	316,533	1,871,102

Depreciation and amortisation rates were not changed in 2011. Depreciation and amortisation charges on intangible assets, property, plant and equipment, and investment property increased in 2011 as a consequence of new purchases and the completion of some major investments.

Revaluation operating expenses represent impairments of receivables that were made during the year for all matured receivables older than 180 days.

Note 6: Other operating expenses and provisions

(EUR)	2011	2010
Other expenses	**6,044,885**	**6,150,032**
Charges unrelated to labour costs or other costs	5,263,413	5,270,663
Environment protection expenditure	79,177	137,487
Awards and scholarships to students	8,839	5,421
Other costs – penalties, compensation paid and demurrage	693,456	736,461

A significant item of charges represents a charge for the use of land, which in 2011 amounted to EUR 4,799,548 (in 2010: EUR 4,733,206). The Company spent EUR 304,674 for given grants (in 2010: EUR 294,982).

(EUR)	2011	2010
Provisions	**524,429**	**-251,369**
Provisions for damages and compensation charges	365,213	-191,484
Provisions for ordinary maintenance in accordance with the concession agreement	159,215	-59,885

Provisions formation and movements are disclosed in Note 26: Provisions and accrued costs and deferred revenue.

Note 7: Finance income

(EUR)	2011	2010
TOTAL FINANCE INCOME	**2,862,317**	**5,433,118**
Finance income from interests	**2,448,430**	**4,980,335**
Finance income from interests in affiliated companies	1,042,729	2,900,088
Finance income (dividends) from associates	572,615	838,438
Finance income (dividends) from other companies	608,151	641,990
Finance income from disposal of securities	224,936	599,818
Finance income from loans	**262,300**	**276,026**
Finance income from loans to group companies	7,884	8,574
Finance income from loans to others	254,416	267,452
Finance income from operating receivables	**151,587**	**176,757**
Finance income from operating receivables due from others	147,991	143,279
Foreign exchange gains	3,595	33,478

In 2011, finance income did not reach the 2010 level, particularly due to lower realised finance income from shares in subsidiaries and associates.

Note 8: Finance expenses

(EUR)	2011	2010
TOTAL FINANCE EXPENSES	**22,811,606**	**20,125,398**
Finance expenses for impairment of investments	**14,538,345**	**11,069,760**
Finance expenses for financial liabilities	**8,271,455**	**8,951,286**
Finance expenses for borrowings from Group companies	270,308	320,354
Finance expenses for borrowings from associates	29,081	37,484
Finance expenses from borrowings from banks	7,966,720	8,593,448
Finance expenses for borrowings from banks	5,348	0
Finance expenses for operating liabilities	**1,806**	**104,353**
Finance expenses for payables to suppliers and bills payable	422	52,193
Finance expenses for other operating liabilities	1,384	52,159

More significant items of investment impairments represent impairment of non-current financial assets (disposal groups) held for sale and relate to impairment of the investment in Intereuropa, d. d. to the amount of EUR 13,916,047. The amount of impairment was based on the appraisal of the market value of the investment held by the Company.

Appraisal of the market value the investment in Intereuropa, d. d. was made as at 30 September 2011, using the 8-yearly free cash flow projections taking into consideration the discount rate which changes on a yearly basis depending on the structure of equity and liabilities, whereas cash flows in excess of 8 years were extrapolated with 1 percent growth rate.

The remaining part of finance expenses from the impairment of financial investments comprises the impairment of investments in the subsidiary TOC, d. o. o., in the amount of EUR 376,387 and in the associate Railport Arad, s. r. l., in the amount of EUR 244,000.

Finance expenses from financial liabilities are by 7 percent lower in 2011 due to decreased debt of the Company and refinancing of current liabilities with a more inexpensive non-current source. A detailed analysis of the risk of changes in interest rates and sensitivity analysis of financial liabilities, with regard to changes in variable interest rates, are disclosed in Note 29: Risk management.

Note 9: Profit or loss before taxes

In 2011, the Company generated an operating result of EUR 18,998,129, compared to EUR 12,127,917 in 2010. When we consider the financial loss of EUR -19,949,289 (in 2010, the loss was EUR -14,692,280), the operating result before taxes incurred in 2011 stands at EUR -951,161 (it was negative also in 2010: EUR -2,564,363).

Note 10: Corporate income tax

(EUR)	2011	2010
Pre-tax profit or loss	**-951,161**	**-2,564,363**
Corporate income tax (20%)	**190,232**	**512,873**
Non-taxable revenue and increase in expenses	219,627	248,740
Non-taxable dividends received	385,099	811,627
Tax relief	295,371	233,756
Tax non-deductible expenditure	-563,217	-524,029
Tax non-deductible expenditure in relation to impairment of investments	-1,453,928	-1,167,724
Other reduction in the tax basis	28,771	16,966
Total tax revenue/expense	-898,045	132,209
Effective tax rate	-	-

In 2011, Luka Koper d. d. reported a tax basis before the reduction in the tax basis and tax relief of EUR 12,915,899. After taking into account tax relief of EUR 1,476,853 and use of unused tax loss from previous year of EUR 8,508,112, the tax basis for the year 2010 is EUR 2,930,934.

Note 11: Deferred tax

Deferred tax increases the amount of net loss for the year 2011 by EUR 311,858, while in the previous year the deferred tax reduced the amount of net loss by EUR 132,475. Deferred tax assets were made on account of the impairment charge for investments and provisions which are not fully tax deductible. On the other hand, they were reduced due to the utilisation of provisions and as a result of the disposal of previously impaired investments.

Deferred tax assets and liabilities recognised in the income statement are presented below:

(EUR)	2011	2010
Deferred tax recognised in the income statement	**-311,858**	**132,475**
Provisions	26,596	-88,804
Unused tax losses	-1,701,622	-903,272
Long-term investments	1,312,728	760,245
Allowances for receivables	50,440	364,306

Deferred tax assets and liabilities recognised in the comprehensive income are presented below:

(EUR)	2011	2010
Deferred tax on changes from available-for-sale financial assets	-951,563	-132,427

At 31 December, deferred tax was recognised on account of:						
(EUR)	Balance sheet		Income statement		Changes in equity	
	2011	2010	2011	2010	2011	2010
Deferred tax liabilities	**1,677,158**	**2,628,722**	**0**	**0**	**-951,563**	**-132,427**
Fair value revaluation of financial instruments for hedging	74,571	0			74,571	0
Revaluation of AFS financial assets to fair value	1,602,587	2,628,722			-1,026,134	-132,427
Deferred tax assets	**1,677,158**	**2,628,722**			**-951,563**	**-132,427**
Deferred tax assets	**9,111,617**	**9,423,475**	**-311,858**	**132,475**		
Provisions – deferred assets	630,085	603,489	26,596	-88,804		
Financial investments	8,170,573	6,857,845	1,312,728	760,245		
Bad debt allowance	279,513	229,073	50,440	364,306		
Fixed assets elimination	31,446	31,446	0	0		
Tax loss	0	1,701,622	-1,701,622	-903,272		
Total deferred tax assets	**9,111,617**	**9,423,475**				
Netting of deferred tax assets and liabilities	**7,434,459**	**6,794,753**				

Note 12: Net loss per share

The objective of the information is to provide a criterion for the share of each ordinary share in the performance of the Company.

(EUR)	2011	2010
Net loss	-1,849,205	-2,431,888
Weighted average number of ordinary shares	14,000,000	14,000,000
Basic net loss per share	**-0.13**	**-0.17**
Diluted net loss per share	**-0.13**	**-0.17**

Net earnings per share for the year 2011 were calculated by dividing the net operating loss by the weighted average number of ordinary shares in issue during the year. The calculation was based on the decision of the General Meeting of shareholders for the conversion of all preference shares to ordinary shares using the 1:1 ratio. The share capital and changes in the share capital are disclosed in Note 24: Equity and reserves.

Following the conversion of all preference shares into ordinary shares, the diluted net earnings per share is equal to the basic net earnings per share.

9 ADDITIONAL NOTES TO THE BALANCE SHEET

Note 13: Intangible assets

(EUR)	31. 12. 2011	31. 12. 2010
Intangible assets	**4,580,294**	**7,299,398**
Long-term property rights	4,580,294	7,299,398

No impairment loss was recognised on intangible assets in 2011 as there were no indications of their impairment. The movements in and accumulated amortisation of intangible assets in the year 2011 and comparable information for the year 2010 are presented in the following table. As at 31 December 2010, no items of intangible assets were pledged as collateral.

Table of changes in intangible assets in 2011

(EUR)	Intangible assets	Intangible assets being acquired	Total
Cost			
As at January 2011	**11,915,537**	**6,906,261**	**18,821,798**
Additions	347,015	866,419	1,213,434
Transfer to use	3,140,828	-3,140,828	0
Transfer to PPE	-1,156,506	-3,664,483	-4,820,989
Disposals	-3,934	0	-3,934
As at 31 December 2011	**14,242,940**	**967,369**	**15,210,309**
Accumulated amortisation			
As at 1 January 2011	**11,522,400**	**0**	**11,522,400**
Amortisation	264,284	0	264,284
Disposals	-163	0	-163
Transfer to PPE	-1,156,506	0	-1,156,506
As at 31 December 2011	**10,630,015**	**0**	**10,630,015**
Carrying amount			
As at 1 January 2011	**393,137**	**6,906,261**	**7,299,398**
As at 31 December 2011	**3,612,925**	**967,369**	**4,580,294**

Table of changes in intangible assets in 2010

(EUR)	Intangible assets	Intangible assets being acquired	Total
Cost			
As at 1 January 2010	**11,909,003**	**6,484,499**	**18,393,502**
Additions	0	531,877	531,877
Transfer to use	4,414	-4,414	0
Transfer to use from PPE	2,120	0	2,120
Transfer to current investments	0	-105,701	-105,701
As at 31 December 2010	**11,915,537**	**6,906,261**	**18,821,798**
Accumulated amortisation			
As at 1 January 2010	**11,369,454**		**11,369,454**
Amortisation	152,946	0	152,946
As at 31 December 2010	**11,522,400**	**0**	**11,522,400**
Carrying amount			
As at 1 January 2010	**539,549**	**6,484,499**	**7,024,048**
As at 31 December 2010	**393,137**	**6,906,261**	**7,299,398**

Note 14: Property, plant and equipment

(EUR)	31. 12. 2011	31. 12. 2010
Property, plant and equipment	**338,692,966**	**343,843,293**
Land	6,261,659	6,261,659
Buildings	230,161,043	226,808,072
Plant and machinery	76,988,193	84,045,380
Other plant and equipment	139,696	138,696
Fixed assets being acquired and advances given	25,142,375	26,589,487

No items of property, plant and equipment have been pledged as collateral for liabilities.

