LUKA KOPER
Port of Koper

ANNUAL REPORT 2012

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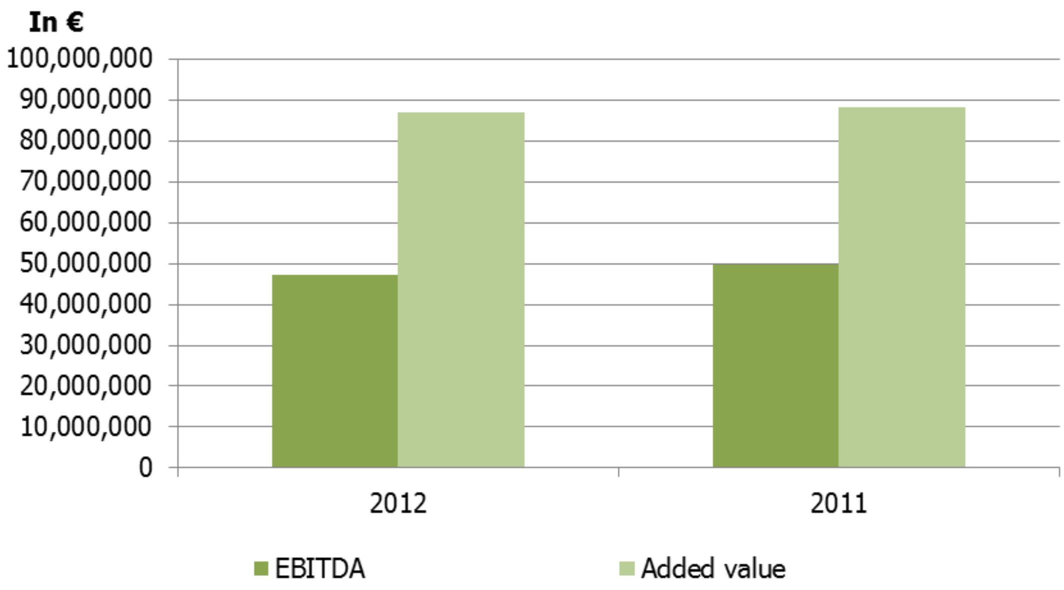
1. OPERATIONAL HIGHLIGHTS OF THE LUKA KOPER GROUP

Despite the harsh economic situation within hinterland markets and delay in the deepening of basin I, the Luka Koper Group ended the year 2012 with good operating results. We managed to increase operating revenue and limit the growth of certain costs, although not enough to enable us to surpass last year's operating result. The Group managed to significantly improve the 2011 financing result due to decreased debt and the volume of impairments of assets and write downs of investments, thus generating the net operating result of €10.5m, which – after a four-year period – again enables the pay-out of dividends at Luka Koper, d. d.

1.1. FINANCIAL INDICATORS

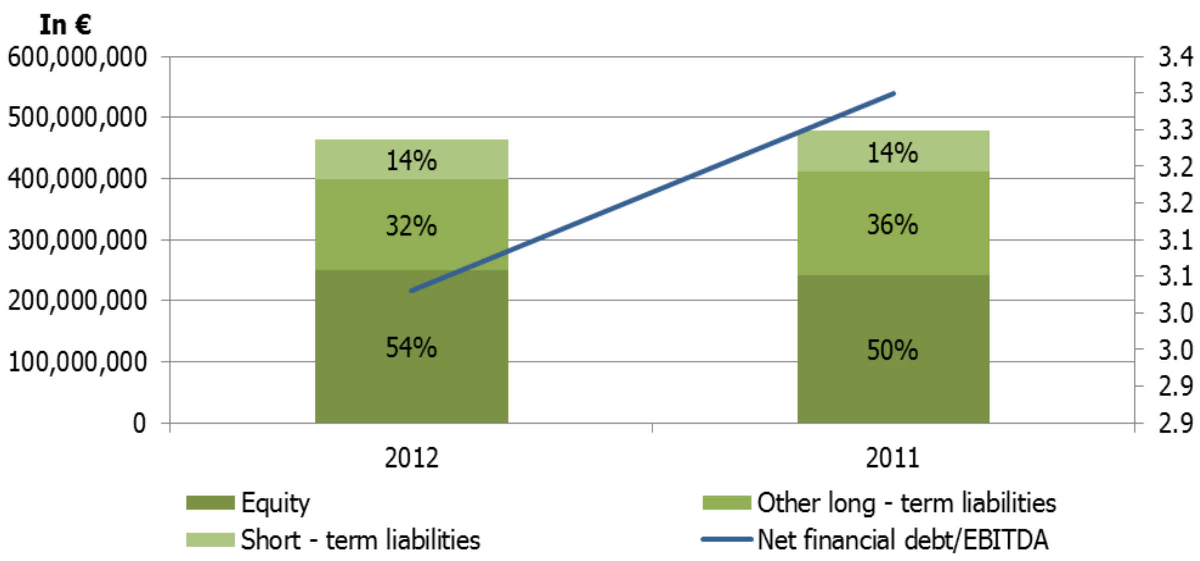
(In €)	2012	2011	Index 2012/2011
Income statement			
Operating revenue	144,359,819	143,633,226	101
Operating profit (EBIT)	19,184,237	22,383,700	86
Earnings before interest, taxes, depreciation and amortization (EBITDA)	47,216,586	49,675,240	95
Financial result	–6,054,587	–20,450,291	30
Total profit/loss	13,129,650	1,933,409	679
Net profit/loss	10,498,559	447,729	2,345
Added value	86,787,095	88,019,564	99
Statement of financial position (as at 31 December)			
Assets	463,397,435	478,271,061	97
Non-current assets	428,249,680	445,905,231	96
Current assets and current deferred expenses and accrued revenue	35,147,755	32,365,830	109
Equity	249,328,320	240,796,818	104
Non-current liabilities with provisions and non-term accrued expenses and deferred revenue	150,435,553	171,108,726	88
Current liabilities and accrued expenses and deferred revenue	63,633,563	66,365,517	96
Financial liabilities	183,799,962	205,799,473	89
Cash flow statement			
Investments in property, plant and equipment, investment property and intangible assets	18,639,095	19,834,054	94
Indicators (in percent)			
Return on sales (ROS)	13.3 %	15.6 %	85
Return on equity (ROE)	4.3 %	0.2 %	2,150
Return on assets (ROA)	2.2 %	0.1 %	2,200
EBITDA margin	32.7 %	34.6 %	95
Financial liabilities/equity	73.7 %	85.5 %	86
Net financial debt/EBITDA	3.0	3.3	91
Dividend payout ratio	0.0 %	0.0 %	-
Maritime throughput (in tonnes)			
Maritime throughput	17,880,697	17,051,314	105

EBITDA and added value



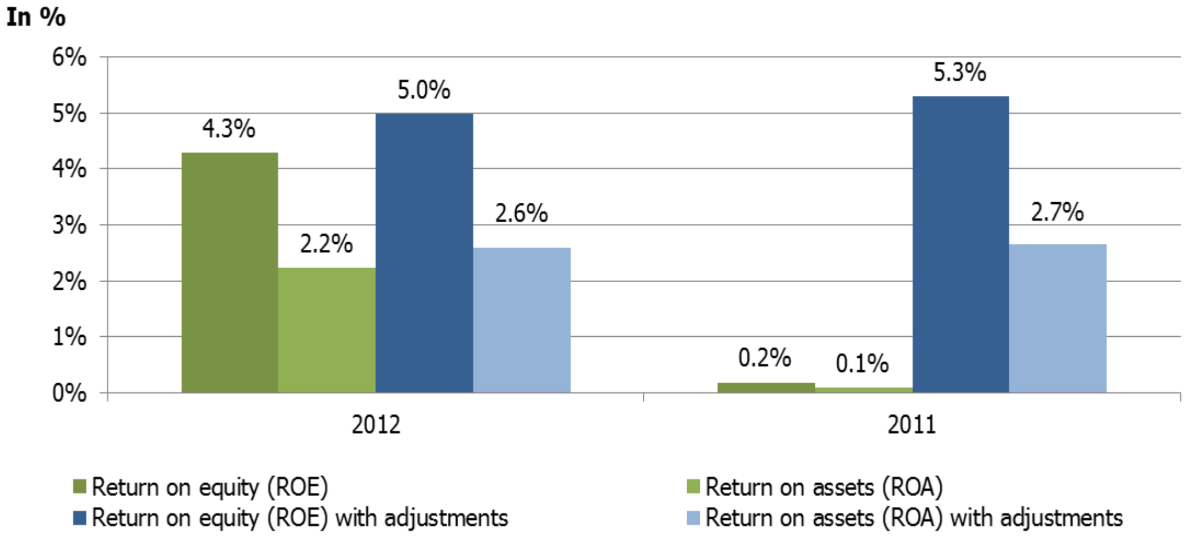
Compared with 2011, earnings before interest, taxes, depreciation and amortisation (EBITDA) decreased by €2.5m in 2012, and compared to the forecast 2012 value by €4.8m. Added value (operating profit before write-downs and labour cost) decreased by €1.2m in comparison to the previous year.

Liabilities and net financial debts/EBITDA



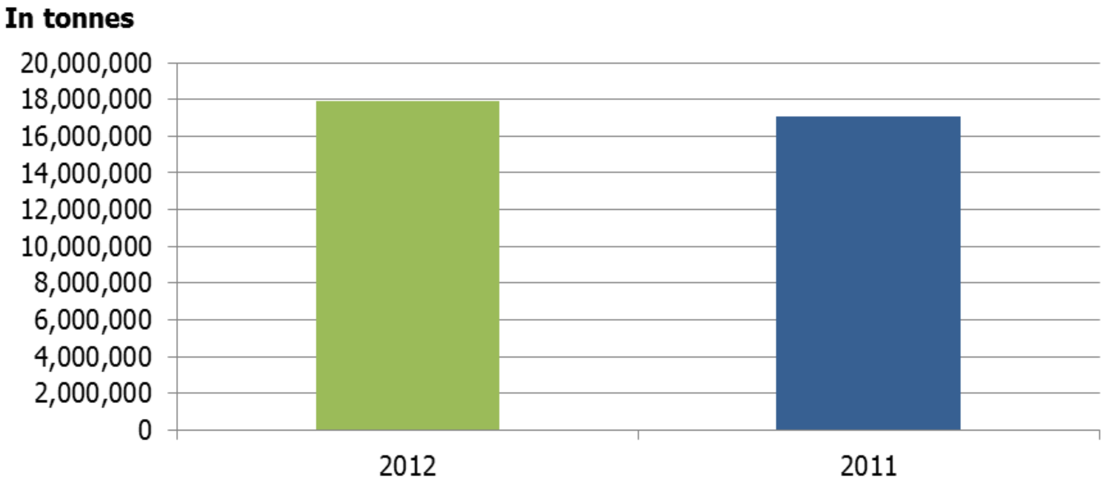
As at 31 December 2012, the equity of the Luka Koper Group totals €249.3m and constitutes 54% of the balance sheet. The net financial debt/EBITDA dropped to 3.0, thereby additionally safeguarding financial safety of the Luka Koper Group.

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



The 2011 net operating result of the Luka Koper Group was affected also by impairments and write-offs of financial investments, especially the investment in Intereuropa, d. d. Hence, the 2012 ROE and ROA were adjusted and calculated excluding this financial category to ensure comparability. The adjustments also include effects on deferred taxes. The net profit or loss of the Luka Koper Group in 2012 less the impairments and write-offs of investments would be €12.3m, and the adjusted ROE 5.0% and ROA 2.6%, which is below the 2011 result.

Maritime throughput in tonnes



The Luka Koper Group concluded 2012 with a throughput of 17.9 million tonnes, exceeding the previous year's result and the forecast quantities by 5%.

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 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.

The strategic framework of the Luka Koper Group consists of three key documents, which were adopted in 2011:

- The five-year strategic plan of the Luka Koper Group for the 2011–2015 period, which is presented in the following subchapter,
- The National Spatial Plan for a comprehensive development of the Port of Koper,
- The 2011–2015 development programme for the Port of Koper.

In order for the Group to continue with its successful performance, timely provision of the necessary additional port infrastructure and also public connecting infrastructure, which is in the domain of the Republic of Slovenia (an effective port infrastructure, in particular) is required. In 2012, two important documents were prepared, which serve as the basis for further strategic and developmental decisions in the company:

- Feasibility study for the development of container transport's operations at the Port of Koper. The comprehensive development concept of the Port of Koper for the 2013–2017 period, which is based on all previously prepared development materials and identified needs; it proposes coordinated implementation of priority projects inside the Port of Koper.

Containers and cars are considered the strategic cargo of the Luka Koper Group but the Group will keep the Port multifunctional by taking into consideration the interdisciplinary nature of the cargo groups and it will focus its developmental projects in the following areas:

On the basis of a feasibility study for the development of the container transport's operation at the Port of Koper, the most convenient location for this is Pier I and its direct hinterland. The estimated market potential is 2 million TEU, which could be realistically achieved between the years 2027 and 2028. As a result, the Luka Koper Group sees the deepening of basin I, the extension of pier I and the arrangement of the hinterland areas by expanding the railway track capacities as the next steps on the way towards further developing the container terminal and keeping its existing competitive position.

To realize the planned growth in the throughput of cars, additional areas need to be acquired and arranged in the hinterland of basin III, and a RO-RO berth built on pier III.

Other investments will be focused on the provision of new storage areas, the arrangement of the shore at pier II and the construction of oil derivative tanks and a platform for decanting liquid cargoes in the front of pier II.

Furthermore, the comprehensive development of the Port of Koper envisages the setting up of a new truck terminal, the transfer of the main traffic road to the eastern edge of the Port's area, and the construction of a viaduct between piers I and II.

In 2013, the Group will continue its activities for the successful integration of projects in the Operational programme of environmental and traffic infrastructure development for the 2014–2020 financial perspective, which is the basis of obtaining cohesion funds intended for the Port's infrastructure for public transport. In doing so, it is vital to first settle all the status problems of Luke Koper, d. d., and potential state aids, which have prevented the drawing of such funds until now. Therefore, an important part of the activities will be aimed at a proactive cooperation with national bodies, which are expected to provide support in administrative procedures, the identification of the Port's priorities, and developmental issues, which are a part of the state's strategic interest.

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

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.

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.

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: o Traditional markets – increase the current market shares o 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 financial 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 managing 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 (we have already noticed some inconsistencies)
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

2.2. FORECASTS FOR THE MACROECONOMIC ENVIRONMENT IN 2013

According to the forecasts of international financial institutions, the year 2013 will be marked by a stagnation of the economic activity throughout the eurozone. The prospects for the economic activity in other EU member states and countries of the former Yugoslavia are lower, primarily due to the strong trading and financial connections with the eurozone and the structural weaknesses of these countries. International institutions predict a gradual recovery of the economic activity in the international environment in 2014.
According to the Institute of Macroeconomic Analysis and Development[1] the key factor in the Slovenian environment, which will mark economic trends, is the continuation of the fiscal consolidation determined in the Stability Programme – 2012 supplement. For 2013, Slovenia's economic activity is most likely to experience further shrinkage, since GDP is expected to drop by 2.1%. The uncertainty regarding the forecasts of key aggregates remains high. Sources of finance, which are not easily accessible, for the state and banks and consequently the business sector are becoming an increasingly important restrictive factor for the economic recovery. If the downturn in the international financial markets continues to grow, financing conditions will become even worse. An additional risk for the realization of the central forecast is also presented by the implementation of fiscal consolidation. In the international environment, the possibility of a slower recovery of the eurozone's economy than expected represents a risk that could negatively affect exports and result in an increased drop in activities.

GDP growth by important hinterland markets (in percent)[2]

COUNTRY	2012 ESTIMATE	2013 FORECAST	2013/2012 CHANGE
Eurozone	–0.4	–0.1	**0.3**
Slovenia	–2.4	–2.1	**0.3**
Austria	0.6	0.8	**0.2**
Italy	–2.2	–1.0	**1.2**
Hungary	–1.6	–0.1	**1.4**
Slovakia	2.6	2.0	**–0.7**
Germany	0.9	0.6	**–0.4**
The Czech Republic	–0.9	0.8	**1.7**

[1] Jesenska napoved gospodarskih gibanj 2012. UMAR. URL: http://www.umar.gov.si/napovedi/jesenska_napoved/napoved/zapisi/jesenska_napoved_gospodarskih_gibanj_2012-1.
[2] Real Gross Domestic Product Growth, November 2012. OECD. URL: http://www.oecd-ilibrary.org/economics/real-gross-domestic-product-forecasts_gdp-kusd-gr-table-en (citirano 31. 1. 2013).

In 2013, economic policies of the countries, which represent the key hinterland markets of the Luka Koper Group, will focus on the following:[3]

- The key task in Austria will be to decrease the budget deficit.
- Italy's priority tasks will be to decrease the public debt, which accounts for approximately 120% of GDP, to insure the banking system, and to stay in the eurozone.
- The first priority of Hungary's government policy will be to consolidate public finance.
- In Slovakia, the government will endeavour to run a more determinate fiscal consolidation and to increase revenue.
- Germany's most important task will be to decrease the fiscal deficit in a period of four years, while continuing to provide quality public services. Its second task will be to restore the stability of its financial sector.
- In the Czech Republic, the government's economic policy will be focused on promoting the economic growth and ensuring fiscal stability.

2.3. BUSINESS OBJECTIVES FOR 2013

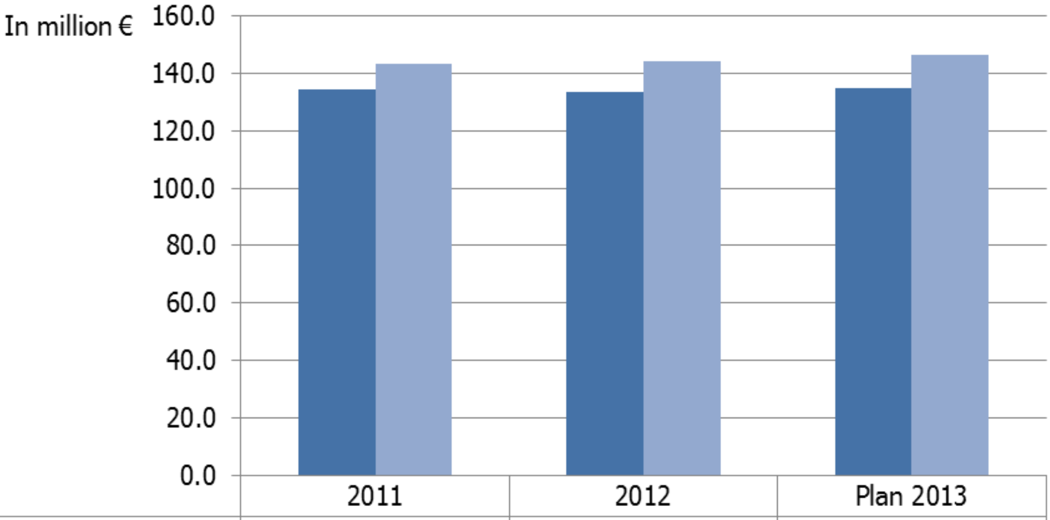
Despite the fierce economic situation on the key hinterland markets and the risk of speedy realisation of the deepening of basin I for container freight, the business plan for the next year is ambitious and envisages an increase in operating revenue of 2%. In the marketing segment we plan the highest growth in maritime throughput and revenue from general cargoes, dry cargoes and containers. We also plan growth in a majority of our hinterland markets.

One of the key factors to ensure additional port capacities, which will help us keep our competitive advantages, is to obtain building title on lands owned by the Municipality of Koper and the state, which are intended for the disposal of dredged material and for the performance of port activities. The most important developmental activities will be the deepening of basin I for the container terminal, and the start of works for the extension of pier I.

In 2013, operating revenue of the Luka Koper Group will be €146.6m. The 2013 plan is largely based on the forecasts of stagnating economic activity in the eurozone and decreased forecasts in other European countries.

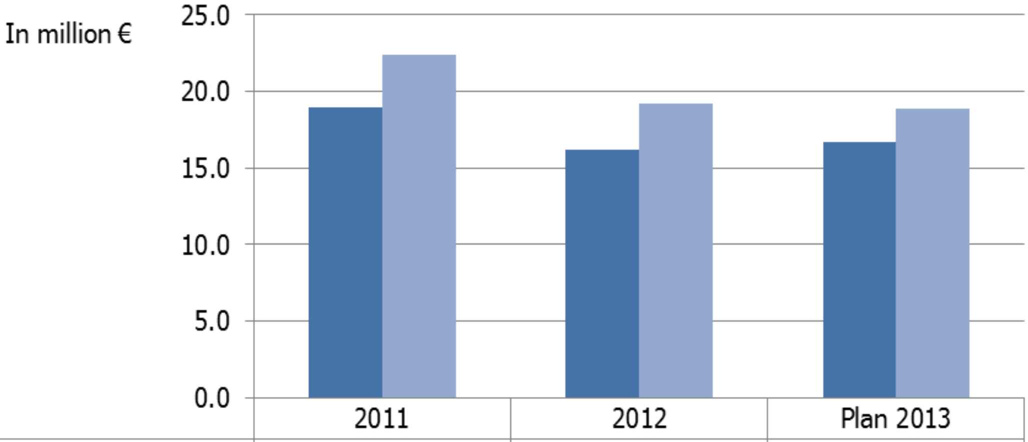
[3] EIU – Factiva, July 2012. Izvozno okno. URL: www.izvoznookno.si (quoted 31. 1. 2013).

Operating revenue



	2011	2012	Plan 2013
Luka Koper, d. d.	134.4	133.4	135
The Luka Koper Group	143.6	144.4	146.6

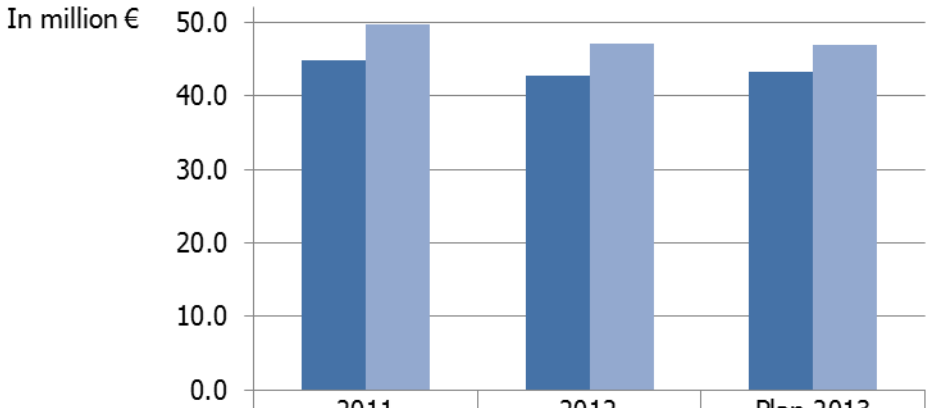
Operating result (EBIT)



	2011	2012	Plan 2013
Luka Koper, d. d.	19	16.2	16.7
The Luka Koper Group	22.4	19.2	18.9

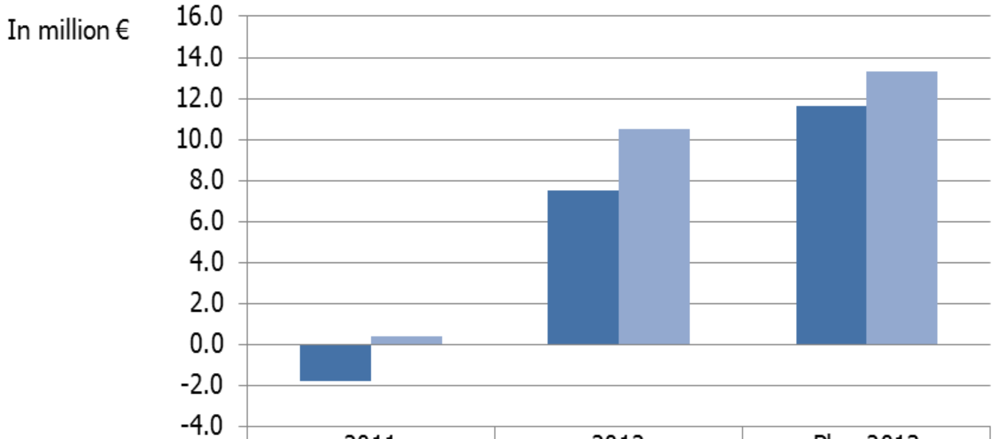
The planned EBIT of the Luka Koper Group for 2013 is €18.9m, which is 1% below the 2012 EBIT. At the level of Luka Koper, d. d., the planned profit or loss for 2013 is €16.7m (3% above the 2012 result).

Earnings before interest, taxes, amortization and depreciation (EBITDA)



	2011	2012	Plan 2013
Luka Koper, d. d.	44.8	42.7	43.2
The Luka Koper Group	49.7	47.2	47

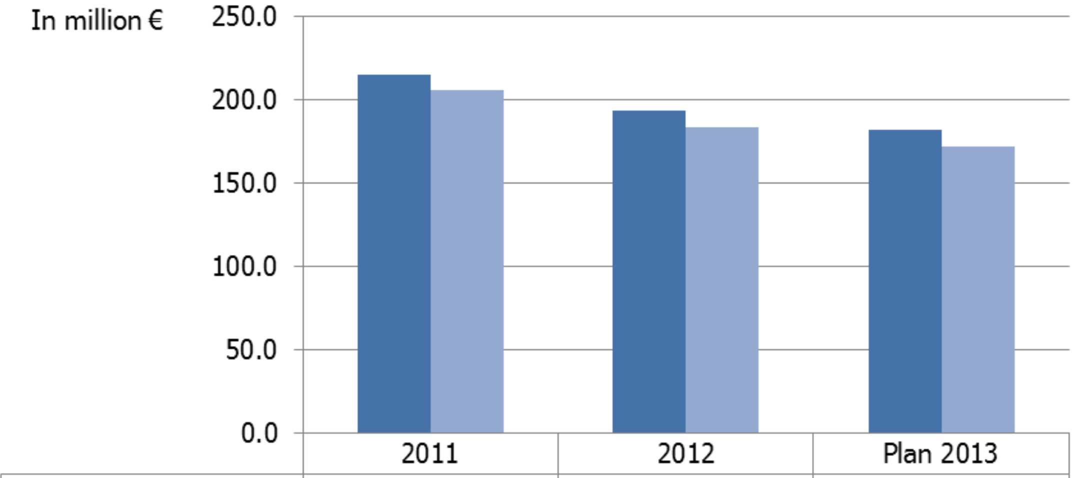
Net profit/loss



	2011	2012	Plan 2013
Luka Koper, d. d.	-1.8	7.5	11.6
The Luka Koper Group	0.4	10.5	13.3

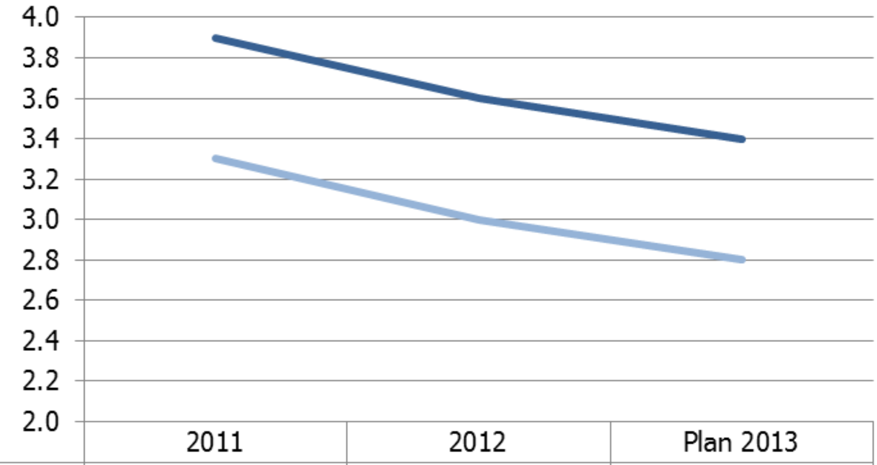
The planned net profit or loss of the Luka Koper Group is 27% higher as compared with 2012. The net profit or loss of Luka Koper, d. d., is planned to exceed that of 2012 by 55%.