The cost value of the property, plant and equipment in use, of which the carrying value as at 31.12.2011 is zero, is EUR 159,560,033.

Changes in values of fixed assets are presented in the movements of fixed assets presented in the table below.

As at 31 December 2011, liabilities to suppliers of fixed assets amounted to EUR 2,641,049 (in 2010: EUR 3,770,018).

We have capitalised interest relating to the financing of investment property and, consequently, increased the cost of these assets by EUR 33,900.

The following major capital investments were made in 2011:
- Equipment used for loading and unloading at the container terminal of total EUR 5.8 million,
- Dredging and reconstruction of bollards at the passenger terminal of total EUR 1.3 million,
- Landscaping of areas on terminals as well as elsewhere including reconstruction, fixing lighting and other utility infrastructure of total EUR 2.2 million.

For the performance of its core activity, Luka Koper, d. d. also uses a quay and land owned by the Republic of Slovenia. Lease arrangements are detailed in the Concession Agreement for the Administration, Management, Development and Regular Maintenance of the Port Infrastructure at the Koper Port Terminal, concluded with the Republic of Slovenia on 8 September 2008. The Concession Agreement is described in more detail in Chapter 10.

Table of changes in property, plant and equipment in 2011

(EUR)	Land	Buildings	Plant and equipment	PPE being acquired and advances given	Total
Cost					
As at 1 January 2011	**6,261,659**	**371,326,056**	**217,557,986**	**26,589,487**	**621,735,188**
Additions	0	4,848,824	6,495,007	3,936,935	15,280,766
Transfer to use	0	5,809,802	316,724	-6,126,526	0
Transfer from intangible fixed assets	0	3,664,483	1,156,506	0	4,820,989
Disposals	0	-10,233	-1,230,997	0	-1,241,230
Transfer from investment property	0	846,957	0	0	846,957
Transfer to the sales account	0	0	-1,746,289	0	-1,746,289
Advances for acquisition of PPE	0	0	0	742,479	742,479
Transfer from assets from use	0	-4,535	0	0	-4,535
As at 31 December 2011	**6,261,659**	**386,481,354**	**222,548,937**	**25,142,375**	**640,434,325**
Accumulated depreciation					
As at 1 January 2011	**0**	**144,517,985**	**133,373,910**	**0**	**277,891,895**
Additions	0	0	0	0	0
Depreciation	0	11,188,742	13,784,809	0	24,973,551
Disposals	0	-6,185	-1,166,841	0	-1,173,026
Transfer from intangible fixed assets	0	0	1,156,506	0	1,156,506
Transfer from investment property	0	624,304	0	0	624,304
Transfer to the sales account	0	0	-1,727,335	0	-1,727,335
Transfer to assets from use	0	-4,535	0	0	-4,535
As at 31 December 2011	**0**	**156,320,311**	**145,421,049**	**0**	**301,741,360**
Carrying amount					
As at 1 January 2011	**6,261,659**	**226,808,071**	**84,184,076**	**26,589,487**	**343,843,293**
As at 31 December 2011	**6,261,659**	**230,161,043**	**77,127,888**	**25,142,375**	**338,692,965**

Table of changes in property, plant and equipment in 2010

(EUR)	Land	Buildings	Plant and equipment	PPE being acquired and advances given	Total
Cost					
As at 1 January 2010	**6,261,659**	**340,363,376**	**216,578,912**	**44,447,321**	**607,651,268**
Reclassification of impairment of opening balance	0	4,015	0	0	4,015
Additions	0	400,431	654,920	16,690,172	17,745,523
Transfer to use	0	29,531,668	3,549,493	-33,081,161	0
Transfer to investment property	0	0	0	-305,007	-305,007
Transfer to intangible assets	0	0	0	-2,120	-2,120
Disposals	0	-155,940	-3,148,120	0	-3,304,060
Transfer from investment property	0	1,192,326	0	0	1,192,326
Transfer to the sales account	0	-9,820	-204,062	0	-213,882
Advances for acquisition of PPE	0	0	0	492,000	492,000
Transfer to non-current operating receivables	0	0	0	-1,757,419	-1,757,419
Transfers to current investments	0	0	0	105,701	105,701
Transfer from the sales account	0	0	126,843	0	126,843
As at 31 December 2010	**6,261,659**	**371,326,056**	**217,557,986**	**26,589,487**	**621,735,188**
Accumulated depreciation					
As at 1 January 2010	**0**	**132,720,180**	**122,424,503**	**0**	**255,144,683**
Additions	0	0	0	0	0
Depreciation charge for the year	0	10,722,550	13,597,302	0	24,319,852
Disposals	0	-107,251	-2,601,438	0	-2,708,689
Transfer from investment property	0	1,192,326	0	0	1,192,326
Transfer to the sales account	0	-9,820	-173,300	0	-183,120
Transfer from the sales account	0	0	126,843	0	126,843
As at 31 December 2010	**0**	**144,517,985**	**133,373,910**	**0**	**277,891,895**
Carrying amount					
As at 1 January 2010	**6,261,659**	**207,643,196**	**94,154,409**	**44,447,321**	**352,506,585**
As at 31 December 2010	**6,261,659**	**226,808,071**	**84,184,076**	**26,589,487**	**343,843,293**

Note 15: Investment property

(EUR)	31.12.2011	31.12.2010
Investment property	**35,523,894**	**37,120,101**
Land	20,828,209	20,828,209
Buildings	14,695,685	16,291,892

Investment property includes facilities which are leased under operating lease. Total rental income in 2011 reached EUR 2,090,382 (in 2010: EUR 1,934,983). The depreciation charge amounted to EUR 612,172 (in 2010: EUR 638,090).

The movements in property, plant and equipment, investment property and intangible assets, as well as their accumulated depreciation and amortisation recorded in 2011 and 2010 are presented in the tables below.

Table of changes in investment property in 2011

(EUR)	Land	Buildings	Total
Cost			
As at 1 January 2011	**20,828,209**	**22,670,450**	**43,498,659**
Additions	0	43,870	43,870
Transfer to use from intangible fixed assets being acquired	0	0	0
Decrease	0	-1,113,266	-1,113,266
Transfer to intangible fixed assets	0	-846,957	-846,957
As at 31 December 2011	**20,828,209**	**20,754,097**	**41,582,306**
Accumulated depreciation			
As at 1 January 2011	**0**	**6,378,558**	**6,378,558**
Increase	0	0	0
Depreciation	0	612,171	612,171
Decrease	0	-308,013	-308,013
Transfer from investment property	0	-624,304	-624,304
As at 31 December 2011	**0**	**6,058,412**	**6,058,412**
Carrying amount			
As at 1 January 2011	**20,828,209**	**16,291,892**	**37,120,101**
As at 31 December 2011	**20,828,209**	**14,695,685**	**35,523,894**

Table of changes in investment property in 2010

(EUR)	Land	Buildings	Total
Cost			
As at 1 January 2010	**20,828,209**	**23,554,604**	**44,382,813**
Reclassification of the impairment of the opening balance	0	-4,015	-4,015
Additions	0	9,161	9,161
Transfer to use from intangible fixed assets being acquired	0	305,006	305,006
Decrease	0	-1,980	-1,980
Transfer to intangible fixed assets	0	-1,192,326	-1,192,326
As at 31 December 2010	**20,828,209**	**22,670,450**	**43,498,659**
Accumulated depreciation			
As at 1 January 2010	**0**	**6,933,695**	**6,933,695**
Increase	0	0	0
Depreciation	0	638,090	638,090
Decrease	0	-901	-901
Transfer from investment property	0	-1,192,326	-1,192,326
As at 31 December 2010	**0**	**6,378,558**	**6,378,558**
Carrying amount			
As at 1 January 2010	**20,828,209**	**16,620,909**	**37,449,118**
As at 31 December 2010	**20,828,209**	**16,291,892**	**37,120,101**

Note 16: Non-current financial investments

(EUR)	31.12.2011	31.12.2010
Non-current financial investments	**50,074,283**	**54,474,523**
Non-current financial investments excluding loans	**45,506,981**	**52,130,784**
Investments in subsidiaries	**5,280,453**	**6,912,006**
Investments in subsidiaries – purchase value	6,318,765	7,573,931
Impairment of investments in subsidiaries	-1,038,312	-661,925
Investments in associates	**8,753,709**	**9,374,096**
Investments in associates – purchase value	12,730,504	14,516,045
Impairment of investments in associates	-3,976,795	-5,141,949
Other shares and interests	**31,472,819**	**35,844,682**
a. Other shares and interests – available for sale	24,284,278	28,669,236
b. Other shares and interests – at cost	7,188,541	7,175,445
- Other shares and interests at cost – purchase value	31,066,996	31,053,901
- Impairment of other shares and interests at cost	-23,878,455	-23,878,455
Non-Current loans	**4,567,302**	**2,343,740**
Housing loans to employees	101,367	195,012
Impairment of housing loans	-5,440	-9,847
Loans to others	31,870	31,644
Impairment of loans to others	0	0
Investments in bonds and deposits	4,482,275	2,169,700
Impairment of investments in bonds and deposits	-42,770	-42,770

Non-current financial investments excluding loans

On the last day of the financial year 2011, the Company's non-current investments totalled EUR 50,074,283 and accounted for 10.7 percent of its total assets. These investments mostly consist of investments in associates and jointly controlled companies, and other investments in securities and interests.

Non-current financial investments in associates decreased by EUR 1.6 million. The decrease in long-term financial investments is due to the transfer of the company Adria Investicije among available-for-sale non-current investments. Moreover, we recognised into this group the ownership share in the company Tehnološko okoljski center, d. o. o., and the capital increase in the company Adria Terminali, d. o. o., in the amount of EUR 450,000, which is 100% owned by Luka Koper, d. d.

The decrease in the value of non-current financial investments in associates is the result of the re-classification of the ownership share in the companies Ecoporto Koper, d. o. o., and Tehnološko okoljski center, d. o. o., among financial investments in Group companies. As at 31 December 2011, the total value of these investments was EUR 5,280,452.

The group of financial investments held for sale was valued at EUR 24,284,278 as at 31 December 2011 (2010: EUR 28,669,236). The fair value of investments, included among the financial assets held for sale, dropped slightly in 2011 thus the revaluation surplus decreased amounting to EUR 8,380,857 as at 31 December 2011 (2010: EUR 13,143,609).

All other non-current investments carried at cost, in the amount of EUR 7,188,541, include non-market securities and interests.