Financial liabilities



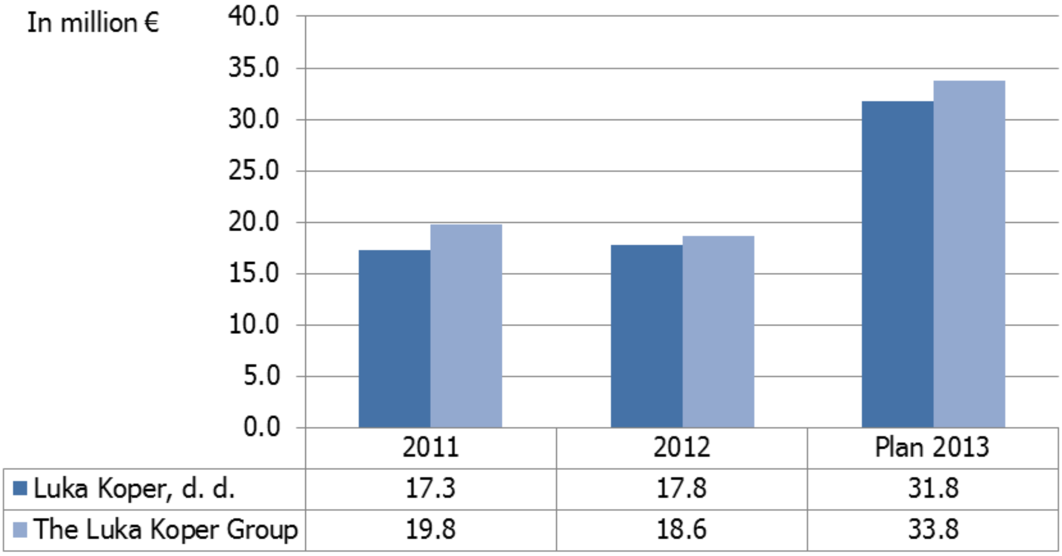
	2011	2012	Plan 2013
Luka Koper, d. d.	215.5	193.9	182.5
The Luka Koper Group	205.8	183.8	172.3

Net financial debt/EBITDA ratio for the Luka Koper Group



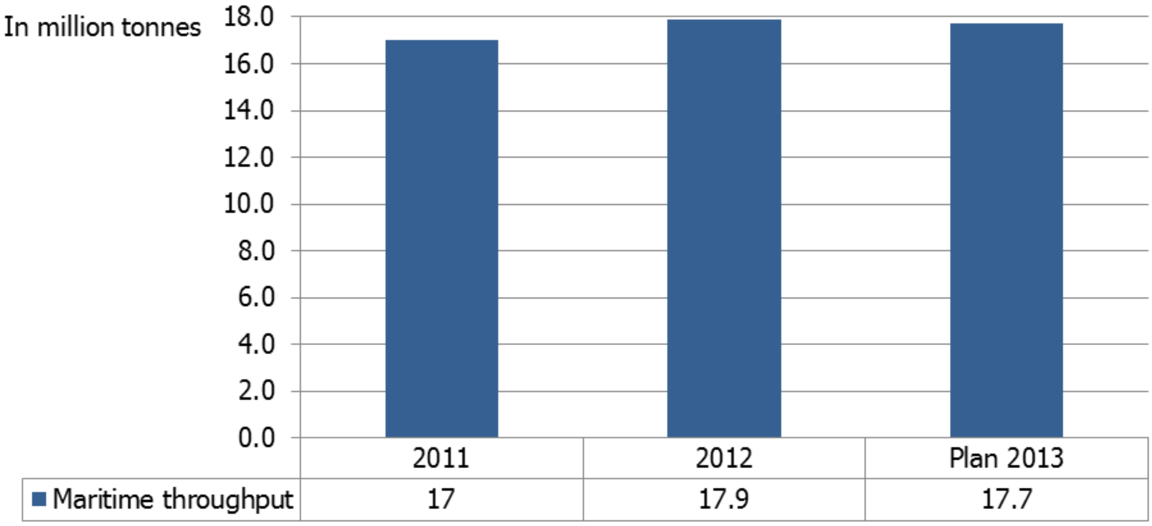
	2011	2012	Plan 2013
Luka Koper, d. d.	3.9	3.6	3.4
The Luka Koper Group	3.3	3	2.8

Investment in property, plant and equipment, investment property and intangible assets



In 2013, the Group plans to invest €33.8m in property, plant and equipment, investment property and intangible assets, exceeding the 2012 number by 80%. 94% of all investments (€31.8m) are planned within the company Luka Koper, d. d.

Maritime throughput in million tonnes



In 2013, we plan €17.7m of maritime throughput, which is 1% below that realised in 2012.

A summary of the key data from the 2013 Luka Koper Group business plan

	2012	Plan 2013	Index Plan 2013/ 2012
Operating revenue	144,359,819	146,621,950	102
Operating profit (EBIT)	19,184,237	18,899,841	99
Earnings before interest, taxes, amortization and depreciation (EBITDA)	47,216,586	47,008,747	100
Net profit/loss	10,498,559	13,337,425	127
Added value	86,787,095	86,374,435	100
Financial liabilities	183,799,962	172,319,053	94
Investment in property, plant and equipment, investment property and intangible assets (from the Cash flow statement)	18,639,095	33,800,819	181
Maritime throughput (in tonnes)	17,880,697	17,673,249	99
Number of employees	999	998	100
	31. 12. 2012	**Plan 31. 12. 2013**	**Index Plan 2013/ 2012**
Return on sales (ROS)	13.3 %	12.9 %	97
Return on equity (ROE)	4.3 %	5.3 %	123
EBITDA margin	32.7 %	31.9 %	98
Financial liabilities/equity	73.7 %	67.0 %	91
Equity share in balance sheet total	53.8 %	55.0 %	102
Financial and operating liabilities/equity	80.0 %	76.0 %	95
Net financial debt/EBITDA	3.0	2.8	93

2.4. REALISATION OF PLANS, STRATEGIC OBJECTIVES AND ORIENTATIONS

In 2012, we continued realising the 2011–2015 strategic plan of the Luka Koper Group, which was adopted in 2011. The Luka Koper Group generated operating profit in the amount of €19.2m in 2012, which is a decrease of €4.2m (18%) compared to 2011, primarily due to delays in dredging operations to deepen basin I and consequent failure to generate the planned operating revenue from container throughput. Lower operating result than planned was recorded also in the cargo group of general cargoes, mainly due to low throughput of paper, iron products and project cargoes, and to a lesser extent also in the cargo groups of liquid cargoes, dry bulk cargoes and the other cargoes. Nonetheless, we exceeded the plan for operating revenue from car throughput. 2012 operating result was lower than planned also on account of revaluation operating expenses of fixed assets in the amount of €2m. The net operating result of the Luka Koper Group in 2012 is €10.5m, which is €3.1m behind the plan. In 2012, the Group made impairments of financial investments in the amount of €2.2m – the impairment of investment in Intereuropa, d. d., accounts for a majority part of this number. Financial expenses from financial liabilities were lower due to lower debt than planned.

In 2012, realised investments in non-financial assets were lower than planned due to delay in the deepening of basin I and delay in the extension of pier I, long - lasting administrative procedures, unrealised market opportunities and business efficiency in harsh economic situation.

Key performance indicators of the Luka Koper Group in 2012 compared to the plan for 2012

	2012	Plan 2012	Index Plan 2012/ 2012
Operating revenue	144,359,819	149,892,117	96
Operating profit (EBIT)	19,184,237	23,382,499	82
Earnings before interest, taxes, amortization and depreciation (EBITDA)	47,216,586	51,993,729	91
Net profit/loss	10,498,559	13,619,075	77
Added value	86,787,095	92,531,753	94
Financial liabilities	183,799,962	202,917,228	91
Investment in property, plant and equipment, investment property and intangible assets (from the Cash flow statement)	18,639,095	35,012,263	53
Maritime throughput (in tonnes)	17,880,697	17,810,980	100
Number of employees	999	1,046	96
	31. 12. 2012	**Plan 31. 12. 2012**	**Index 2012/ Plan 2012**
Return on sales (ROS)	13.3 %	15.6 %	85
Return on equity (ROE)	4.3 %	5.5 %	78
EBITDA margin	32.7 %	34.6 %	95
Financial liabilities/equity	73.7 %	79.9 %	92
Equity share in balance sheet total	53.8 %	51.8 %	104
Financial and operating liabilities/equity	81.0 %	87.9 %	92
Net financial debt/EBITDA	3.0	3.0	100

We have focused on a more effective and competitive performance of the port system, and we have recognized the need to additionally enhance it both from the view of operative effectiveness as well as in terms of the market position. In addition to having to face an increasingly fierce and rapidly developing competition, which has been improving its port capacities and offer, we have also further improved the operative processes, primarily by introducing advanced information and technological solutions and improvements. The logistics system, which is being developed by the Company within the framework of assuming a more proactive role of the port community and cooperation with logistics operators, has also played an important role in the further development of the Port's offer and the satisfying of our customers' new requirements.

We can conclude that we made important progress in all the strategic goals of our operations, which were set at three levels – marketing, corporative and institutional.

Marketing goals

In terms of marketing we focused our efforts on the growth of the existing maritime throughput, where we again achieved record-high results and exceeded the planned quantity values. We paid special attention to our strategic cargo groups – containers due to the trends in this segment, and cars as our specialisation – and managed to keep our important position in the sectors: we hold the leading position in the North Adriatic area in terms of container throughput, and the second in the Mediterranean area in terms of car throughput. Parallel to this, we made endeavours to ensure all the conditions to increase port capacities, and we determined the key projects for a comprehensive development of the Port by 2017.

Unfortunately, the major infrastructural interventions such as the 2nd track and pier I, are still not making any progress and will not be completed by 2015. The delay in the dredging operations to deepen the basin I, which will allow the arrival of more heavily loaded ships with greater drafts, increase the loss of marketing opportunities of the container terminal, and can also decrease the existing market share of the Port of Koper.

After having started with the excavation of already filtered off material from the cassette on the head of pier I, and with its delivery to the authorized waste receiver at the beginning of the year 2011, Luka Koper, d. d., received a decision from competent bodies interdicting the delivery of the waste of sea sediment. Since 2010, Luka Koper, d. d., submitted to the Municipality of Koper the application to grant the right to build on parcels in the area of the envisaged cassette 7A several times, however with no success. In October 2012 the Constitutional Court of the Republic of Slovenia withdrew the right of the Municipality of Koper to dispose of real estate in the area of the Municipality of Ankaran until final decision and, consequently, prevented building of the envisaged cassette 7A which would be used for depositing sea sediments. In December 2012 Luka Koper, d. d., submitted to the Ministry of the Environment and Spatial Planning the application to grant the right to build the cassette in the area of the envisaged landfill for depositing excess materials left from the construction of the 2nd track of the Divača-Koper railway line. If all procedures were performed within legal terms and no archaeological remains were found on the parcels, and the building right was granted to Luka Koper, d. d., the start of deepening works can be expected at the end of September or in October 2013 after the public tender for the selection of a performer has been completed.

Delays have also marked the project of the construction of the 2nd track due to delays in the preparation of documentation and the options of drawing funds for the construction of the 2nd track in the new 2014–2020 financial perspective. According to the most recent information provided by the Ministry of Infrastructure and Spatial Planning, the project will not be realised before the year 2022.

Hence, we paid special attention to the process optimisation already in 2012, since we will have to limit our work to the existing capacities and focus primarily on improving the offer and the volume of implementation. Through intensive work performed by representative offices abroad and by thoroughly planning our marketing activities we focused on managing the target markets in our direct hinterland, and on assuring support to the key customers to enhance their satisfaction. We also made endeavours to make partnerships with suppliers and in the first row with logistics providers who cooperate in the formation of comprehensive transport solutions through our Port.

Corporative goals

In terms of corporative goals, which refer primarily to the company as a modern business system, we endeavoured to increase the economic value added (EVA), but the improvement was unfortunately not achieved primarily due to Slovenia's increased country risk, which consequently increases the required ROE and weighted average cost of capital (WACC). As regards our other 2012 corporative goals, we were successful in most cases. For the first time after 2008, Luka Koper, d. d., again plans to pay out dividends for 2012 in 2013. We paid much attention to assuring optimal financial resources and conditions for drawing European funds. Due to the decreased cost effectiveness in 2012, we started with process optimisation activities on various projects. Our endeavours in 2012 were also focused on the provision of relevant knowledge and skills, since these are vital to ensure the Company's long-term competitiveness due to its service-oriented nature. Furthermore, we made efforts to increase the motivation and effectiveness of employees as well as to keep regular and open communication. We promoted a creative and innovation-driven business culture.

Institutional goals

The Port of Koper is also an important institutional entity, since it manages and develops the only port in Slovenia. We made endeavours to achieve a sustainable development and high environmental and safety standards. Furthermore, we took a proactive approach to activities of the local community, most of all by promoting the passenger transport activity. We invested in a good presentation of the Port in the EU and broader international area, also through membership in the NAPA, ESPO, and FEPORT associations, and EU projects. We made efforts to directly connect the Port of Koper with the priority European infrastructural projects, and to include the Port in two out of ten priority all-European multimodal corridors, and in the modernised TEN-T regulation through the Baltic-Adriatic and Mediterranean corridors. Despite certain initiatives, the improvement of the concession relationship with the Republic of Slovenia has remained a challenge, since the existing agreement includes certain issues that still need to be addressed. In 2012, we made an additional effort to strengthen the cooperation of the port community.

3. STATEMENT OF THE CHAIRMAN OF THE MANAGEMENT BOARD

In the difficult time for both the port activities as well as the shipping companies, the growth in maritime throughput of 5% is a result that cannot be easily evaluated without making a relevant comparison with other ports in the North Adriatic area or Southern Europe. The comparison cannot be based merely on tonnes, and the number of containers and cars. All these data are important and vital for a port as an important part of the logistics chain, but so is also the answer to the question of to what degree do we and our environment contribute and promote the port's activity. If we need years instead of months to make a breakthrough in key investments, and if a constructive dialogue at various levels is more an exception than a rule, the answer that there is a lack of such awareness at many levels of decision-making and acting is probably correct. We have to be self-critical. We know that today's business environment requires us to improve the process, cost and sales effectiveness.

Our geographical position enables us to represent the shortest route for goods on the way between the Far East and Central Europe. According to our estimate, the absorption capacity of the inhabitants in our hinterland for such goods significantly exceeds our existing throughput. We believe that we could realize our geographical competitive advantage with better quality and in an environmentally friendly way with, for example, a higher frequency of railway connections – the length of a train also plays an important role in this. As a port we are neutral towards railway operators, but at the same time we are extremely interested in the optimal use of the existing railway infrastructure. The fact that the just recently modernized railway connection will need to be upgraded with new capacities is certainly not new.

The most important investment we have been dealing with for a (too) long time is the issue of the deepening of the basin I navigation channel. This project is crucial for the Port of Koper. But it is not the only one we have to finish in order to keep in touch with time and ensure the progress for our only cargo port. In addition to the already mentioned railway connections, we need investments in the extension of operational shores, piers and additional storage premises. In the realization of these projects we are seeking a constructive dialogue with the local community, which has the right to a clean and safe environment and at the same time also an understanding of the strategic development plans of the Port.

We have left a turbulent year behind us. But since we know that a merely calm sea is not enough to make a good sailor, we can say that our crew has gained new experience, knowledge, impetus and the wish to steer the Port of Koper in the right direction.

Bojan Brank

Chairman of the Management Board of Luka Koper, d. d.

4. REPORT OF THE SUPERVISORY BOARD FOR 2012

Composition of the Supervisory Board

The Supervisory Board consisted of the following members: Janez Požar, DSc, Bojan Brank, Marko Simoneti, DSc, Jordan Kocjančič, Tomaž Može as representatives of capital, Sabina Mozetič as a representative of the Municipality of Koper, and Mladen Jovičič, Stojan Čepar and Nebojša Topič, MSc, as representatives of workers, until 7 September 2012, when it discharged the Chairman of the Management Board Gregor Veselko, DSc, at its 31st session, and on the basis of a provision in §2 of Article 273 of the Companies Act (ZGD-1) temporarily appointed Bojan Brank as the acting Chairman of the Management Board. By suspending Bojan Brank's membership in the Supervisory Board and his chairmanship of the Human Resource Committee, the tasks of the HR Committee were assumed by the Supervisory Board, which operated with eight members at the end of the year, still ensuring a quorum.

Work performed by the Supervisory Board

In 2012, the Supervisory Board duly monitored and supervised the operations of the company Luka Koper, d. d., and the Luka Koper Group, and it also evalued the work of the Management Board. 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 Supervisory Board met at ten regular and three correspondence sessions. 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 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 of the Supervisory Board 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.

At its sessions, the Supervisory Board discussed the following:

- The interim reports on the operations of the managing company and the Luka Koper Group,
- It proposed to the Management Board to prepare a legal and economic analysis on the possibilities of supplementing the Concession Agreement so as to enable financing the port infrastructure with EU grants, and the construction of pier III on the commercial base, as well as the inclusion of external long-term partners into the financing of the construction of pier III,
- It was informed with the final report of the feasibility study for the development of container transport's operations and agreed on the long-term development and extension of the container terminal at pier I and its hinterland,

- It was informed with reports about the compliance with control mechanisms in transactions with port service performers,
- It confirmed the proposal of Tomaž Martin Jamnik, Deputy Chairman of the Management Board, for consensual termination of fixed-term employment contract as of the end of May 2012,
- It reviewed and endorsed the audited 2011 Annual Report of Luka Koper, d. d., and the Luka Koper Group and approved the decision of the Management Board about covering the net loss for 2011,
- It was informed with the call of the 20th General Meeting,
- It approved the objectives and criteria for the variable part of pay for the Members of the Management Board for 2012 and performance remuneration in accordance with the criteria for the variable part of pay for the Members of the Management Board for 2011 according to the achieved results,
- It was informed with the measures for cost management and results of the analysis of contractual relationships with port service performers,
- It dismissed the Chairman of the Luka Koper, d. d., Management Board Gregor Veselko, DSc, for no-fault reasons, and provisionally – until the appointment of a new Chairman of the Management Board through a public selection procedure – appointed the Member of the Supervisory Board Mr Bojan Brank as acting Chairman of the Management Board. As of the same day, Mr Brank's status as a Member of the Supervisory Board, together with his chairmanship of the Supervisory Board's Human Resource Commission, were suspended,
- It announced the public call for the selection of a new Chairman of the Management Board, which concluded without any candidate being selected; therefore it prolonged Mr Brank’s term of office until the appointment of a new Chairman, however not longer than by 6 September 2013, inclusive,
- It approved the business plan of Luka Koper, d. d., and the Luka Koper for 2013,
- It approved the annual plan of internal audit’s work for 2013 and was informed with the reports of the internal audit.

Work of the Supervisory Board Committees

In 2012, three committees operated within the framework of the Supervisory Board, i.e. the Audit Committee, the Human Resource Committee and the Committee for Infrastructure, all positively contributing to the work of the Supervisory Board.

The Human Resource Committee met on three occasions in 2012. It prepared proposals of criteria for remuneration for Members of the Management Board of Luka Koper, d. d., for 2012, and proposal of meeting the criteria for remuneration as outlined in the criteria for the variable part of salaries of the Members of the Management Board for 2011. Due to the suspension of Bojan Brank's function as the Chairman of the HR Committee, its tasks were assumed by the entire Supervisory Board starting on 7 September 2012. The Supervisory Board started the activities to select the new Chairman of the Management Board. After the public call, which concluded without selecting any candidate, Bojan Brank's term of office was extended until the appointment of a new Chairman, however not longer than by 6 September 2013, inclusive.

The Audit Committee met on seven occasions in 2012, focusing primarily on the following areas:

- Monitoring and supervising the financial reporting with regular treatment of annual as well as interim reports on the operations of the Group and the company Luka Koper, d. d., and the Annual Report of Luka Koper, d. d., and the Luka Koper Group for 2011,
- Monitoring and supervising the internal auditing by discussing the semi-annual and annual internal audit report, and the internal audit work plan for 2013,
- Discussing individual issues based on findings in internal audit reports, and
- Informing on the risk management system.

The Committee for Infrastructure met on two occasions. It discussed:

- The study of increasing the capacity of the container terminal, and
- The comprehensive development of the Port in the period of five years, which includes projections of the investment financing plan and the structure of the company's organisation.

Absence of individual Members of the Supervisory Board and Members of Committees of the Supervisory Board by sessions

Number of session	Date of session	Absent members
Sessions of the Supervisory Board		
18th correspondence session	10.9.2012	Tomaž Može
27th regular session	24.2.2012	Janez Požar
28th regular session	27.3.2012	Marko Simoneti, Sabina Mozetič
30th regular session	25.5.2012	Stojan Čepar
35th regular session	14.12.2012	Sabina Mozetič, Marko Simoneti, Stojan Čepar
Sessions of the Audit Committee		
16th regular session	24.8.2012	Blanka Vezjak
Sessions of the Committee for Infrastructure		
3rd regular session	6.4.2012	Bojan Brank, Sabina Mozetič, Tomaž Može

Assessment of the work of the Management and Supervisory Boards

In 2012, the work of the Supervisory Board and its Commissions was performed in accordance with the law, the Code of Governance of Public Limited Companies, the Code of Governance of Companies with Capital Investments by the State, and recommendations of the Association of Supervisory Board Members of Slovenia.

The Supervisory Board supervised the management of the company throughout the year. It actively cooperated with the Management Board and was acquainted with the results of its work. The Management Board notified the Supervisory Board of business results and key plans and decisions in a timely manner and obtained consent in accordance with the Articles of Association.

The Supervisory Board assesses 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 in the periods between Supervisory Board sessions.

The Supervisory Board assessed the work of the Management Board during each interim report on operations, and in particular when determining the variable part of the salary for the work performed in 2011.
Based on the development steps outlined and taking the current business conditions into consideration, the Supervisory Board assessed the Management Board's work in 2012 to have been good.

The self-assessment of the Supervisory Board found that it had performed in line with the high standards in all areas. Members saw the self-assessment as a positive process, allowing reflection on the soft issues of the actions of the Supervisory Board.

Remuneration of the Supervisory Board

Based on the provisions of Article 25 of the Articles of Association of Luka Koper, d. d., the General Meeting of Shareholders adopted on 9 July 2012, a decision on determining the payment for carrying out the function and attendance fee for Supervisory Board Members and members of the Committees of the Supervisory Board for the period of the next twelve months. As of July, Supervisory Board Members received €275 per session, and 80% of this amount for correspondence sessions. Gross attendance fee for an individual member of a Committee was €220. Travel costs and daily allowances were paid out to the Supervisory Board Members in accordance with company regulations.

In addition to attendance fees, each Member of the Supervisory Board receives the basic salary for carrying out their functions in the amount of €11,000 gross. The Chairman of the Supervisory Board receives a supplement of €5,500 for carrying out his function. Members of the Committee of the Supervisory Board receive a supplement of €2,750 for their functions, the Chairman of the Committee €1,375, and the external member of the Audit Committee, who is at the same time also not a Member of the Supervisory Board, an annual payment of €11,000 gross for carrying out his function.

Payments to individual Members of the Supervisory Board and its Committees are specified in the Financial Report.

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 2012, and the proposal of the Management Board regarding the allocation of the distributable profit at its 38th regular session, held on 4 April 2013.

The Supervisory Board reviewed the auditor's report, in which the authorised audit firm Ernst & Young, Revizija, poslovno svetovanje, d. o. o., states that the financial statements, which are included in the annual report, provide a true and fair presentation of the financial

position of the Company and the Group, as well as their operating results and cash flows. The Supervisory Board had no comment on the auditor's report.
Having reviewed the annual report, the Supervisory Board concluded that the reporting on the operation of the company Luka Koper, d. d., and the Luka Koper Group is clear and transparent, and that it provides a true and fair presentation of their business position, and it had no comments on it.

The Members of the Supervisory Board unanimously approved the 2012 Annual Report of Luka Koper, d. d. and the Luka Koper Group with the Auditor's Report at the session held on 4 April 2013. We find that in accordance with the provisions of Article 282 of the Companies Act (ZGD-1) and the Articles of Association of Luka Koper, d. d., the annual report is thus also formally adopted.

Proposal of the allocation of 2012 distributable profit

The Supervisory Board believes that the proposal of the Management Board on the allocation of distributable profit is consistent with the dividend policy and strategic developmental policies of the Company, and that it follows shareholders' interest in a long-term increase of the share value. In 2012, Luka Koper, d. d., generated a net profit of €7,527,590. Following the decision of the Management Board, the company formed other profit reserves already while preparing the annual report, in the amount of a half of the net profit of 2012. The company's 2012 distributable profit is thus €3,763,795.
Simultaneously with the endorsement of the 2012 annual report, the Supervisory Board approved the use of the distributable profit, which will be proposed for approval to the General Meeting of Shareholders by the Supervisory and Management Boards. The proposal of the use of distributable profit, which totalled €3,763,795 as at 31 December, is as follows:

- €2,380,000 of the distributable profit be used for the payment of dividend in the gross amount of €0.17 per ordinary share,
- the rest of the distributable profit, i.e. €1,383,795, be left undistributed.

The Supervisory Board proposes that, on the basis of the Annual Report of Luka Koper, d. d., and the Luka Koper Group, the Auditor's Report and this report, the General Meeting discharge the Management and Supervisory Boards for their work performed in 2012.