Non-current loans

As at 31 December 2011, non-current loans amounted to EUR 4,567,302 (2010: EUR 2,343,740). Out of this, 3 percent represents housing loans granted to employees, 35 percent bonds issued by Slovenian issuers, and 62 percent non-current deposit.

Housing loans were initially granted to employees partly on the basis of the Housing Act of 1991, and subsequently in accordance with the internal housing rules. Maximum repayment period is 20 years. All housing loans are appropriately collateralised.

Among investments in securities with a fixed rate of return, the largest share represents investments in bonds issued by Slovene commercial banks with maturities through 2020. The interest rate spread for investments classified as loans ranges between the nominal amount of 2.7 percent and 6.0 percent.

Note 17: Non-current operating receivables

(EUR)	31.12.2011	31.12.2010
Non-current operating receivables	**8,664**	**41,559**
Non-current operating receivables from others	8,664	41,559

Note 18: Deferred tax assets

(EUR)	31.12.2011	31.12.2010
Deferred tax assets	**9,111,617**	**9,423,475**

Deferred tax assets are accounted for temporary differences arising from the formation of provisions for termination benefits upon retirement and long-term service bonuses in amount of EUR 116,959, from the impairment of receivables in amount of EUR 279,513, from derecognition of fixed assets in the amount of EUR 31,446, from con-current financial investments in the amount of EUR 8,170,573, and from the formation of provisions for regular maintenance in amount of EUR 513,127.

Note 19: Assets held for sale

(EUR)	31.12.2011	31.12.2010
Assets (of disposal groups) held for sale	**6,963,061**	**18,211,752**

Based on expressed interest in buying shares of the company Intereuropa, d. d., and in accordance with the adopted segmentation and policy of investment management, the Management Board of the Company decided to carry out the sale of interest in the company Intereuropa, d. d. In December 2010, it announced on SEOnet a public invitation for offer.

In 2010 we therefore transferred to this group a long-term investment to the company Intereuropa at the book value of EUR 19,147,000, additionally impairing it by EUR 2,348,999 based on appraisal. In 2011, the investment for additionally impaired by EUR 13,916,047 and as at 31 December 2011, the investment value is EUR 2,881,954.

Further two investments were classified into this category in 2011: investment in subsidiary Adria Investicije, d. o. o., at the carrying amount of EUR 2,081,552 and investment in Logis Novo, d. o. o., in the amount of EUR 609,741.

Within the assets (of disposal groups) held for sale we can also find the building Luna with value of EUR 1,380,000 and a few other property, plant and equipment items which were classified within this group at the inventory count.

Note 20: Current financial investments

(EUR)	31.12.2011	31.12.2010
Current financial investments	**817,560**	**1,131,029**
Current loans within the group	176,359	293,338
Current loans to others	1,557,442	2,964,962
Impairment of current loans	-916,241	-2,127,270

Among the current loans within the group is only one loan, granted to subsidiary Adria Terminali d. o. o., given with tax allowable interest rate for related parties.

Among the current loans to others, the major part represents a financial investment into bonds of the Factor banka, issue 15, and code FB15, in the amount of EUR 420,000, which mature at the end of 2012. Majority of the remaining investments are loans granted some years ago and which have been mostly impaired in the past.

Total revenue from interests in non-current and current financial investments (using the actual interest method) slightly decreased in 2011 and amounted to EUR 262,300 (2010: EUR 276,026).

Note 21: Current operating receivables

(EUR)	31.12.2011	31.12.2010
Current operating receivables	**21,485,590**	**22,335,500**
Current domestic trade receivables	8,073,698	5,415,872
Current domestic trade receivables bad debt allowance	-1,501,830	-62,441
Current operating receivables from Group companies	63,025	367,168
Current operating receivables from associates	62,057	349,969
Current foreign trade receivables	5,570,827	8,565,303
Current foreign trade receivables bad debt allowance	-64,758	-3,298
Advances for current assets	800	5,481
Current operating receivables from exports	7,056,566	4,666,941
Current operating receivables from associates	0	1,154,991
Current operating receivables from exports bad debt allowance	-35,368	-36,774
Current interest receivable	140,188	127,892
Current interest receivables bad debt allowance	-72,773	-41,890
Input VAT receivables	440,882	650,204
Other current receivables	807,418	93,325
Current accrued revenue	334,588	399,382
Other current receivables bad debt allowance	-1,132	-312,900
Receivables from taxes and excise duties	611,401	996,275

With most trade receivables, Luka Koper, d. d. has an option to enforce a legal lien over the stored goods in its possession. Receivables from taxes include VAT receivables of EUR 579,177, which relate to VAT settlement for the months of November and December 2011. The same receivables in 2010 amounted to EUR 962,190 and included VAT settlements for the months from November to December 2010. Receivables from excise duties include settlement for November and December 2011 in amount of EUR 32,224 (2010: EUR 34,085).

As at 31 December 2011, no receivables are due from members of the Management Board and the Supervisory Board.

Maturity (EUR)	31.12.2011	31.12.2010
Outstanding trade receivables not past due, not impaired	**17,817,617**	**17,387,890**
Due within 30 days	2,044,243	2,074,770
Due between 31 and 60 days	251,951	207,685
Due between 61 and 90 days	33,186	134,002
Due between 91 and 180 days	188,834	212,165
Due between 181 and 365 days	252,807	255,636
Due more than 365 days	378,524	241,184
Total past due and not impaired	**1,474,816**	**2,979,906**
Past due and (partly) impaired	**1,674,729**	**145,536**
Total trade receivables	**20,967,162**	**20,513,332**

Note: the amount includes trade receivables and receivables from interests but does not include foreign exchange rate differences.

Total income from interest on late payments in 2011 amount to EUR 147,491 (2010: EUR 142,748).

Changes in bad debt allowance (EUR)	2011	2010
Bad debt allowance as at 1 January	**145,536**	**123,068**
– write-downs during the year	1,249	66,914
– payments during the year	33,855	4,935
+ additional increase in bad debt allowance	348,080	94,317
+ transfer between accounts*	1,216,217	0
Bad debt allowance as at 31 December	**1,674,729**	**145,536**

*Transfer between accounts of total EUR 1,216,217 is a result of transfer posting made in 2010 from allowance of other short-term operating receivables to the allowance account of trade receivables due from local customers. EUR 1,216,217 of impairment was recognised in 2010 in respect of the Panonija project running from 2008 to 2010.

Note 22: Cash

(EUR)	31.12.2011	31.12.2010
Cash	**901,134**	**592,296**
Cash in bank accounts	27,619	366,733
Current deposits	873,516	225,563

Cash, which amounted to EUR 901,134 as at 31 December 2011, includes money on bank accounts and current bank deposits with a maturity of up to 3 months after the balance sheet date. The Company has not agreed any automatic overdraft facilities on its current accounts with banks. For daily cash surpluses on transaction accounts, the Company has agreed framework contracts with a commercial bank and a contract for transfer of any surplus cash, thus ensuring optimum liquidity.

Note 23: Deferred costs and accrued revenue

(EUR)	31.12.2011	31.12.2010
Current deferred costs and accrued revenue	**540,427**	**471,750**
Current deferred costs	45,107	94,859
Insurance premiums	64,363	57,954
Transitionally accrued revenue	430,958	318,936

Note 24: Equity and reserves

(EUR)	31.12.2011	31.12.2010
EQUITY	**229,715,798**	**235,376,191**
Called-up capital	**58,420,965**	**58,420,965**
Share capital – ordinary shares	58,420,965	58,420,965
Capital surplus	**89,562,703**	**89,562,703**
Revenue reserves	**75,028,431**	**76,877,636**
Legal reserves	18,765,115	18,765,115
Other revenue reserves	56,263,316	58,112,522
Retained earnings	**0**	**0**
Unallocated profit for the year	**0**	**0**
Revaluation surplus	**6,703,698**	**10,514,887**
Adjustment to deferred tax surpluses	-1,677,159	-2,628,722
Surplus from the revaluation of investments	8,380,857	13,143,609

Share capital

The share capital of Luka Koper, d. d., consists of 14,000,000 ordinary no-par value shares that are freely transferable.

Reserves

The Company has allocated 10 percent of legal reserve. Capital surplus and legal reserves are not distributable. Capital surplus is carried at amounts resulting from the reversal of the general capital revaluation adjustment. No statutory reserves have been set aside as they are not envisaged in the Articles of Association.

Revaluation surplusa

Revaluation surplus from valuation of investments at fair value, amounted to EUR 8,380,857 at the year-end 2011 and is lower by EUR 4,762,752 compared to 31 December 2010. Excluding deferred tax liabilities, it amounts to EUR 6,703,698.

Retained earnings

Appropriation of retained earnings for the year 2010 and determination of retained earnings for the year 2010 are described in Chapter 12 "Statement of retained earnings / accumulated loss".

The dividend policy of the Company balances the aspiration of owners for profit and aspiration for the usage of retained earnings for future investments. Taking into consideration the financial results for the year 2011, the Company does not plan any dividend payments, while on the other hand, it is planned that the Company will allocate one third of the profit in future years for dividends. All in consideration with planned investments in port infrastructure and equipment.

Note 25: Provisions and non-current accrued costs and deferred revenue

(EUR)	31.12.2011	31.12.2010
PROVISIONS	**6,026,604**	**5,358,127**
Provisions for retirement and long-term service bonuses	981,750	979,341
Provisions for damages and compensations	2,337,581	1,972,368
Non-current accrued costs and deferred revenue	2,707,273	2,406,419

Provisions for retirement and long-term service bonuses were formed in the amount of the present value of expected future expenditure. The amount is based on an actuarial calculation made as at 31 December 2011 is based on an actuarial calculation made as at 31.12.2010 and:

- valid current level of retirement and long-term service bonuses,
- expected increase of salaries in the Company,
- inflation for November 2011 at the annual level,
- death rate based on the mortality index in Slovenia 2000–2002,
- 2.5 percent discount factor,
- Employees' turnover according to their age.

Provisions for legal disputes in amount of EUR 2,337,581 (2010: EUR 1,972,367) were made based on estimated amount of potential damages provided by internal legal services or other external lawyers, considering the existing and potential lawsuits and claims.

In accordance with the Concession agreement, Luka Koper d. d. has obtained the right and obligation to collect port duties which represent income intended to cover the costs of the provision of commercial public services. Any surplus of revenue over costs is retained as a provision for costs of ordinary maintenance of port infrastructure in future years.

As at 31 December 2011, the provisions for regular maintenance amount to EUR 2,565,634 (2010: EUR 2,406,419).