Janez Požar, DSc

Chairman of the Supervisory Board of Luka Koper, d. d.

5. PRESENTATION OF THE LUKA KOPER GROUP

The Port of Koper is the only Slovenian international cargo port. It is managed by the company Luka Koper, d. d. The Port represents a strong link in the logistics chain between Central Europe, Eastern Europe, the Mediterranean, the Middle East and the Far East. Luka Koper, d. d., carries out port and logistics services and it also manages all the terminals and the entire port infrastructure.

On the basis of the Concession Agreement with the Republic of Slovenia, Luka Koper, d. d., takes care of the Port’s infrastructure and development. Since the Port's activity forms part of a wider area, the Group assumes increasing responsibility in terms of environmental protection.

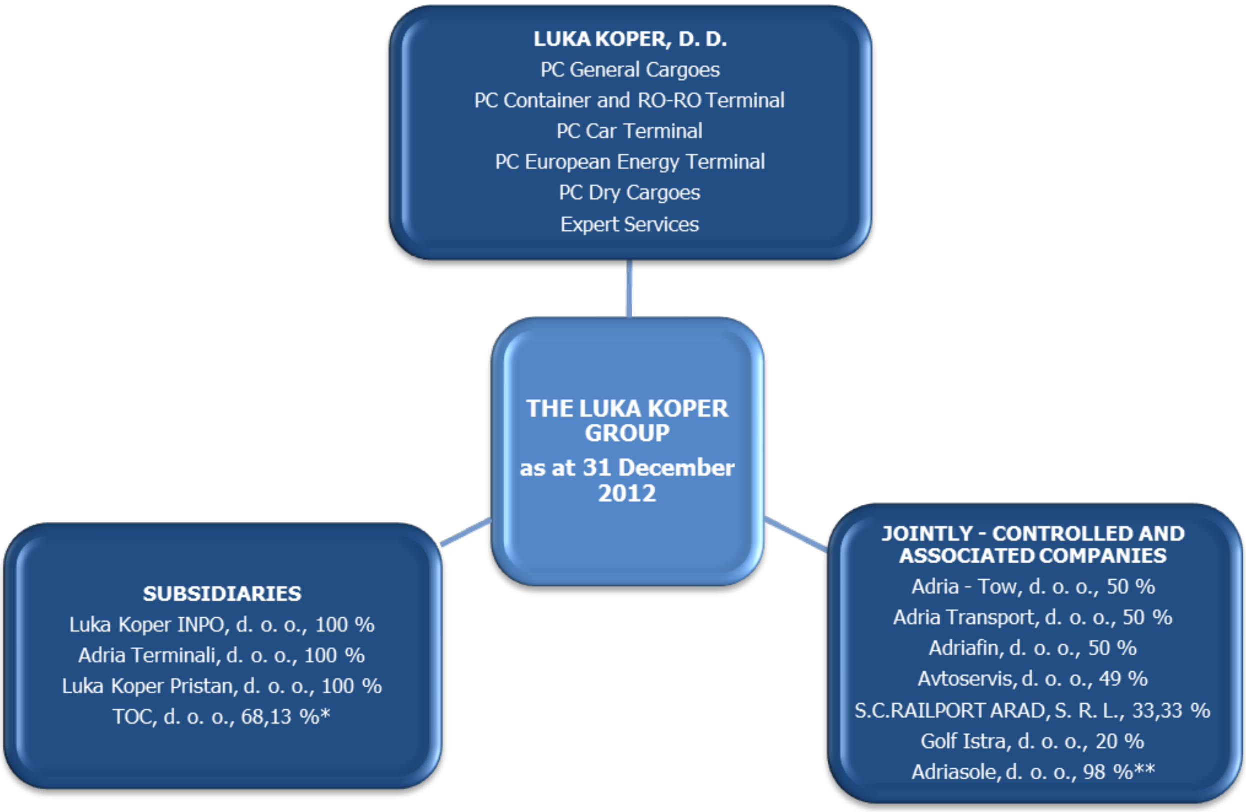
Luka Koper, d. d., is listed on the Ljubljana Stock Exchange under the first quotation.

5.1 PROFILE OF THE MANAGING 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	Bojan Brank
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	12
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

Companies consolidated within the Luka Koper Group provide various services which accomplish the comprehensive operation of the Port of Koper. In addition to the parent company, Luka Koper, d. d., the Group was composed of the following subsidiaries, jointly-controlled and associated companies as at 31 December 2012.



* On 30 November 2012, Luka Koper, d. d., increased its share in the company TOC, d. o. o., to 68.13%.

** The company Adriasole d.o.o. is not controlled in compliance with International Accounting Standards 27 (13). Although Luka Koper d.d. holds a 98-percent stake in Adriasole d.o.o., decision making requires the consent of the partner pursuant to an agreement. Compliant with provisions of IAS 28 (7), Adriasole d.o.o has been classified as an associated company.

In 2012, the subsidiary company Luka Koper Deutschland GMBH was deleted from the register of companies.

The Luka Koper Group also has shareholdings in the companies listed below, which are classified as assets for disposal or held for sale:

- Intereuropa, d. d., 7.13% of total equity, 11.65% of ordinary shares,
- Logis Nova, d. o. o., 99.67%,
- 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 under the Composition of the Luka Koper Group on page 123.

5.3 THE LUKA KOPER GROUP ACTIVITIES

The Port of Koper is a well organized European port. It is the only Slovenian multipurpose port and is extremely important for the state, affecting the development of the Slovenian economy with its operations.
The Port carries out port activities intended for cargo and passenger transport. The basic port activities of throughput and warehousing of a variety of goods are supplemented with a range of services on goods and other services, and customers are provided with a comprehensive logistics support. 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 organised according to the goods/cargo they receive. Each terminal has its own characteristics determined by goods-specific work process, technological procedures and technology. The terminals are organised in five profit centres. 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 cargo group;
- 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.

Services of individual terminals are supplemented by jointly-controlled companies Adria-Tow, d. o. o., and Adria Transport, d. o. o., which enables us to quickly adapt to customers' needs. 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. Adria Transport, d. o. o., is in charge of setting up an efficient logistics route between the Port of Koper and its hinterland, and it ensures a greater volume of railway traffic, both in and out of the Port.

Koper is a well-known destination among shipping companies; therefore the passenger terminal is gaining increasing recognition on the world map of cruise destinations. Our main competitive advantages are enabling ships to stop at the very centre of city and ensuring an excellent port service. The passenger terminal is located only 200 metres from the central city square and it has promoted tourist activities in Koper and other Slovenian cities for several consecutive years. In 2012, Koper received 64,461 visitors, which is 41% below the record-high 2011 level.

In 2008, Luka Koper, d. d., concluded the Concession Agreement with the state, which 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.

Other activities

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

Disability

Luka Koper INPO, d. o. o., is a social enterprise specialised in performing diverse and complex support services, as well as maintenance, maritime and public utility services. In addition to its basic mission – employment and training of disabled persons, the company also contributes to our business performance.

Catering

Luka Koper Pristan, d. o. o., offers hotel, catering and congress services. It organises various kinds of events.

Ecological activity

One of the most important principles followed by the Luka Koper Group is keeping the natural balance. We are aware of the impacts the port activity has on the environment, therefore their monitoring and managing has become a part of our regular daily working activities. Our environmental protection management comprises:

- The introduction of modern and efficient technologies;
- Reducing emissions into the environment, and 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.

Sežana

The land logistics centre in Sežana is managed through Adria Terminali, d. o. o., in which Luka Koper holds a 100-percent ownership share. Transactions include throughput and warehousing of general cargoes with iron products, wood pellets, packaged timber and logs, and in LCL and classical throughput.

The company operates in the role of a land terminal manager and 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 2012. The activities have not finished yet. Within the 5-year strategic plan of the Group, the strategic policy for Orleška Gmajna was determined, and it envisages finding a strategic partner.

Arad

We co-manage the Romanian hinterland container terminal in Arad with the company Railport Arad, s. r. l. The terminal, which is based on inland connections with other ports and land terminals, has not reached the expected extent of transportation or the planned results. The area of the Western Romania presents a big market with favourable development prospects; therefore the terminal can potentially create certain synergies in the future, both with the Sežana terminal as well as the Port of Koper.

Prekmurje

The company Logis Nova, d. o. o. was established in order to make an acquisition of land in the area of the originally planned logistics centre in the community of Beltinci. In 2012, Logis Nova, d. o. o., continued transferring the plots of land, for which we entered into preliminary contracts with owners. At the end of the year, 99.66% of the company was owned by Luka Koper, d. d. The ownership consolidation will be finished in 2013, when a capital increase of 2.7 ha of land will be made and the company will dispose with 66.5 ha of land. All plots of agricultural land are either rented or used by the company to perform the agricultural activity.

6. CORPORATE GOVERNANCE REPORT

6.1. CORPORATE GOVERNANCE STATEMENT

Pursuant to the provision of Article 70 (§5) of the Companies Act and provisions of the Corporate Code for Public Limited Companies, the Corporate Code for Companies with Capital Investments by the State, Luka Koper, d. d., provides the following Corporate Governance Statement of Luka Koper, d. d., and the Report on Corporate Governance, which are available also on the website www.luka-kp.si/slo/za-vlagatelje/poslovna-porocila.

1. Statement on 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 was 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 available on the Ljubljana Stock Exchange website (www.ljse.si).

The Management Board and the Supervisory Board declare that, in 2012, they have complied with the provisions of the Corporate Code for Public Limited Companies, except the part of the provision 5.10 regarding additional information about having held a general meeting. In the announcement of information on the 20th meeting of the General Meeting of 9 July 2012, Luka Koper, d. d., failed to provide, in addition to the information required by the law, also clear identification of five major shareholders, who were present or represented at the meeting, as well as an individual number of their shares and voting rights. The latter are expressed also in percentage considering the total number of voting rights of the Company as well as considering the voting rights in shares. Luka Koper, d. d., will comply with this provision in the future.

2. Statement of Compliance with the Provisions of the Corporate Governance Code for Companies with Capital Investments by the State and individual recommendations of the Agency for the Governance of Capital Investments of the Republic of Slovenia

The Company follows the Provisions 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 which is available at the website www.auknrs.si.

The Management and Supervisory Boards declare that, in 2011, they have complied with the provisions of the Corporate Governance Code for Companies with Capital Investments by the State. They have also complied with other individual recommendations of the Agency for the Governance of Capital Investments of the Republic of Slovenia, except in those listed below.

3. Derogation from certain parts of individual recommendations of the Agency for the Governance of Capital Investments of the Republic of Slovenia

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

- Recommendation No. 6: Transparency of transaction conclusion procedures, which concern the Company's expenditures. By treating the data on concluded transactions as a business secret and consequently not providing information on individual transactions, selected providers and values of individual transactions, the Company has failed to comply with points 3 and 4 of the recommendation. The Company announces the recipients of sponsorships and donations and the total amount of funds intended for this purpose on its website.
- 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 60% of the average monthly salary of an employee.
- 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 9 July 2012 a special decision based on Article 25 of the Articles of Association of Luka 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.
- Recommendation No. 12: General Assemblies. The 2011 annual report was published on 20 April 2012 in accordance with the Companies Act (ZGD-1) and the Company's financial calendar. Publication prior to this date would incur extra cost to the Company. In the 2011 annual report, the Company did not disclose the data about the operations of supervisory bodies and their committees, including the participation of individual members of the Supervisory Board at individual sessions. The Company followed the recommendation when preparing the 2012 annual report.

- Recommendation No. 14: Attainment of quality and excellence of performance of companies/groups. Luka Koper, d. d., plans to carry out self-assessment at the end of 2013 in line with the European EFQM excellence model.

4. **The main characteristics of internal controls and risk management in the Company**

   The main characteristics of internal control systems 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", "Internal Control and Risk Management Related to Financial Reporting", and in the chapter on "Risk Management".

5. **Data relating to the Takeover Act**

   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 2012, 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, and a description of shareholders' rights**

   The work of the General Meeting of Shareholders, its key powers, a 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 available to the public at www.luka-kp.si. The work of the General Meeting of Shareholders in 2012, key powers, 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 and Supervisory Bodies and their Committees**

   Data relating to the composition and activities of the Management and Supervisory Boards and their Committees are 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 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 Code for Companies with Capital Investments by the State and the Corporate Governance Policy, which was adopted by the Supervisory Board in 2010.

Bojan Brank
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 and the rules on their appointment, discharge and the changes of statute are defined in the Companies Act and stipulated in greater detail in the Company's Articles of Association and the Rules of Procedure of the General Meeting of Shareholders, the Supervisory Board and the Management Board. The Articles of Association of the Company are available at www.luka-kp.si/slo/o-podjetju.

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 Companies Act and the Articles of Association of Luka Koper, d. d. The ownership structure of Luka Koper, d. d., is presented in the 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/slo/za-vlagatelje/skupscine-delnicarjev 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.

There is no limitation to voting rights, since all shares of Luka Koper, d. d., 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 2012, the General Meeting met at the 20th meeting held on 9 July 2012 where the shareholders adopted the following decisions:

- They were informed of the Annual Report for 2011.
- They were informed of the distributable profit for 2011, which was €0.00. In 2011, Luka Koper, d. d., generated a net loss of €1,849,205.32. The Company covered the identified net loss of 2011 during the preparation of the Annual Report with the release of revenue reserves that were accumulated in previous periods.
- The shareholders did not give a discharge to the Supervisory and Management Boards for 2011.
- Ernst & Young, Revizija, poslovno svetovanje, d. o. o., Dunajska cesta 111, Ljubljana was appointed auditor for Luka Koper, d. d., and the Group.
- 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 its Committees for the period of the next twelve months.