Table of changes in provisions

(EUR)	Provisions for damages and compensation	Provisions for retirement bonuses	Provisions for long-term services	Provisions for regular maintenance	Non-current accrued costs and deferred revenue	Total
Opening balance as at 1.1.2011	**1,972,367**	**701,344**	**277,997**	**2,406,419**	**0**	**5,358,127**
Provisions formed in 2011	1,184,901	63,719	15,095	909,722	141,638	2,173,437
Provisions used in 2011	0	-54,876	-21,528	-750,507	0	-826,911
Provisions reversed in 2011	-819,687	0	0	0	0	-819,687
Closing balance as at 31.12.2011	**2,337,581**	**710,187**	**271,564**	**2,565,634**	**141,638**	**6,026,604**

Note 26: Non-current liabilities

(EUR)	31.12.2011	31.12.2010
FINANCIAL AND OPERATING LIABILITIES	**168,279,760**	**161,075,952**
Non-current financial liabilities	**166,525,580**	**158,376,144**
Balance of borrowings from Group companies	9,784,838	0
Balance of borrowings from associates	1,064,212	0
Non-current borrowings from domestic banks	90,413,725	124,441,529
Non-current borrowings from foreign banks	64,889,948	33,934,616
Other non-current financial liabilities	372,857	0
Non-current operating liabilities	**1,754,180**	**2,699,807**
Deferred tax liabilities	1,677,159	2,628,722
Non-current advances and collateral received	77,021	71,086

Non-current financial liabilities

Total financial liabilities to banks, including non-current and current, decreased by EUR 20,497,618 in 2011 compared to 2010.

Non-current financial liabilities to banks amount to EUR 155,303,673. Only the part of the principals of non-current liabilities which fall due in 2012 was re-classified under current liabilities.

In 2011, Luka Koper, d. d., raised a long-term loan of EUR 35 million from the European Investment Bank in order to restructure a portion of short-term loans raised in the past.

All bank loans are bound to variable interest rate. Variable interest rate, calculated as annual nominal interest rate as at 31 December 2011, is between 2.285 and 5.207 percent.

In 2011, the Company has agreed long-term loan contracts with some of the Group companies and associates to manage cash surplus and deficits. As at 31 December 2011, the total amount of these loans was EUR 10,849,050. Interest rate agreed on these loans is tax recognized rate for transactions with related parties.

All non-current loans are repaid according to a predetermined schedule. For some of the loans the Company was granted a moratorium on the payment of the principal. All liabilities for non-current bank borrowings are insured with blank bills of exchange and the usual financial commitments. Scheduled payments of non-current borrowings from banks are presented in the table below. In 2012, principals of EUR 48,777,193 will mature. As at 31 December 2011, the Company had a total of EUR 27 million of long-term borrowings which were used to refinance short-term borrowings that matured in the beginning of 2012.

In addition to bank borrowings, the Company has agreed EUR 12 million with affiliates and associates of the Group. Of the total amount, by the end of 2011, only EUR 10.8 million was withdrawn since loan contracts are agreed as long-term revolving loans maturing in 2016. Short-term loans include a bank loan which matured in the beginning of 2012 and a revolving loan granted by commercial banks. As of the last day of the year, only EUR 1.8 million was withdrawn.

Should the variable rate of interest remain unchanged over the period, interest costs on non-current financial liabilities disclosed in the table would total EUR 35,353,988.

Principal balance of non-current and current bank loans as at 31.12.2011 and their maturity by year		Year 2012	Year 2013	Year 2014	Year 2015	Year 2016	Period 2017–2031
	204,377,105	48,777,193	40,478,860	10,743,859	13,608,939	10,538,017	80,230,237
Expected interest		6,746,265	5,780,776	4,563,696	4,001,291	3,420,853	10,841,106

Principal balance of non-current and current loans as at 31.12.2010 and their maturity by year		Year 2011	Year 2012	Year 2013	Year 2014	Year 2015	Period 2016–2025
	224,879,001	66,202,339	28,893,860	45,478,860	15,437,860	15,331,161	53,534,921
Expected interest		6,655,831	5,118,921	3,993,666	2,885,770	2,306,369	7,718,549

The Company regularly settles its non-current financial liabilities in accordance with the repayment plan.

Long-term operating liabilities

Long-term operating liabilities include non-current collateral received for leased business premises and deferred tax liabilities arising from the valuation of investments at fair value, which were recorded as a specific equity component. Deferred taxes were accounted for using a 20 percent tax rate.

Note 27: Current liabilities

(EUR)	31.12.2011	31.12.2010
Current financial liabilities	**48,934,765**	**77,693,895**
Current financial liabilities to banks	48,777,193	66,202,339
Current financial liabilities to Group companies	0	9,800,389
Current financial liabilities to associates	45,000	1,577,856
Current financial liabilities to others	112,572	113,311
Current operating liabilities	**14,544,065**	**14,708,649**
Current operating liabilities from advances	24,316	23,803
Current operating liabilities to suppliers	8,727,333	9,918,381
Current operating liabilities to Group companies	598,740	884,291
Current operating liabilities to associates	51,727	134,738
Current operating liabilities to others	4,555,762	3,747,435
Current operating liability for income tax	586,187	0

Current financial liabilities from borrowings from banks as at 31 December 2011 amounted to EUR 48,777,193 (2010: EUR 66,202,339). They represent the amount of current principals, which are due in 2012 in accordance with the amortisation plans, and the bank loan, which fell due at the beginning of 2012. In accordance with the Company's financing policy, a proportion of current financial liabilities were restructured as non-current.

All bank loans are bound to variable interest rate. Variable interest rate, calculated as annual nominal interest rate as at 31 December 2011, is between 3.25 and 4.36 percent.

Total interest expense from non-current and current borrowings (using the actual interest method) amounted to EUR 8,271,455 (2010: EUR 8,951,286).

As at 31 December 2010, the Company did not have any outstanding and due liabilities.

Accrued costs and deferred revenue

(EUR)	31. 12.2011	31. 12.2010
Accrued costs and deferred revenue	**1,198,500**	**731,863**
Accrued costs or expenses	1,198,500	731,863
Current deferred revenue	0	0

A significant item represents accrued interest on loans and accrued cost of concession charges based on actual data.

Note 28: Related party transactions

Gross remuneration of members of the Management Board in 2011 (EUR)

Name and Surname	Gross salary fixed portion	Gross salary variable portion	Annual leave allowance	Benefits and other receipts	Total
Gregor Veselko, Chairman	133,736	9,610	910	6,006	150,262
Tomaž Martin Jamnik, Deputy Chairman	119,949	8,633	910	2,936	132,428
Marko Rems, Member of the Management Board	120,150	7,219	910	4,182	132,461
Matjaž Stare, Workers Director	120,145	1,731	910	3,597	126,383
Total	**493,980**	**27,193**	**3,640**	**16,721**	**541,534**

Net remuneration of members of the Management Board in 2011 (EUR)

Name and Surname	Net salary (fixed and variable part)	Annual leave allowance	Total
Gregor Veselko, Chairman	69,005	563	69,568
Tomaž Martin Jamnik, Deputy Chairman	63,542	565	64,107
Marko Rems, Member of the Management Board	62,638	567	63,205
Matjaž Stare, Workers Director	58,375	566	58,941
Total	**253,560**	**2,261**	**255,821**

To determine the variable income, i.e. remuneration for the Management Board, the Company applied several quantitative indicators, which contribute to long-term interests of the Company. The indicators used are the return on operating revenue and net return on equity. Besides quantitative criteria, the Company uses also qualitative criteria.

A Member of the Management Board is remunerated in accordance with the 4th bullet of Article 4 (§1) of the Act Regulating the Incomes of Managers of Companies owned by the Republic of Slovenia and Municipalities by paying a half of the remuneration on the basis of the decision by the Supervisory Board, after two years during the treatment of the annual report. A Member of the Management Board shall return the variable income provided that all conditions for the return of the remuneration for performance have been fulfilled pursuant to the Companies Act. If a Member of the Management Board is dismissed from his function out of a reason in the sphere of the Company, such Member has the right to severance pay in the amount of six average monthly salaries received while performing the function of a Member of the Management Board, provided that such Member leaves the Company. An average monthly salary is calculated only based on the fixed monthly salary less any benefits.

The contracts of the Members of the Management Board do not include the variable income or remuneration determined in the form of shares.

Remuneration by employee group in 2011 (EUR)

Employee groups	Gross salary fixed and variable portion	Annual leave allowance	Benefits and other receipts	Total
Members of the Management Board	521,173	3,640	16,721	541,534
Members of the Supervisory Board (nine members)	0	0	119,372	119,372
Employees with individual employment contracts	2,462,098	29,742	77,741	2,569,581
Employees under enterprise collective agreement	21,288,176	748,816	51,865	22,088,857
Total	**24,271,447**	**782,198**	**265,699**	**25,319,344**

Gross remuneration of members of the Supervisory Board and Committees of Supervisory Board in 2011 (EUR)

Name and Surname	Attendance fees and reimbursement of costs	Insurance premium benefit for SB	Performance of function	Total
Janez Požar, Member from 14.7.2009	7,420	183	6,875	14,478
Tomaž Može, Member from 14.7.2009	5,093	183	5,729	11,005
Bojan Brank, Member from 14.7.2009	6,749	183	7,448	14,380
Jordan Kocjančič, Member from 14.7.2009	8,452	183	6,302	14,937
Marko Simoneti, Member from 14.7.2009	6,060	183	7,448	13,691
Stojan Čepar, Member from 8.4.2009	5,083	183	4,583	9,849
Mladen Jovičič, Member from 8.4.2009	6,743	183	5,729	12,655
Nebojša Topič, Member from 27.7.2008	5,643	183	6,875	12,701
Sabina Mozetič, Member from 11.7.2011	1,997	70	5,729	7,796
Blanka Vezjak, Member of the Audit Committee	3,298	0	4,583	7,881
Total	**56,538**	**1,534**	**61,301**	**119,373**

Net remuneration of members of the Supervisory Board and Committees of Supervisory Board in 2011 (EUR)

Name and surname	Net attendance fees and reimbursement of costs	Net performance of function	Total
Janez Požar, Member from 14.7.2009	5,892	5,328	11,220
Tomaž Može, Member from 14.7.2009	4,089	4,440	8,529
Bojan Brank, Member from 14.7.2009	5,372	5,772	11,144
Jordan Kocjančič, Member from 14.7.2009	6,692	4,884	11,576
Marko Simoneti, Member from 14.7.2009	4,838	5,772	10,610
Stojan Čepar, Member from 8.4.2009	4,081	3,552	7,633
Mladen Jovičič, Member from 8.4.2009	5,367	4,440	9,807
Nebojša Topič, Member from 27.7.2008	4,515	5,328	9,843
Sabina Mozetič, Member from 11.7.2011	1,602	4,440	6,042
Blanka Vezjak, Member of the Audit Committee	2,556	3,552	6,108
Total	**45,004**	**47,508**	**92,512**

On the basis of the provisions of Article 25 of the Articles of Association of Luka Koper, d. d., the General Meeting adopted on 11 July 2011 a decision on determining the payment for performance of function and attendance fees to the Members of the Supervisory Board and Members of Committees of the Supervisory Board for the period of the next twelve (12) months.