6.4. THE SUPERVISORY BOARD

The Supervisory Board oversees the running of the Company's operations. Other tasks and powers of the Board, in accordance with the law and the Articles of Association of the Company, are: appointing and dismissing the Management Board of the Company, determining stimulus of the Management Board, reviewing business documentation, endorsing the Annual Report, preparing a proposal for the allocation of the distributable profit, and convening the General Meeting of Shareholders.

6.4.1. Composition of the Supervisory Board

The Supervisory Board of Luka Koper, d. d., consists of nine members. Six are elected by the General Meeting of Shareholders and three by the Worker's Council of the Company. The Members of the Supervisory Board are elected for a term of four years.
In 2012, the Supervisory Board of the Company worked in the same composition until 7 September, when Bojan Brank's position of a Member was suspended due to having been appointed to the position of the Chairman of the Management Board of Luka Koper, d. d.

The composition of the Supervisory Board as at 31 December 2012:

Representatives of capital:
Janez Požar, DSc, Chairman
Representative of capital: The Republic of Slovenia
Position: Ministry of infrastructure and spatial planning, Infrastructure directorate, Maritime sector, Secretary
Four-year mandate commencing on 14 July 2009 (16th General Meeting of Shareholders)

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, University of Primorska, Science and Research Centre of Koper – Chairman of the Management Board, ZZZS (Health Insurance Institute of Slovenia) Koper – Chairman of the Council of the Institute, Splošna bolnišnica Izola – Member of the Council of the Institute.

Bojan Brank, Member – suspended membership since 7 September 2012

Representative of capital: The Republic of Slovenia

Position: ABENA, d. o. o., Director

Four-year mandate commencing on 14 July 2009 (16th General Meeting of Shareholders)

Membership of other supervisory bodies: Slovenske železnice, d. o. o. – Chairman of the Supervisory Board (by 7 September 2012).

As of 7 September 2012, Bojan Brank's position as a Member of the Supervisory Board as well as the Chairman of the Human Resources Committee of the Supervisory Board was suspended due to having been appointed the Chairman of the Management Board of Luka Koper, d. d., in accordance with the provisions of Article 273. (§2) of the Companies Act (ZGD-1).

Marko Simoneti, **DSc**, Member

Representative of capital: The Republic of Slovenia

Position: University of Ljubljana, Faculty of Law, associate lecturer

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 27 June 2012.

Jordan Kocjančič, Member

Representative of capital: The Republic of Slovenia Funds

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

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), Member of the Council of Rižanski vodovod Koper, d. o. o.

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 28 July 2012 (20th General Meeting – informing of shareholders)

External member of the Supervisory Board's Audit Committee:

Blanka Vezjak, MSc, external member of the Supervisory Board's Audit Committee

Procurator of Vezjak svetovanje, d. o. o.

Appointed on 11 September 2009 (1st meeting of the Supervisory Board)

Membership in other supervisory bodies: Pozavarovalnica Sava, d. d., External Member of the Audit Committee of the Supervisory Board, SID Banka, d. d., External Member of the Audit Committee of the Supervisory Board, Raiffeisen Banka, d. d., External Member of the Audit Committee of the Supervisory Board, SID – Prva kreditna zavarovalnica, d. d., Ljubljana, External Member of the Audit Committee of the Supervisory Board, Iskra Avtoelektrika, d. d., External Member of the Audit Committee of the Supervisory Board (as of March 2012), Skupna pokojninska družba, d. d., Ljubljana, External Member of the Audit Committee of the Supervisory Board (as of November 2012).

6.4.2. Operation of the Supervisory Board

The operation of the Supervisory Board is governed by statutory regulations, 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. The Supervisory Board was informed of the content of the Code of Ethics of the Luka Koper Group, which was adopted by the Management Board of Luka Koper, d. d., in February 2012.

In 2012, the Members of the Supervisory Board held six regular sessions and three correspondence sessions. More details about the operation, resolutions and views of the Supervisory Board are included in the Report of the Supervisory Board for 2012.

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

Pursuant to Appendix C3 to the Corporate Governance Code of Public Limited Companies, the Members of the Supervisory Board and the external Member of the Supervisory Board's Audit Committee each signed at the end of January 2012 the 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.

Statements are available also at www.luka-kp.si/slo/za-vlagatelje.

6.4.4. Supervisory Board's Committees

The Supervisory Board includes three Committees: the Human Resource Committee, the Audit Committee and the Committee for Infrastructure, all of them performing specific tasks to help the Supervisory Board.

Until 7 September 2012, the Human Resource Committee was comprised of: Bojan Brank (Chairman), Marko Simoneti, DSc (Member) and Nebojša Topič, MSc (Member). Following the appointment of Bojan Brank as the Chairman of the Management Board, the tasks of the Human Resource Committee were assumed by the entire Supervisory Board. The HR Committee met on three occasions in 2013.

The Audit Committee was comprised of Jordan Kocjančič (Chairman), Mladen Jovičič (Member) and Blanka Vezjak, MSc (Member) . The Committee met on seven occasions.

The Committee of Infrastructure, which is comprised of Marko Simoneti, DSc (Chairman), Tomaž Može (Member), Nebojša Topič, MSc, (Member) and Sabina Mozetič, MOK (Member), met twice in 2012.

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 payment for carrying out their functions. The remuneration for the correspondence sessions and the amount of payments are determined by the General Meeting each year. Members of the Supervisory Board and of the Supervisory Board's Committees are also entitled for the reimbursement of travel costs and other costs for arrival and attendance at sessions. The amounts of received payments and reimbursements are reported in Note 32 of the Financial Report of Luka Koper, d. d., and their ownership of shares in the Chapter The LKPG Share.

6.5. THE MANAGEMENT BOARD OF THE COMPANY

In accordance with the Articles of Association, the Management Board directs the Company's operations and represents the Company. The method of work and of adopting decisions of the Management Board, and work area of individual Members of the Management Board are governed by 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. The Management Board works in accordance with the principles of the Code of Ethics of the Luka Koper Group and the Corporate Governance Code for Public Limited Companies.

From left: Bojan Brank, Marko Rems, Matjaž Stare

As at 31 December 2012, the Management Board of Luka Koper, d. d., consists of:

- **Bojan Brank**, born 1959

  Chairman of the Management Board

Bojan Brank graduated from the Ashridge Management College, London City University, obtaining a diploma in general management.
In the period between 1991 and 2009, he held the leading position at DHL International, DHL Ekspres Slovenija, following which he started his own business – the company Abena, d. o. o. In 2009, he was appointed a Member of the Supervisory Board of Luka Koper, d. d., and on 7 September 2012 he became the Chairman of the Management Board of Luka Koper, d. d. Pursuant to the Companies Act, a person can carry out the function of the Chairman of a Management Board for a maximum of one year since the date of appointment.

- **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**, born 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 2012, the Members of the Management Board held the following positions in the corporate governance bodies of non-related companies:

- Chairman of the Management Board Bojan Brank was a Member of the Supervisory Board of Slovenske železnice, d. o. o., by 7 September 2012,
- Chairman of the Management Board Bojan Brank was Director of the company Abena, d. o. o., in 2012,
- Member of the Management Board Marko Rems was a member of the Investment Committee of the company Poteza Adriatic Fund B. V. by 12 June 2012.

The presentation of the Members of the Management Board is also available on the Company website http://www.luka-kp.si/slo/o-podjetju/vodstvo-podjetja/uprava-druzbe.

The Management Board of Luka Koper, d. d., consists of Gregor Veselko, DSc, Chairman of the Management Board, Tomaž Martin Jamnik, Deputy Chairman of the Management Board, Marko Rems, Member of the Management Board and Matjaž Stare, Employee Director, managed the Company's activities in the begining of the year 2012. After Tomaž Martin Jamnik's resignation as at 1 June 2012, the Management Board consists of Gregor Veselko, DSc, Marko Rems, and Matjaž Stare, until 7 September 2012, when the Supervisory Board dismissed the Chairman of the Management Board Gregor Veselko, DSc, and appointed Bojan Brank as acting Chairman of the Management Board of Luka Koper, d. d.

6.5.1. Operation of the Management Board

The Management Board autonomously directs the operations of the Company in its best interests, 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
- Investments, techniques and procurement
- General protection and marine protection
- Profit centres
- Operations and sales
- Marketing
- Coordination of operations, and
- Internal railway transport.

Tasks of the Member of the Management Board for Finance:

- Finance and accounting
- Control
- Development of computer-assisted business processes
- Quality
- Cost supervision
- Electronics, and
- R&D.

Tasks of the Member of the Management Board – Employee Director:

- To represent employee interests regarding HR and social issues of employees 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).

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 fixed-term management employment contracts concluded with Members of the Management and in the management contract for the Chairman of the Management Board Bojan Brank. The contracts are concluded among individual Members of the Management Board and the Supervisory Board, which also determines reimbursements and perks. The amounts of payments, reimbursements and benefits are reported in Note no. 32 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 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 statement of no conflict of interest in January 2013; 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.

The statements are available also at www.luka-kp.si/slo/za-vlagatelje.

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

As regards the management and the dividend policy, investments are classified into four groups:

- **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.
- **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 Luka Koper, d. d., and the Luka Koper 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 various types of disinvestment.

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 and research cycles.

Management and governance of subsidiaries of the Luka Koper Group as of 31 December 2012

Company	Director	Equity stake of the parent company (in %)
Luka Koper INPO, d. o. o.	Mirko Pavšič	100.00
Adria Terminali, d. o. o.	Dimitrij Pucer	100.00
Luka Koper Pristan, d. o. o.	Darko Grgič	100.00
TOC, d. o. o.	Ankica Budan Hadžalić	68.13

6.7. INTERNAL AUDIT

Internal audit of the Luka Koper Group is performed by the Internal Audit Department on the basis of the fundamental internal audit document of the Luka Koper Group. The Internal Audit is now an independent organizational part, which remains directly responsible to the Chairman of the Management Board of the company, although it is functionally and organizationally independent from others, which has a positive effect on the assurance of autonomy and organizational independence of operation.

In accordance with the definition of internal audit, the priority areas of internal audit's work are the assessment of management procedures and of risk management in a broad sense, in a prudent and methodical way. 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 to improve risk management and 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 plans.

In 2012, the Internal Audit carried out internal audit activities and other activities in accordance with the annual plan of internal audit’s work for 2012, although the planned audits were not fully realised. Six internal audits were carried out. In addition to the planned and unplanned audits, the activities were focused on post-audit activities, which were intended to check the effects of the implemented measures for improved management of risks found in the internal audit. Within the internal audit advisory operations, help was offered particularly in the development in the internal control system and risk management.

Internal audit reported about each performed task to the Management Board and collectively about the performed tasks, the suitability of internal controls and the implementation of internal audit recommendations to the management Board and the Audit Committee of the Supervisory Board every quarter of year. It reports to the Supervisory Board on an annual basis.

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 Supervisory Board promotes and oversees the compliance of operations and reporting on risk management and the internal control system, and the Management Board introduces changes of and maintains the internal control system. 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 and with applicable laws and other regulations.

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, and
- 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 20th regular session held on 9 July 2012, 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 managing 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 fourth successive year.

The costs incurred for auditing Luka Koper, d. d. and its subsidiaries are presented in Note 4 of the Consolidated Financial Report.

7. EVENTS IN 2012

JANUARY

- Luka Koper signed a contract on the acquisition of three RTG cranes with the Finnish company Konecranes. The cranes will be delivered in a period of six months.
- 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 vessel operating this service sailed to Koper in mid-January 2012. The aforementioned shipping companies will continue to serve Koper via feeder line services.

FEBRUARY

- The Luka Koper Group published its non-audited, non-consolidated financial statements for 2011.
- Together with other members of North Adriatic Ports Association (NAPA), Luka Koper presented its operations at Mumbai fair in India.
- The company received certification on ecological production/processing of crops, certifying that the cargo keeps the features of ecological production through all the stages of handling and storage.
- A strong and long-lasting north wind impeded port operations. The unfavourable weather conditions also stopped the maritime throughput for a few days.
- During his visit to Luka Koper, Mr Brian Simpson, President of the European Parliament Transport and Tourism Committee, was presented with an overview of the company's operations and the need for improved rail links, including the Port of Koper’s inclusion within Europe’s Baltic-Adriatic transport corridor.

MARCH

- We presented Koper’s Passenger Terminal to delegates at the largest cruise fair in the world, Seatrade Cruise Shipping in Miami, Florida.
- Luka Koper’s Living With The Port Fund, which aims to foster and finance community-oriented initiatives, received 271 applications. We financially supported 93 projects the fields of sport, culture, education, ecology and humanitarian activity, to a total amount of €91,400.
- In conjunction with Port Klang in Malaysia, Luka Koper organised business conferences in Budapest and Vienna.
- We joined a Slovenian delegation in Turkey and met Turkish business leaders in Manisa, Izmir and Istanbul.

APRIL

- At its meeting held on 20th April 2012, the Supervisory Board accepted the resignation of the Deputy Chairman of the Management Board Tomaž Martin Jamnik, who shall continue to perform his function until 31st May 2012.
- At the same session, the Supervisory Board also endorsed the 2011 Annual Report.