For attending a session, Members of the Supervisory Board receive attendance fee of EUR 275,00 gross each. For attending a session of the Committee, Members of the Committee of the Supervisory board receive a fee amounting to 80 percent of the fee for the attendance at a session of the Supervisory Board. The fee for a correspondence session is 80 percent of the fee for an ordinary session.

Irrespective of the aforementioned, i.e. regardless of the number of attendances at sessions, an individual Member of the Supervisory Board is entitled to the payment of attendance fees in an individual year until the total amount of such fees (either from sessions of the Supervisory Board or sessions of the Committees of the Supervisory Board) reaches the value of 50 percent of the basic payment for performing the function of an individual Member of the Supervisory Board.

Besides attendance fees, Members of the Supervisory Board each receive also the basic payment for carrying out their functions in the amount of EUR 11,000 gross annually. Furthermore, the Chairman of the Supervisory Board is entitled for the supplement of 50 percent of the basic payment for carrying out the function of a Member of the Supervisory Board. The Chairman of the Committee is also entitled for an additional supplement of 50 percent or the supplement for carrying out the function of a Member of the Supervisory Board.

Members of the Committee of the Supervisory Board each receive a supplement for carrying out their functions, amounting to 25 percent of the basic payment for carrying out the function of a Member of the Supervisory Board.

Members of the Supervisory Board and the Committee of the Supervisory Board receive basic salary and an additional fee for carrying out the function in proportionate monthly payments, which they are entitled to until they are carrying out their function. A monthly payment is one twelfth of the above-indicated annual sums. If they have carried out their function less than a month, they are entitled for a pro rata payment considering the number of working days. Irrespective of the aforementioned, i.e. regardless of the number of Committees an individual Member of the Committee of the Supervisory Board is involved in either as a Member or a Chairman, such a Member is entitled to the payment of additional fees until the total amount of such fees reaches the value of 50 percent of the basic payment for performing the function of an individual Member of the Supervisory Board.

The Company does not have outstanding balances and payables with members of the Supervisory Board and the Management Board.

Transactions with the government of the Republic of Slovenia

No significant transactions were undertaken with the government outside the framework of the Concession Agreement. All transactions relating to the Concession Agreement are disclosed in the Appendix to the Annual Report.

Transactions with Group companies

(EUR)	2011	2010
Receivables	**123,250**	**719,195**
Luka Koper Pristan, d. o. o.	1,393	1,425
Luka Koper INPO, d. o. o.	21,294	91,600
Adria Terminali, d. o. o.	38,332	566,236
Adria Investicije, d. o. o.	144	144
TOC, d. o. o.	903	326
Autoservis, d. o. o.	6,300	9,892
Adriafin, d. o. o.	1,344	1,344
Adria Transport, d. o. o.	35,925	30,699
Adria-Tow, d. o. o.	17,615	17,529
Operating and financial liabilities	**11,544,518**	**12,509,206**
Luka Koper Pristan, d. o. o.	117,214	361,561
Luka Koper INPO, d. o. o.	10,261,446	10,319,710
Adria Investicije, d. o. o.	1,705	3,409
TOC, d. o. o.	3,214	0
Autoservis, d. o. o.	31,315	37,108
Adriafin, d. o. o.	45,000	283,928
Adria Transport, d. o. o.	582,932	1,044,783
Adria-Tow, d. o. o.	501,692	458,707
Sales revenue	**1,653,408**	**1,684,689**
Luka Koper Pristan, d. o. o.	95,753	98,879
Luka Koper INPO, d. o. o.	359,394	344,858
Adria Terminali, d. o. o.	469,913	526,561
Adria Investicije, d. o. o.	17,047	1,440
TOC, d. o. o.	752	0
Autoservis, d. o. o.	172,729	245,113
Adriafin, d. o. o.	13,440	13,440
Adria Transport, d. o. o.	302,796	236,839
Adria-Tow, d. o. o.	221,584	217,559
Purchase of goods and services	**4,298,601**	**3,072,284**
Luka Koper Pristan, d. o. o.	24,916	25,222
Luka Koper INPO, d. o. o.	4,168,230	2,989,911
Adria Terminali, d. o. o.	2,028	17
Adria Investicije, d. o. o.	1,940	31,975
TOC, d. o. o.	8,955	0
Autoservis, d. o. o.	22,648	17,317
Adria Transport, d. o. o.	56,430	0
Adria-Tow, d. o. o.	13,454	7,842

Note 29: Financial risk management

The most significant financial risks of the Luka Koper Group include:
1. The risk of changes in fair value
2. The risk of changes in interest rates
3. Liquidity risk
4. The risk of changes in foreign currency rates
5. Credit risk
6. The risk of adequate capital structure.

The financial risk management in Luka Koper, d. d., is organised within the finance department of the parent company. In the current specific economic environment, the forecasting of future financial risks is extremely demanding and introduces into the planned categories a higher degree of variability and consequently, higher level of risk. The Company therefore tightened its control over individual financial categories. The Company has recorded also other, particularly non-financial risks, which are specified in the Chapter: Risk Management in the Business Report.

1. The risk of changes in fair value

Luka Koper, d. d., has invested 5.2 percent of its assets (5.7 percent in the previous year) in investments at fair value. The fair value risk associated with these investments is demonstrated through changes in stock market prices that affect the value of these assets and, consequently the potential capital gain on their disposal. This type of risk was identified in association with investments in managed investments, market securities of successful Slovene companies. As at the last day of the year 2011, the value of available-for-sale investments at fair value amounted to EUR 24,284,278. This value comprises shares of Slovene companies and units of mutual fund assets.

In given conditions on capital markets it is difficult to forecast any future changes. The Company estimates that in a few years the value of all investments carried at fair value will stabilise at higher levels. The sensitivity of investments to changes in fair values is presented in Table A.

Table A: Sensitivity analysis of investments to the changes in fair values

Item	Balance at the end of the year (in EUR)	Increase in comparable class je (in %)	Envisaged increase in value (in EUR)	Decrease in comparable class (in %)	Envisaged decrease in value (in EUR)
Year 2011					
Shares and interests at fair value (average change over the last five years)	24,284,278	9.88	2,398,670	-5.8	-1,408,774
Shares and interests at fair value (10 percent change)	24,284,278	10	2,428,428	-10	-2,428,428
Shares and interests at fair value (annualised maximum change over the last five years)	24,284,278	70.97	17,234,020	-66.09	-16,048,571
Year 2010					
Shares and interests at fair value (average change over the last five years)	28,669,237	8.52	2,442,232	-5.21	-1,494,667
Shares and interests at fair value (10 percent change)	28,669,237	10	2,866,924	-10	-2,866,924
Shares and interests at fair value (annualised maximum change over the last five years)	28,669,237	70.97	20,346,558	-66.09	-18,947,499

The sensitivity analysis of investments at fair value is made under the assumption that past fair value changes (the SBI TOP is used) will be reflected in future periods. The average variability of the class was assessed for the period of past five years by calculating the average deviation of daily values (both in terms of increases and decreases) from the annual trend of the SBI TOP index. According to the above analysis, we can assume that in 2012 the fair value of investment portfolio carried at fair value could decrease by 5.80 percent or increase by 9.88 percent. When considering the highest annual increase in the level of the index in the past five-year period, in 2012 we can expect the risk item to increase by 70.97 percent or decrease by 66.09 percent. If we further simplify our expectations by assuming a 10 percent increase in the value of the index, such growth would result in an increase in the fair value of the market securities portfolio by EUR 2,428,428. A 10 percent decrease in the comparable class would have the opposite effect, reducing the fair value of these investments by that same amount.

If this was the case, the amount of the difference would be recognised as either an increase or decrease in equity.

Fair value hierarchy

Assets measured at fair value (EUR)	31. 12. 2011	Level 1
Available-for-sale financial assets	24,284,278	24,284,278
Securities and other investments	24,284,278	24,284,278

Fair value hierarchy (EUR)	31.12.2011	31.12.2010
Assets measured at fair value	24,284,278	28,669,237
Financial assets at fair value through profit or loss	0	0
Derivatives held for trading	0	0
Available-for-sale financial assets	24,284,278	28,669,237

The management estimates that the fair value of financial assets and financial liabilities do not differ significantly from the book values.

2. Management of the risk of changes in interest rates

With the increased volume of foreign financing sources, the risk of changes in interest rates is increasingly more important as unexpected growth in variable interest rates can jeopardize the planned results. In the year 2011, the Company managed to decrease financial liabilities by 8.7 percent compared to the previous financial year, reaching EUR 215,460,345 as at the last day of the financial year 2011. The share of financial liabilities in the overall structure of liabilities decreased from 47.7 percent in 2010, to 46.0 percent in 2011. Detailed information concerning long-term financial liabilities is provided in business report in the chapters "Analysis of operations of the Luka Koper Group" and "Financial management". The effect of potential changes in variable interest rates on future results of the Company is presented in Table B.

Table B: Sensitivity analysis of financial liabilities with regard to changes in variable interest rates

Balance of liabilities linked to an individual variable interest rate	Amount of liabilities 31.12.2011	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
(EUR)				
1M EURIBOR	1,800,000	2,765	9,216	18,432
3M EURIBOR	135,777,105	276,171	920,569	1,841,138
6M EURIBOR	66,800,000	162,023	540,078	1,080,156
Total effect	**204,377,105**	**440,959**	**1,469,863**	**2,939,726**

Balance of liabilities linked to an individual variable interest rate	Amount of liabilities 31.12.2010	Potential increase in interest rates by 15%	Potential increase in interest rates by 50%	Potential increase in interest rates by 100%
(v EUR)				
1M EURIBOR	1,000,000	1,173	3,910	7,820
3M EURIBOR	141,029,000	212,813	709,376	1,418,752
6M EURIBOR	82,850,000	152,485	508,285	1,016,570
Total effect	**224,879,000**	**366,471**	**1,221,571**	**2,443,142**

The analysis of financial liabilities' sensitivity to changes in variable interest rates is based on the assumption of potential growth in interest rates of 15, 50 and 100 percent.

If variable interest rates increase in 2012 by 15 percent, the Company would incur a negative effect on interest expenses of EUR 440,959 (taking into account the level of financial liabilities as at 31 December 2011). If variable interest rates rose by 50 percent or 100 percent, the negative effect of the increase in variable interest rates would result in an increase in interest expense by EUR 1,469,863 or EUR 2,939,726, respectively. Potential drop in interest rates by the same percentage would result in a decrease of interest expense by the same amounts.

To reduce exposure to the risk of interest rate changes, on 6 October 2011 Luka Koper, d. d., entered into an interest rate swap of EUR 30 million for a period of five years in respect of a long-term loan. The hedge item accounts for 18.3 percent of all long-term financial liabilities. The loan is linked to variable interest 6M Euribor The swap contract is recognised in the books of account under the principle of hedge accounting. Since the hedging instrument is tailored to the loan, we can justifiably expect that the interest rate hedge will be successful. As at 31 December 2011, the fair value of the swap instrument was EUR -372,857 and was recognised as a long-term financial liability of the Company.

Regardless of the sensitivity analysis, the Management Board of the Company believes that no significant increase in variable interest rates will occur in 2012. The Company decreased the exposure to this risk for the period of the next five years by setting up interest risk hedge in for financial liabilities in the amount of EUR 30 million.

3. Management of liquidity risk

Luka Koper, d. d., manages liquidity risk by regular planning of cash flows with different maturities. By careful planning of all liabilities the Company ensures consistent compliance with the agreed deadlines. Our preventive measures of regular monitoring and responding to delayed payments of receivables ensure effective management of receivable collection. Additional measures for preventing delays in receivable collection include charging penalty interest in accordance with our uniform policy for the management of receivables. In 2011, Luka Koper, d. d., continued its process of converting short-term financial liabilities to long-term liabilities by raising loans with longer term, which has additionally reduced its exposure to liquidity risk.

Maturity structure of financial liabilities

(000 EUR)	Past due	Up to 3 months	3-12 months	1 to 5 years	Over 5 years	Total
2011						
Borrowings *		30,393	18,384	86,264	80,230	215,271
Interest		1,062	5,684	17,767	10,841	35,354
Other financial liabilities		113		373		486
Supplier payables		9,402		77		9,479
2010						
Borrowings *		5,945	71,335	105,142	53,535	235,957
Interest		1,573	5,213	14,305	7,712	28,803
Other financial liabilities		113				113
Supplier payables		10,961				10,961

*This item includes also borrowings to subsidiaries and associates.

The management estimates that the Company's exposure to liquidity risk is low, and as a result of the effective system of liquidity risk management, the likelihood of an adverse effect is also considered low.

4. Management of currency risk

The risk of changes in foreign exchange rates arises predominantly from trade receivables denominated in US dollars. The average monthly invoiced sales ranged from USD 0.57 million to USD 0.42 million with the average monthly invoiced sales in US dollars of EUR 0.80 million. As at 31 December 2011, outstanding receivables denominated in US dollars amount to only 3.4 percent (in 2010: 2.01 percent) of total outstanding trade receivables. According to the Company's estimates, the share of receivables denominated in US dollars is insignificant and for this reason it was decided not to continue hedging the risk item by internal hedging methods.

The management estimates that the Company's exposure to currency risk is low, and as a result of the effective system designed to manage currency risk and other conditions, the likelihood of an adverse effect is also considered low.

5. Management of credit risk

In view of the global recession, the management of counterparty risk, i.e. credit risk, has increased in importance. Customer defaults are being passed on to economic entities, much like a chain reaction, which significantly reduced the assessed probability of inflows and additional costs of financing the operations. The accelerated debt collection contributes to minimise the negative effects of wide-spread insolvency. The specific structure of our customers (the Company predominantly carries out business with a limited number of major companies, i.e. freight forwarders and agents), has a positive effect in terms of credit risk, as it considerably reduces exposure to credit risk and the Company has a relatively limited scope of receivables arising from direct business dealings with end-users of services. Another distinctive feature of the Company's business is the use of liens on stored goods, which may be exercised in order to collect debt or receive payment for obligations that are not settled by customers. Some receivables have been secured with collaterals which are returned to the customers once all obligations have been settled. Investments include loans which are secured with blank bills of exchange and other movable and immovable property. The credit risk management policy as outlined above is reflected in the relatively low share of bad debt impairment, which in 2011 reached 1.66 percent (2010: 0.52 percent). The management estimates that the Company's exposure to credit risk is low, and as a result of the effective system designed to manage credit risk, the likelihood of an adverse effect is also considered as low.

The management estimates that the Company's exposure to credit risk is low, and as a result of the effective system designed to manage credit risk, the likelihood of an adverse effect is also considered as low.

6. Management of the risk of adequate capital structure

Identification of the optimal capital structure and, consequently, alignment of existing capital structure with it, is of key importance for the success of an entity, as equity is the most expensive form of financing. In order to align its capital structure with the optimal one, and primarily to be able to finance its own organic growth, the Company had in the past years been increasing the share of financial liabilities in its total liabilities and equity. In 2011, Luka Koper, d. d., managed to decrease, compared to the previous year, its debt by decreasing its financial liabilities by 8.7 percent to EUR 215,460,345. Such movements have a positive effect on the risk of adequate capital structure. Thus, the Company will, in line with its long-term policy, try to decrease its share of foreign liabilities also in the future.

The management estimates that the Company's exposure to the risk of adequate capital structure is moderate, and as a result of the effective system designed to manage this risk, the likelihood of an adverse effect is also considered as moderate.

Note 30: Off-balance sheet records

Off balance sheet accounts include the items that do not qualify for recognition in the balance sheet.

(EUR)	31.12.2011	31.12.2010
Total off-balance sheet assets and liabilities	**56,985,660**	**22,480,703**
Joint collateral for a loan to the company Adria-Tow, d. o. o.	3,000,000	3,000,000
Joint collateral for a guarantee granted by the subsidiary Adria Terminali, d. o. o.	250,000	250,000
Liabilities for a guarantee issued to the Ministry of Finance	1,260,000	1,260,000
Liability for outstanding letters of credit to suppliers	1,850,010	492,000
Subsidiary collateral	6,652,592	5,511,209
Guarantee given to Banka Koper, d. d.	1,500,000	247,428
Received Guarantees	595,843	2,327,562
Guarantee given for given advance	1,235,000	492,000
Guarantees given for the removal of the faults	6,021,103	8,900,504
Received collateral	4,621,113	0
Derivatives (interest swap)	30,000,000	0

Luka Koper, d. d., guarantees a loan drawn by Adria-Tow of EUR 3,000,000 (the same as in 2010).

Adria Terminali, d. o. o., received a bank guarantee for customs duties of EUR 250,000, which is secured with joint collateral issued by Luke Koper, d. d..

In order to secure liabilities relating to customs and excise duties, Luka Koper, d. d., obtained guarantees of total EUR 1,260,000 (the same as in 2010).

The subsidiary collateral of EUR 6,652,592 consists of the following:
- EUR 9,000 (the same as in 2010) guaranteed by Luka Koper for Luka Koper Inpo custom duties, and EUR 146,500 for the issue of bank guarantee,
- EUR 5,747,092 (2010: EUR 4,752.209) guaranteed by Luka Koper for financial lease of train engines by Adria Transport,
- EUR 750,000 (the same as in 2010) guaranteed by Luka Koper for a loan raised by Railport Arad S.r.l.

Among the guarantees received the Company records guarantees received for loans, rents and advances to foreign suppliers, in the amount of EUR 1,830,843, and guarantees received from operators of construction works to correct errors within the agreed warranty period, in the amount of EUR 6,021,103.

In 2011 we agreed an interest rate swap of EUR 30,000,000 for a loan. In books of account, the interest rate swap is recognized in the off balance sheet records under the principle of hedge accounting.

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ADDITIONAL NOTES TO THE CASH FLOW STATEMENT

Cash flow from operating activities is presented under the indirect method. Material increases or decreases in individual items that affected the cash flows of the Company are disclosed in the income statement, balance sheet, and the statement of changes in equity.

The cash flow statement shows that the Company generated EUR 46,828,920 in cash flows from operating activities. The Company used income from investing activities of EUR 6,152,164 (dividends, disposal of investments and fixed assets) to cover expenses incurred on investing activities in the amount of EUR 23,418,239, mostly in fixed assets in the amount of EUR 16,023,244.

The surplus of expenses in financing activities was EUR 29,254,007.

The net cash inflow for the period amounted to EUR 308,838 (2010: EUR 103,716).

The Company has compiled its annual cash flow plan as it is faced with uncertainty regarding forecasts. The following was considered in planning cash flows for the 2012 financial year:

- The share of credit sales,
- Repayment of financial liabilities,
- The method of payment of overhead costs,
- Expenses for capital investments, and
- Timing of tax payments.

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ADDITIONAL NOTES TO THE STATEMENT OF CHANGES IN EQUITY

Net profit or loss for the year

Equity decreased by the net loss for the year of EUR -1,849,205.

Other comprehensive income for the period

Other comprehensive income is negative, total of EUR -3,811,188.

Owner transactions recognised in equity

According to a decision of the Management Board, the net loss of the financial year of EUR -1,849,205 is to be settled by the release of other revenue reserves.

12 APPENDIX TO THE ANNUAL REPORT

REPORT UNDER THE PROVISIONS OF PARAGRAPHS 7.9.6. AND 9.3. OF THE CONCESSION AGREEMENT FOR THE PROVISION OF PORT ACTIVITIES, MANAGEMENT, DEVELOPMENT AND ORDINARY MAINTENANCE OF THE PORT INFRASTRUCTURE AT KOPER CARGO TERMINAL FOR THE YEARS ENDED 31 DECEMBER 2010 AND 2011

The implementation of the Regulation on the management of the cargo port of Koper, performance of port activities, granting of concession in September 2008 for the management, administration, development and ordinary maintenance of certain port infrastructure, laid down the basis for the final regulation of the relationship between the Republic of Slovenia and Luka Koper d. d., in accordance with the Maritime Code of the Republic of Slovenia.

The Concession agreement is valid for 35 years from the date the contract was concluded.

CONCESSION CHARGES

In accordance with paragraph 10.1 of the Concession Agreement, Luka Koper, d. d. is obliged to pay an annual concession charge amounting to 3.5 percent of total annual operating revenue, reduced by the total collected maritime port dues (hereinafter MPD).

The basis for the assessed charge is the audited income statement and special appendix to the Annual Report, according to paragraph 9.3 of the Agreement. The annual concession charge is paid in monthly prepayments, calculated on the basis of audited data for the previous calendar year, but no later than 30 July.