- Based on resolutions adopted by the Koper Municipal Council, the Municipality of Koper requested the provision of compensation for the pollution suffered by the inhabitants of Koper city centre, Žusterna, Za Gradom, Semedela, Olmo-Prisoje and Ankaran, as well as that Luka Koper d.d. draw up a strategy to cease its bulk cargo (icoal, iron ore, etc.) handling operations within three years.
- The Taiwanese shipping company Evergreen Marine established a direct container service between the Far East and the Adriatic, which also includes the Port of Koper.
- The 318 m long, 43 m wide Maersk Karlskrona with a capacity of 7,908 TEUs becomes the largest ever container vessel to berth at the Port of Koper.
- Luka Koper met with Slovak economists as part of a Slovenian commercial delegation accompanying a state visit to Slovakia by President Danilo Türk.
- On 16th April 2012, Luka Koper d.d. received a decision by the Securities Market Agency RS on the suspension of the exercise of its voting rights in Krka Tovarna Zdravil d.d., Šmarješka Cesta 6, Novo Mesto, Slovenia. The suspension of such rights shall apply until the following companies
    - Slovenska odškodninska družba, d. d., Mala ulica 5, Ljubljana,
    - Kapitalska družba pokojninskega in invalidskega zavarovanja, d. d., Dunajska cesta 119, Ljubljana,
    - Luka Koper, pristaniški in logistični sistem, d. d., Vojkovo nabrežje 38, Koper,
    - Zavarovalnica Triglav, d. d., Miklošičeva cesta 19, Ljubljana,
    - KBM Fineko, družba za finančne storitve, trženje in svetovanje, d. o. o. – Skupina Nove KBM Maribor, Ulica Vita Kraigherja 5, Maribor,
    - Aerodrom Ljubljana, d. d., Zgornji Brnik 130A, Brnik,

  together, or one of them on behalf and account of all of them, or several of them on behalf and account of all of them, makes a formal takeover bid for Krka Tovarna Zdravil d.d., Šmarješka Cesta 6, Novo Mesto, Slovenia, in accordance with the provisions of the Takeovers Act RS, or until said companies dispose of Krka (KRKG) shares so that together, one or more of them does not maintain a holding in Krka Tovarna Zdravil d.d. which surpasses the prescribed takeover threshold. Luka Koper d.d. shall closely examine the decision by the Securities Market Agency RS and do everything in its power to protect the company's interests.
- Ship-owner Hapag Lloyd includes the Port of Koper in a new container service linking the Egyptian ports of Damietta and Port Said with the Adriatic.
- At the end of April, the companies Luka Koper d.d., INPO d.o.o. and Adria Terminali d.o.o. were subject to external re-audits of their ISO 9001:2008 Quality Management and ISO 14001 Environmental Protection Management (including EMAS) systems; Luka Koper d.d. was additionally subject to a regular surveillance audit of its food safety (ISO 22000:2005) and occupational health and safety (BS OHSAS 18001:2007) standards.
- The arrival of Seabourn Odyssey in Koper launched this year's Passenger Terminal season.
- As a part of the commercial delegation under the Ministry of Economic Development and Technology and the Public Agency of RS for Entrepreneurship and Foreign

Investments, Luka Koper met with various Moroccan companies engaged in the field of maritime trade and logistics.

- Luka Koper presented its operations and development plans to analysts, investors and journalists at the Slovene Capital Markets Day organised by Ljubljana Stock Exchange.

MAY

- At its 14th May meeting, upon the proposal of Supervisory Board employee representatives, the Supervisory Board addressed a motion of confidence in the Management Board. The Supervisory Board acknowledged the achievements of the Management Board in its increasing the volume of operations as well as financial consolidation of the company during an extremely difficult economic and financial situation over the past three years. In addition, the Supervisory Board established that the main obstacle to the efficiency of Management Board operations has been a lack of teamwork and internal disagreements between its members, which have increased over time and exerted a negative impact on relations within the company as well as with the local community. The Supervisory Board accordingly proposed that the General Meeting should adopt a resolution as to the amendment of the company's Statute in order that it could be managed by a single Member of the Management Board; by way of this measure, the company could improve performance in the future, as well as better face the important challenges in relation to investments, financing and expansion of port facilities over the coming years.
- Upon its 55th anniversary, Luka Koper organised a round table discussion on the future of the Slovene maritime industry as well as an exhibition of paintings by Jurij Kobe.
- Luka Koper, d. d., employees elected their representatives in the Workers Council.
- Model employees were given awards and acknowledgements for their work in 2011.
- Within the context of its Tokyo and Osaka Port Day presentations, Luka Koper’s Japanese business partners were provided an overview of the company’s operations.
- Celebrity Silhouette, the largest cruise vessel ever to visit Koper, berthed at the Passenger Terminal.
- Luka Koper published a call for non-binding tenders for the acquisition of its shareholding in the company Aerodrom Portorož.
- Luka Koper acquired an environmental permit in relation to air-borne emissions in the port zone.
- Koper Municipality councillors were invited to tour the port and were provided presentations of the measures being implemented in order to reduce the impacts of cargo handling operations on the local community.

JUNE

- Luka Koper, d. d., presented its operations to Serbian business partners in Belgrade.
- The Annual General Meeting of Shareholders of Luka Koper d.d. was called for 9 July 2012.

- Together with other members of NAPA (North Adriatic Ports Association), Luka Koper presented the Adriatic route to Europe at the TLC fair in Shanghai, China.
- Upon the invitation of the International Institute for Middle East and Balkan Studies (IFIMES), Luka Koper visited Kuwait as part of a Slovenian commercial delegation.
- Luka Koper participated in a commercial delegation to Brazil organised by Slovenia's Ministry of Economic Development and Technology in collaboration with the national Chamber of Commerce and Industry and the Ministry of Foreign Affairs. The delegation met with various companies in the field of logistics.

JULY

- At the 20th Annual General Meeting of Luka Koper d.d., held on 9 July 2012, shareholders:
    - were presented the 2011 Annual Report of Luka Koper Group and Luka Koper, d. d.
    - were introduced to the fact that there was no distributable profit for 2011, and that the company generated a net loss in the amount of €1,849,205.32 over the accounting period; the loss was covered through the release of other revenue reserves.
    - refused to endorse the work of Management and Supervisory Boards for 2011.
    - appointed the auditors Ernst & Young, Revizija, poslovno svetovanje, d.o.o., Dunajska Cesta 111, Ljubljana, Slovenia, as external auditor of Luka Koper d.d. and the Luka Koper Group for 2012,
    - rejected the resolution on the proposed amendment of the Luka Koper d.d. Statute mandating the running of the company by a one-member Management Board.
    - adopted a resolution on the amount of remuneration for the performance of function and attendance fees for members of the Supervisory Board as well as Supervisory Board's Committees for the following twelve months.
    - rejected the resolution that the General Meeting authorise the Company to acquire and dispose of treasury stock.
    - rejected the resolution on the recall of the following Luka Koper d.d. Supervisory Board members: Janez Požar, DSc, Marko Simoneti, DSc, Bojan Brank and Jordan Kocjančič.
    - were introduced to the resolution adopted by Luka Koper d.d. Worker's Council on the re-election of Mr Nebojša Topič as of 21 July 2012 as an employee representative on the Luka Koper d.d. Supervisory Board for a period of four years, commencing 28 July 2012.
- On 1 July 2012, the Chairman of the Management Board of Luka Koper, d. d., Gregor Veselko, DSc assumed the rotating presidency of the North Adriatic Ports Association (NAPA). Compliant with the Association's statute, the managing directors of port members alternately assume the presidency for a six month period.

- A new buoy will measure the quality of seawater in the port zone. The basin measurement will be published online on the portal www.zivetispristaniscem.si.

SEPTEMBER

- On 7 September 2012, the Supervisory Board dismissed the Chairman of the Luka Koper, d. d., Management Board Gregor Veselko, DSc for no-fault reasons. In accordance with Article 273 (§2) of the Companies Act of RS, the Supervisory Board provisionally – until the appointment of a new Management Board President through a public selection procedure – appointed the Member of the Supervisory Board Bojan Brank as acting Chairman of the Management Board for a period of up to two months. Mr Brank's status as a Member of the Supervisory Board, together with his chairmanship of the Supervisory Board's Human Resource Committee, were suspended as of 7 September 2012. The tasks of the Human Resource Committee during this period are to be performed by the entire Supervisory Board, which also immediately initiates activities for the preparation of a selection procedure for a new Chairman of the Management Board.
- On 12 September 2012, in order to further enhance communication with investors, the Management Board of Luka Koper, d. d., presented financial analysts and investors an overview of the company's performance and its future plans. This traditional autumn meeting was attended by analysts from Slovene and Croatian brokerage firms and banks, who were also addressed by the new Chairman of the Management Board Bojan Brank.
- The Luka Koper INPO, d. o. o., subsidiary commenced dredging works to deepen the basin I navigation channel at the Port of Koper.
- A new container storage area was arranged within the Koper Container Terminal.
- Luka Koper launched its new Tideworks container terminal management information system.
- The Port Day, when the Port of Koper is open for tours by the general public, was organised for the sixth consecutive year.
- The first train on a new regular rail service departed Koper for the Slawkow terminal.
- Luka Koper, d. d.,'s 55th anniversary was celebrated with local and foreign business partners.
- A presentation of the Port of Koper in Düsseldorf provided insight to Japanese companies looking for business opportunities in Slovenia.

OCTOBER

- At its session of 8 October 2012, the Supervisory Board revoked the resolution on the appointment of Rado Antolovič for the company's Chairman of the Management Board (the resolution had been adopted at the 28 September 2012 session) because the candidate withdrew his consent to the appointment. The Supervisory Board concluded the public call for the appointment of the Chairman of the Management Board without selecting any other candidate. Consequently, the current Chairman of the Management Board Bojan Brank shall continue to head-up the company for a maximum of one year from the date of his appointment, compliant with the provisions of the Companies Act (ZGD-1).

- Luka Koper acquired a new regular service to Libya provided by a RO-RO vessel capable of transporting various types of cargo (container throughput, as well as RO-RO and general cargoes).
- The associated enterprise Adria Transport d. o. o. acquired a new diesel locomotive.
- Luka Koper, d. d., presented its operations and plans to business partners in Krakow, Poland.
- Luka Koper participated at the 2012 India Maritime fair and conference.

NOVEMBER

- Luka Koper, d. d., acquired a new regular RO-RO service to West Africa.
- Together with its Adria Transport subsidiary, Luka Koper, d. d., signed a collaboration agreement with the Cargo Center Graz logistics terminal in Austria.
- Luka Koper, d. d., acquired new container storage area for full containers.
- Together with the Municipality of Koper, the Company organised a conference on the development of passenger services at the Port of Koper.

DECEMBER

- At a round table discussion, business and the broader public were presented with the findings of a study vindicating the construction of a new railway line between Koper and Divača, and that such is of national strategic importance as well as essential for the further development of the Port of Koper.
- The Capital Assets Management Agency of the Republic of Slovenia submitted a request calling for a General Meeting of Shareholders of Luka Koper d.d.
- The European Parliament's Committee for Transport and Tourism as well as the Committee for Industry, Research and Energy voted for the amendments that include the Port of Koper in the Baltic-Adriatic transport corridor, which is one of Europe's important TEN-T corridors.

8. SIGNIFICANT EVENTS AFTER THE BALANCE SHEET

JANUARY 2013

- As of 17 January 2013, the Management Board of Luka Koper d.d. received a communication from the Slovenska Odškodninska Družba (SOD) proposing that the call for a General Meeting be postponed until all the verification procedures in relation to Supervisory Board candidates are completed in accordance with the provisions of the Corporate Governance Code.

FEBRUARY 2013

- On 6 February 2013, the Management Board of Luka Koper, d. d., received an appeal from Slovenska Odškodninska Družba (SDO) to call for a General Meeting of Shareholders within 60 days in the manner requested by the shareholder, i.e. the Republic of Slovenia, on 20 December 2012.
- On the basis of the provisions of Article 3 (§10) of the Articles of Association of Luka Koper, d. d., the Management Board called and scheduled the 21st General Meeting of Shareholders of Luka Koper, d. d., for 5 April 2013 as required by the Republic of Slovenia, who is the owner of 7,140,000 shares of Luka Koper, d. d., (hereinafter: Company), which account for 51% of the share capital of the Company, which is on the basis of Article 295 of the Companies Act (ZGD-1) represented by the Capital Assets Management Agency of the Republic of Slovenia (AUKN), in the time of acceptance of the call for the convening of the General Meeting.

9. FEATURES OF THE ECONOMIC ENVIRONMENT

In the last quarter of 2011, international institutions further decreased the forecasts of the economic growth in 2012 for our main trading partners. In 2011, the ECB thus decreased the forecast of economic growth in the eurozone to between –0.4 and 1.0 percent, whereas its forecast from September 2011 was between 0.4 and 2.2 percent. The reasons for such a change were worsened financing conditions, which is mainly a consequence of insecurity on financial markets due to the debt crisis, and lower expectations of the Slovenian and foreign demand. 2012 forecasts of economic growth in the urozone provided by Consensus forecasts also decreased, from 1.5 percent in August 2011 to –0.1 percent in December 2011.

For the first half of 2012, institutions expected stagnation or a fall in the economic activity in eurozone countries, while their forecast for the second half of 2012 was gradual improvement of the economic activity; however, the forecasts proved unrealistic. After a half-year's expected stagnation, the economic activity in the eurozone further decreased at the start of the last quarter of the year, keeping the expectations regarding the recovery at a low level.