Overview of calculated and paid concession charges for the years 2011 and 2010

(EUR)	Operating revenue less MPD	Concession charge calculation, 3.5%	Prepayments, excluding VAT
1.1.2011–31.12.2011	127,812,290	4,473,430	4,250,334
1.1.2010–31.12.2010	113,066,429	3,957,325	3,479,347

OVERVIEW OF INVESTMENTS IN THE PORT INFRASTRUCTURE

Pursuant to paragraph 7.3 of the Concession Agreement, a 6-member Commission consisting of representatives of both contractual parties was appointed to perform a physical stock count of the port infrastructure. Table A was terminated - physical stock count, the activities related to table B (which lays out the undepreciated value of fixed assets in accordance with the Concession contract) of the Commission are in progress.

INVESTMENTS IN THE PORT INFRASTRUCTURE

Pursuant to paragraph 7.9.6, in its accounting records, Luka Koper maintains separate accounting records for investments in individual items of the port's infrastructure, namely:

1. Investment maintenance of port infrastructure for public transport

Luka Koper is under an obligation under the Concession Agreement to maintain port infrastructure for public transport. In 2011, the Company invested EUR 1,237,628 for this purpose (2010: EUR 830,696). The content of investments in presented in the following tables.

The cost of investment maintenance of port infrastructure for public transport is transferred to costs in the amount of the annual depreciation. In 2011, it amounted to EUR 181,453.

Investments in the development of port infrastructure for public transport in 2011

NO. of FA	NAME OF FIXED ASSETS	(EUR)
I640310	Renovation of the upper construction of berth TRT1 with access bridge 1	3,200
22130	Extension of the bridge for mooring at the moor for JET	10,723
22001-2	Reconstruction of 2., 1 and 1.A moor	503,037
I6411080	Change of switch no. 153	81,601
9005	Change of switch no. 128	41,072
I6411060	Change of switch no. 204	74,661
9005 / I640004-1	Paving of rail 5	233,556
90012	Paving of rail 12	84,432
90031	Reconstruction of rails 31, 32, 33, 35 and 36	64,720
90047	Paving of a part of rail 47 and extension of the level crossing KŽ 14/3	5,241
120102	Lighting of rail 47 toward silo	14,560
I6411007	Renovation of switch connection 312/317	59,074
I640106	Rehabilitation of the supporting construction of the railway bridge over the channel in the axis of rail 25C	41,500
170017	Purchase of customs fence	20,250
	TOTAL	**1,237,628**

Investments in the development of port infrastructure for public transport in 2010

NO. of FA	NAME OF FIXED ASSETS	(EUR)
I640004	Renovation of component parts of rail no. 5,11 and 12 and levelling of drivable surface	386,674
I640102	Change of sleepers, regulation, drainage, rail 35 and 36 Change of sleepers and railway ballast for regulation on rail 33,32 b and 31	337,498
I640104	Renewal of lighting between rails 47,48 and 49	42,291
I640125	Change of old fence behind composting system at Škocjanski Zatok	37,251
I640106	Rehabilitation of the supporting construction of bridge over channel in axis of rail 25C	4,385
I640005	Renovation of component parts of rail no. 1F and levelling of drivable surface in the area of the bridge	16,679
I640132	Renovation of supporting construction of moor 10	5,918
	TOTAL	**830,696**

Note: In the Annual Report 2010, this Chapter included the information that we invested EUR 443,581 in the maintenance of the port infrastructure for public transport. This did not comprise all investments, since some of were included in other tables. In order to maintain the accuracy of data also for past periods, we have included in this year's annual report also all tables for the year 2010, which have been corrected or reclassified to match the accounting ledgers and reports that were delivered to the Maritime Administration in accordance with the Concession Agreement.

Investments in the development of port infrastructure for public transport

Investments in the development of the port infrastructure relate to the increase in the capacity of existing facilities and construction or manufacture of new items of the port infrastructure.

These investments are carried out on behalf and for the account of the Company. The amount of investments is presented in the following tables.

Table of investments in 2011 in leased assets - shore

NO. of FA	NAME OF FIXED ASSETS	(EUR)
22001	DEEPENING ALONG 2, 1 AND 1A MOOR AT THE PASSENGER TERMINAL	978,484
22130/4	BARRAGE STRIP ALONG THE MOOR IN BASIN II	67,444
22132	SUBSTITUTE MOOR FOR TUGBOATS AT THE BERTH FOR SILO	20,047
22133	MOOR AT THE ALCOHOL TERMINAL	302
I640001	DEEPENING OF THE WATERWAY AND N PART OF BASIN I	41,118
I649105	CONSTRUCTION OF MOOR AT ALCOHOL TERMINAL	397,322
	TOTAL	**1,504,717**

Table of investments in 2010 in leased assets - berth

NO. of FA	NAME OF FIXED ASSETS	(EUR)
I640123	RECONSTRUCTION OF WATER SUPPLY NETWORK BETWEEN MOOR RO RO2 AND 7. MOOR	79,371
I640001	DEEPENING OF SHIPPING CANAL AND NORTH PART OF BASIN I	14,980
I640128	DEEPENING AND RECONSTRUCTION AT MOORS 2, 1 AND 1A	60,568
I649105	MOOR FOR ALCOHOL	1,174,156
	TOTAL	**1,329,075**

Note: In the Annual Report 2010, this table presented also investments, which did not refer to investments in berth but to hinterland area of berth. In total the annual report disclosed EUR 4,735,404 of assets. Such investments were reclassified in other investments also in ledgers, and are thus not presented in this table anymore.

Table of other investments in the port infrastructure in 2011

NO. of FA	NAME OF FIXED ASSETS	(EUR)
1646006 /506	NSP FOR COMPREHENSIVE SPATIAL ARRANG. OF PORT	326,905
1641001/170001/4	CABIN CUSTOMS	11,401
16410010/170003/12	FENCE CUSTOMS ALONG STOR. SISAK III	6,954
16411050	NEW RAILS NO. 21 A, B, C AT CONTAINER	21,049
	TOTAL	**366,309**

Table of other investments in the port infrastructure in 2010

NO. of FA	NAME OF FIXED ASSETS	(EUR)
90212	GR. IV. RAIL GROUPS OF RAILS ON PEER II	3,000
140070	CLEANING OF SILT FROM ANKARAN CHANNEL	24,107
90213	RAIL WITH TRANSFUSING PLATFORM FOR TERMINAL FOR ALCOHOL	261,466
15160021	TERMINAL FOR ALCOHOL AND OIL DERIVATIVES ON PEER I	309,322
1648145	ROAD CONNECTION FOR NEW ENTRANCE	12,124
	TOTAL	**610,019**

Note: In the Annual Report 2010, this table presented the total amount of investments of EUR 1,434,797. The correct amount is EUR 610,019. The difference was transferred into the table of investment maintenance of public port infrastructure, since it belongs there in terms of the content.

2. Routine maintenance of the port infrastructure for public transport, and ordinary maintenance of port aquatorium

The table below presents the costs of routine maintenance of the port infrastructure for public transport:

Maintenance work (EUR)	2011	2010
R1 – Shores, slope protection and equipment	751,785	353,396
R2 – Road infrastructure	330,484	297,483
R3 – Rail infrastructure	928,959	478,796
R4 – The port border surveillance	91,983	88,188
R5 – Removal of sea sediments EET	532,739	694,987
R6 – Removal of sea sediments at TTT	7,175	0
TOTAL	**2,643,125**	**1,912,850**

Pursuant to the provisions of paragraphs 8.2.1. and 8.2.3 of the Concession Agreement, the Company obtained the consent of the granting authority, who also issued a written confirmation reference no. 3731-2/2008/90-0005306 concerning the method of recording and monitoring ordinary maintenance costs in the Company's accounting records.

PERFORMANCE OF PUBLIC COMMERCIAL SERVICES

In accordance with paragraph 8 of the Concession Agreement, Luka Koper, d. d. is obliged to perform routine and investment maintenance of the port infrastructure as well as perform ordinary maintenance of the aquatorium, for which it is entitled to receive a payment out of port dues charged. Port dues must be published in the Official Gazette of the Republic of Slovenia once the approval of the competent Ministry has been obtained. Port dues are considered earmarked income of the concessionaire to cover the costs for the performance of public commercial services (point 9.2).

INCOME STATEMENT RELATING TO THE PERFORMANCE OF PUBLIC COMMERCIAL SERVICES

(EUR)	Notes	2011	2010
Revenue from port dues in the local market		3,377,958	3,254,821
Revenue from port dues in foreign markets		3,236,588	2,650,936
Other revenue		0	0
TOTAL REVENUE		**6,614,546**	**5,905,757**
OPERATING COSTS - direct		**3,383,952**	**2,648,652**
Costs of material		1,171	227
Costs of services		2,979,107	2,301,956
Depreciation and amortization charge		190,454	164,164
Labour costs		210,585	182,305
Other costs		2,635	0
OPERATING COSTS – indirect (criteria)	**1**	**3,071,379**	**3,316,990**
OPERATING PROFIT/LOSS		**159,215**	**-59,885**
INCREASE IN PROVISIONS FOR ORDINARY MAINTENANCE	2	159,215	
DECREASE IN PROVISIONS FOR ORDINARY MAINTENANCE			59,885
NET PROFIT OR LOSS		0	0

Revenues of public commercial services are recorded based on business units created for this purpose with a purpose of ensuring separate accounting treatment of public commercial services (PCS) in accordance with the Concession Agreement. Revenues consist of port duties collected, as specified by the Maritime Code. These consist of duties collected for the use of the port and which have to be paid by every vessel based on every ton of unloaded or loaded cargo and storage charges, also fees paid by every vessel for the use of the quay and port for every other reason than the embarkation of passengers or loading the cargo.

Note 1 – Criteria

With the purpose of ensuring separate accounting treatment of public commercial services in accordance with Concession Agreement, Luka Koper, d. d. has two separated business units. Any expenditures relating to them are exclusively relating to the business activity of public commercial services.

Direct expenditures of public commercial services are disclosed according to their natural function based on which business processes incur them: depreciation and amortisation, labour costs, costs of services and costs of materials.

Indirect expenditures of public commercial services are recognised using the criteria for the purpose of ensuring proper separation among business activities and separate accounting treatment among these business activities. This criterion for distribution of indirect expenditure based on direct expenses and according to their natural function is used for all expenditure which resulted as a consequence of many business activities, public commercial services and market activities.

In accordance with the provisions of Article 10 of the Act Amending the Transparency of Financial Relations and Maintaining Separate Accounts for Different Activities Act, in 2009 the Company had to provide to the granting authority the criteria for the allocation of revenue and expenses for the performance of public commercial services, which must be verified by the auditors. Objective entitlement of these criteria was verified by the audit firms Ernst & Young and ABC Revizija, who have been appointed by Republic of Slovenia - Ministry of Transport. Both have issued unqualified audit opinions with regard to these criteria, based on which the Company expects the Ministry to give its approval to the proposed criteria.

Operating expenses of public commercial services of Luka Koper, d. d. for the year 2011

	Direct expenses PCS	Direct expenses of other services	Share of direct expenses of PCC	Indirect expenses of all services	Indirect expenses PCS	Total PCS	Indirect expenses not in burden of PCS	Total other services	Total Luka Koper, d. d.
I. OPERATING COSTS	3,383,952	58,147,942	5.50%	53,012,455	3,071,379	6,614,545	1,111,151	109,200,170	115,814,715
COSTS OF MATERIALS	1,171	7,258,910	0.02%	2,582,573	417	1,587	15,465	9,856,531	9,858,119
COSTS OF SERVICES	2,979,107	18,620,580	13.79%	19,778,419	2,727,911	5,707,018	47,376	35,718,465	41,425,483
DEPRECIATION AND AMORTISATION	190,454	18,911,336	1.00%	6,079,227	60,613	251,067	668,991	25,598,941	25,850,007
LABOUR COSTS	210,585	13,357,116	1.55%	18,197,100	282,439	493,024	0	31,271,777	31,764,802
OTHER OPERATING EXPENSES	2,635		0%*	6,009,923	0	2,635	32,327	6,042,250	6,044,885
PROVISIONS				365,213		159,215		365,213	524,428
REVALUATION OPERATING EXPENSES							346,992	346,992	346,992

*Other expenses (EUR 2,635), as indirect expenses PCS, are not included in the calculation of the share of indirect expenses PCS.

Operating expenses of public commercial services of Luka Koper, d. d. for the year 2010

	Direct expenses PCS	Direct expenses of other services	Share of direct expenses of PCC	Indirect expenses of all services	Indirect expenses PCS	Total PCS	Indirect expenses not in burden of PCS	Total other services	Total Luka Koper, d. d.
I. OPERATING COSTS	2,648,651	54,305,469	4.65%	47,544,331	2,661,422	5,310,074	815,668	101,871,255	107,181,329
COSTS OF MATERIALS	227	6,105,437	0.00%	2,244,531	84	311	15,096	8,364,980	8,365,291
COSTS OF SERVICES	2,301,955	15,097,252	13.23%	18,342,187	2,426,714	4,728,669	80,128	31,092,853	35,821,522
DEPRECIATION AND AMORTISATION	164,164	18,165,445	0.90%	6,086,017	54,508	218,672	695,261	24,892,216	25,110,888
LABOUR COSTS	182,305	14,937,335	1.21%	14,938,233	180,117	362,422	0	29,695,450	30,057,872
OTHER OPERATING EXPENSES	0	0	0.00%	6,124,849	0	0	25,183	6,150,032	6,150,032
PROVISIONS								–251,369	–251,369
REVALUATION OPERATING EXPENSES								1,927,093	1,927,093

Note 2 – Provisions

Pursuant to the provisions of paragraph 9.3 of the Concession Agreement, the surplus of revenue from port dues over the costs was retained to cover the costs of ordinary maintenance in the future years, in the amount of EUR 159,215. In 2010, provisions decreased by EUR 59,885.

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STATEMENT OF DISTRIBUTABLE PROFIT / ACCUMULATED LOSS

Distributable profit/accumulated loss

In 2011, Luka Koper, d. d., incurred a net loss of EUR 1,849,205. According to the decision of the Management Board, upon compiling the financial statements, the net loss was settled through the release of other revenue reserves which were formed in previous periods. Total distributable profit for the year 2011 equals to zero.

(EUR)	2011	2010
TOTAL DISTRIBUTABLE PROFIT/LOSS	**0**	**0**
RELEASE OF OTHER REVENUE RESERVES	1,849,205	2,431,888
NET PROFIT/LOSS FOR THE YEAR	-1,849,205	-2,431,888

The dividend policy of Luka Koper, d. d. is designed to balance the expectations of shareholders for dividend income and the Company's need for financing of on-going investments. Due to the loss incurred in 2011 there are no dividend payments planned. However, in the following years the Company will dedicate up to one third of its net profit for dividend payments to its shareholders, considering the planned investments in port facilities and other equipment.

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EVENTS AFTER BALANCE SHEET DATE

A group of shipping companies (Hanjin, Yang Ming, Hyundai Merchant Marine and United Arab Shipping Company) terminated the direct container line that previously linked the port of Koper with the Far East. The last ship of the shipping line sailed to Koper in January 2012. In spite of this, the shipping companies will remain present in the port of Koper through indirect (feeder) connections.

15
INDEPENDENT AUDITOR'S REPORT

ERNST & YOUNG

This is a translation of the original report in Slovene language

INDEPENDENT AUDITOR'S REPORT

To the shareholders of Luka Koper d.d.

Report on the Financial Statements

We have audited the accompanying financial statements of Luka Koper d.d., which comprise the statement of financial position as at December 31, 2011, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of Luka Koper d.d., as of December 31, 2011, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the requirements of the Slovenian Companies Act related to the preparation of the financial statements.

Report on Other Legal and Regulatory Requirements

Management is also responsible for preparing the business report in accordance with the Slovenian Companies Act. Our responsibility is to assess whether the business report is consistent with the audited financial statements. Our work regarding the business report is performed in accordance with ISA 720, and restricted to assessing whether the business report is consistent with the financial statements and does not include reviewing other information originated from non-audited financial records.

The business report is consistent with the audited financial statements.

Ljubljana, April 10, 2012

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana

Janez Uranič
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Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified Auditor

16 STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

Members of the Management Board of Luka Koper, d. d., confirm that the Annual Report of the Luka Koper Group and Luka Koper, d. d., and its integral parts, inclusive of the corporate governance statement, have been compiled and published in accordance with the Companies Act and International Financial Reporting Standards.

The Management Board is responsible for the preparation of the Annual Report, including the financial statements and notes thereto, that give a true and fair view of the financial position and cash flows of the Luka Koper Group and Luka Koper, d. d.

The Management Board confirms that the financial statements of the Group and the Company have been compiled under the assumption of a going concern, that appropriate accounting policies were consistently applied, and that any changes in these have been disclosed.

The Management Board is also responsible for the adoption of measures to secure the assets of the Luka Koper Group and Luka Koper, d. d., and to prevent and detect fraud and other irregularities and/or illegal acts.

The Tax Authorities may, at any time within a period of 5 years after the end of the year for which tax assessment was due, carry out the audit of the company operations, which may lead to assessment of additional tax liabilities, default interest, and penalties with regards to corporate income tax or other taxes and duties. The Management Board is not aware of any circumstances that may result in a significant tax liability.

Members of the Management Board:

Gregor Veselko, DSc
Chairman of the Management Board

Tomaž Martin Jamnik,
Deputy Chairman of the Management Board

Marko Rems,
Member of the Management Board

Matjaž Stare
Member of the Management Board, Workers Director

Koper, 10 April 2012

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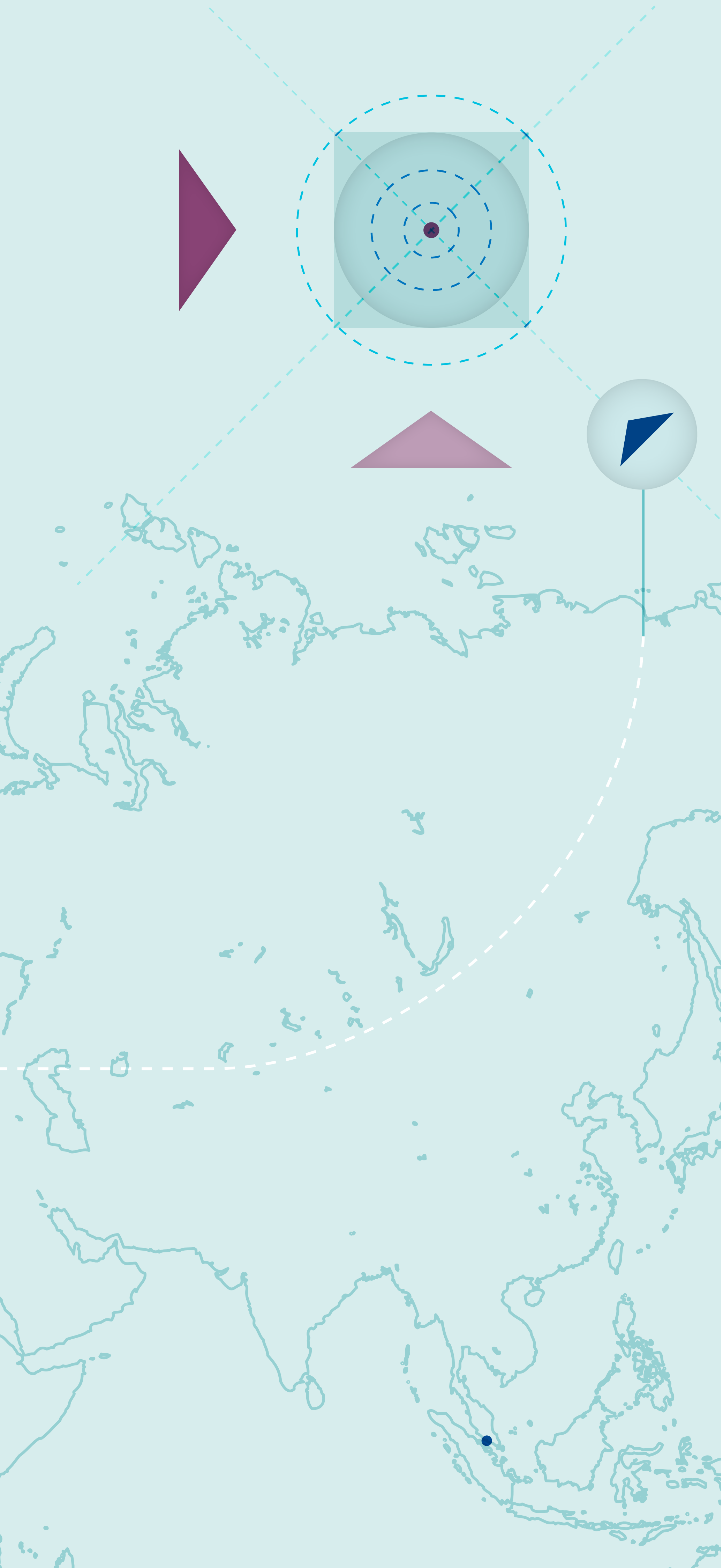

Much more than a port

A safe harbor for your cargo or passengers. A trustworthy partner in your business ventures. It is upon this trust that we build the company, ties with the market and much more.

Luka Koper, d. d.,
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