The available short-term economic activity indicators from the last quarter of 2012 confirm the expectations about the continuation of the harsh situation in the international environment also in 2013. A majority of international institutions believe that the economic activity in the eurozone will stabilize in the first half of 2013, possibly leading to gradual recovery in the second half of 2013. In December 2012, the ECB lowered its 2013 economic growth forecast in the eurozone down to the interval between –0.9 and 0.3 percent (its September forecast was between –0.4 and 1.4 percent); it expects growth in the second half of 2013.[4]

GROWTH OF CONTAINER THROUGHPUT

Along with decreased economic growth, the import of container goods to Europe recorded a minimal growth in 2012 compared to the year before. The small growth of overseas import was primarily a result of decreased domestic production and consequently lower import of industrial goods and raw materials. Last year, the import of European goods in containers recorded a slight increase. At the global level, the growth of ship capacities continued also in 2012, and as a result ship fares remained low. The 2012 container throughput growth achieved half of the plan, totalling less than 5 percent.[5]

GROWTH IN THE GLOBAL AUTOMOTIVE MARKET

According to ACEA[6] – European Automobile Manufacturers Association, the sales of new cars on the European market dropped by 8% in 2012 as compared with 2011, in Greece even by

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[4] Ekonomsko ogledalo, December 2011. UMAR.
Zimska napoved gospodarskih gibanj 2011/2012 in januar 2012. UMAR.
Ekonomsko ogledalo, December 2012. UMAR.

5 Damas, P., 2012. Container Shipping Market Outlook, Freight Rates and Index-linked Contracts. Drewry Supply Chain Advisors. URL: www.tradeextensions.com/resources/multimodal/2012/drewry_multimodal_2012.pdf (quoted 22. 2. 2013).

[6] New Passenger Car Registrations in European Union, 2013. ACEA.
URL: http://www.acea.be/images/uploads/files/20130116_PRPC-FINAL-1212.pdf (quoted 4. 2. 2013).

40%. The highest growth among car brands on the European market was recorded by KIA with 14%, while GM experienced the highest drop in sales with 38%, followed by Renault with 23%, PSA with 13%, and FIAT with 16%. Car manufacturers made up for the drop in sales on the European market with exports to Asian and North African countries, which has also affected the results of the Luka Koper Group.
To the contrary of the decreased turnover recorded by comparable ports and the European market, the Luka Koper Group managed to increase the maritime throughput of cars by 7% compared to 2011. Import of cars dropped by 13%, while export increased by 29%, mainly due to exports to North African countries and Turkey.

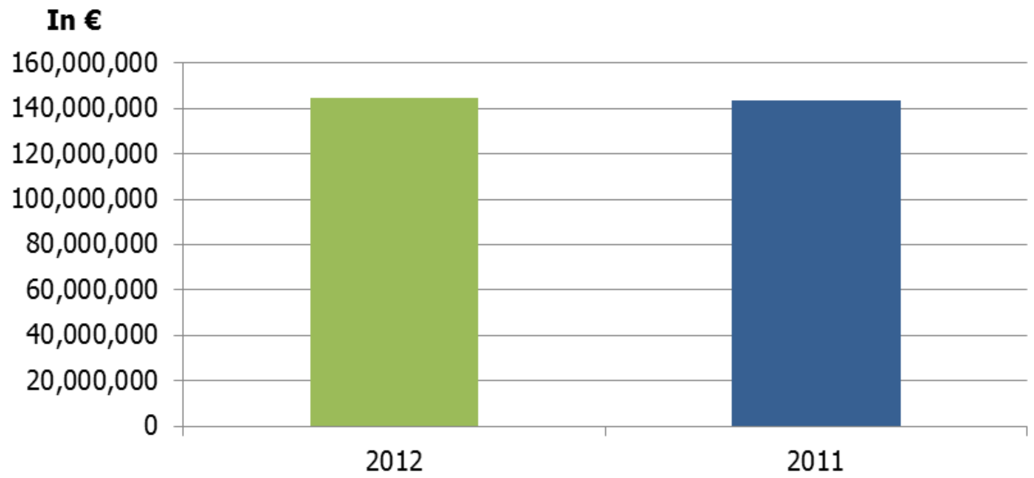
10. PERFORMANCE ANALYSIS IN 2012

In light of the economic situation on relevant markets, the Luka Koper Group ended the 2012 business year successfully. Its total maritime throughput was five percent ahead of the same period last year, amounting to record 17.9m tonnes. The generated operating revenue was higher than the year before, but due to a higher growth of operating expenses than the growth of operating revenue, the operating profit was 14% below the expectations. The net operating result for 2012 is €10m ahead of that in 2011, due to €14.2m lower financial expenses than in 2011. In Luka Koper, d. d., generated 92.4% of the total operating revenue of the Luka Koper Group.

10.1. OPERATING REVENUE

In 2012, the Luka Koper Group generated operating revenue in the amount of €144.4m, which is a 1% (€0.7m) increase on 2011 performance and 4% (€5.5m) down on the anticipated volume.

Operating revenue of the Luka Koper Group



In 2012, Luka Koper, d. d., generated €133.4m of operating revenue, which is 1% less than in 2011. The generated revenue of the managing company accounts for 92.4% in the structure of the Luka Koper Group's operating revenue.

Luka Koper INPO, d. o. o., which is engaged in the maritime, utility, support and maintenance services, generated €12.1m of operating revenue, which is 7% more than in 2011.

Luka Koper Pristan, d. o. o., which is engaged in hotel and catering services, recorded €1.1m of operating revenues in 2012, representing a 2% drop compared to the year before. Lower operating revenue is a result of fewer overnight stays and lower revenue from catering services.

The company Adria Terminali, d. o. o., which manages the land logistics centre in Sežana, realised €1.4m of operating revenue in 2012, falling 21% behind the result of 2011.

The company TOC, d. o. o., which does research in the areas of ecology, engineering and technology, made €356 thousand in 2012, exceeding the 2011 result by 18%.

Operating revenue by cargo groups

In 2012, the operating revenue of the Luka Koper Group exceeded that of 2011 by 1%. The largest increase in operating revenue, compared to 2011, was realised in relation to vehicles throughput, the amount of operating revenue generated from containers stayed at the same level, as well as other operating revenue, while the revenue from general, liquid and dry bulk cargoes decreased. As compared with 2011, the Group recorded a growth in the quantities of throughput of all cargo groups except containers. A detailed overview of quantities of throughput by individual cargo groups is presented in chapter Marketing: Cargo groups and Markets.

Operating revenue by cargo groups

(In €)	2012	2011	Index 2012/2011
General cargoes	31,300,116	31,572,579	99
Containers	32,485,358	32,356,896	100
Vehicles	16,178,114	14,062,430	115
Liquid cargoes	7,046,889	7,201,491	98
Dry bulk cargoes	33,551,648	34,647,247	97
Other	23,797,694	23,792,583	100
TOTAL	**144,359,819**	**143,633,226**	**101**

As compared with 2011, the operating revenue from general cargoes recorded a decline of €0.3m (1%), which can be attributed to a faster turnover of cargo and consequently lower revenue from storage charges.

Despite a 1% decline in container throughput (a 3% decrease in transhipped TEU), the Luka Koper Group managed to maintain the volume of operating revenue at the 2011 level.

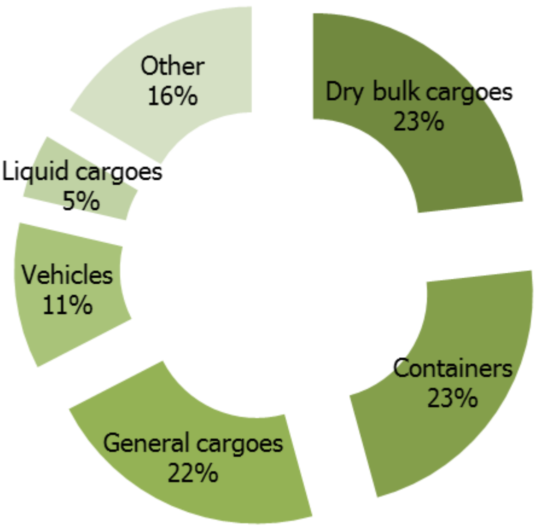
The largest increase in operating revenue compared to the year 2011 was recorded in vehicle throughput, i.e. 15% (€2.1m). The growth of operating revenue is a result of an increase in exports to North African countries and Turkey, as well as a rise in revenue from storage charges.

In 2012, revenue from liquid cargoes recorded a decline of €0.2m (2%) compared to 2011. Although maritime throughput increased in 2012, this was not reflected in revenue due to the conclusion of fixed price contracts.

Operating revenue generated from dry bulk cargoes stood at €33.6m in 2012, which was 3% (€1.1m) below the 2011 level, due to a faster turnover of cargo and consequently lower revenue from storage charges. The higher growth of maritime throughput than the growth of revenue is a result of increased transhipment of bulk cargo (coal, iron ore, etc.).

Other operating revenue in 2011 stood at €23.8m, at the same level as in 2011, but its structure changed. In 2012, an increase was recorded in particular due to revenue from dredging the navigation channel to the port, which is being executed by the subsidiary enterprise Luka Koper INPO, d. o. o., but said increase was neutralised by allocation of port dues income to long-term accruals for the cost of regular maintenance of port infrastructure in the following years according to the Article 9.3 of the Concession Agreement.

Structure of operating revenue by cargo groups in 2012



10.2. OPERATING EXPENSES

In 2012, the Luka Koper Group generated 126.2 million euros in operating expenses, which is a year-on increase of four percent (€4.4m) and 1% below the plan. The increase in operating expenses can mainly be attributed to value write-offs, including amortisation of plant and equipment in the amount of €2m. The value write-downs, which in addition to operating expense revaluation also include amortisation, thus rose by €2.4m (9%). Their share in operating expenses increased by 1.5 percentage point and equals 20.9%.

The share of operating expenses in operating revenue stands at 87.4%, increasing by 2.7 percentage points compared to 2011. In the 2012 structure of operating expenses, the prevailing were operating expenses, accounting for 32% of the total operating expenses. The share of the cost of services and material increased, the former by 1.2 percentage points, and the latter by 1 percentage point.

Cost of material

Cost of material stood at €12m in 2012, increasing by €1.5m (14%) compared to 2011. The increase is mainly due to the cost of consumable material used in service provision in the amount of €0.7m, maintenance material in the amount of €0.5m, and the cost of energy by €0.3m.

Cost of services

In 2012, the cost of services grew by 5%, amounting to €40.9m. Port service provision costs in the amount of €17.8m rose by 5% (€0.8m). This can be attributed to the upturn in cargo throughput and higher unit cost per service rendered. Maintenance costs amounting to €6.8m recorded a year-on increase of 8% (€0.5m).
Cost of other services increased by 4% (€420 thousand) in 2012, with the major among them being concession cost, totalling €4.5m – equal to the 2011 level.

Labour cost

Labour cost stood at €37.5m, which is €0.4m less than in 2011. The share of labour cost in operating revenue dropped by 0.4 percentage points, amounting to 26% in 2012. The number of employees as at 31 December 2012 decreased by 2 percent (21 employees) compared to the situation on 31 December 2011. Details about the number and structure of employees are presented under HR Management.
The year-on fall in labour costs can also be attributed to a 40 percent reduction in the 13th salary, lower labour costs related to work efficiency and the back payment of the wage escalator in 2011 in Luka Koper d.d. Despite the salary escalation in accordance with the collective agreement, higher average monthly number of employees and change of employee structure on workers positions, the labour cost was 1 percentage point down compared to 2011.

Write downs

In 2012, write downs were up 9% compared to the year before, amounting to €30.1m. Amortisation and depreciation increased by 3%, reaching €28m and revaluation operating costs of current assets increased by €2m.

Other operating expenses

Other operating expenses in the amount of €5.7m were 14% (€0.9m) down on the previous year. In 2012, the Luka Koper Group eliminated formed provisions in the amount of €0.5m for law suits from previous years which contributed to the decline of other operating expenses.

10.3. OPERATING RESULT

In 2012, the Luka Koper Group generated operating profit in the amount of €19.2m, which is a decrease of €3.2m (14%) compared to 2011. The downturn in operating profit can be attributed to an operating expense revaluation, as well as rises in the costs of port service provision, maintenance and auxiliary materials. Operating profit was €4.2m (18%) short of the planned volume. EBITDA of €47.2m is also lower than in 2011, by 5% (€2.5m) and amounts to €47.2m. EBITDA is 9% (€4.8m) behind the plan.

10.4. FINANCIAL REVENUE AND FINANCIAL EXPENSES

In 2012, Luka Koper Group generated €2.1m in financial revenues, which is a year-on increase of 25%, and is mainly due to an upturn in financial revenue from loans granted.
Financial expenses of the Luka Koper Group in the amount of €8.2m are 63% down on the previous year. In 2012, the financial expenses from impairment and write-offs of financial investments amounted to €2.2m, of which the impairment of the holding in Intereuropa d.d. accounts for €0.9m, whilst the impairment in NLB d.d. shares accounts for €0.5m, and a further €0.5m of write-downs are attributable to the impairment of other financial investments. In 2011, financial expenses from impairment and write-offs of financial investments stood at €14.2m, of which the Intereuropa d.d. investment accounted for €13.9. Impairments are presented in Note 9 of the Consolidated Financial report, and in Note 9 of the Financial Report.

As compared with 2011, financial expenses from financial liabilities decreased by 25% (€2m). This was due to decreased debt, a lower average EURIBOR interbank interest rate, as well as a smaller average interest margin resulting from credit refinancing during 2011. In 2012, financial expenses from financial liabilities stood at €6m.

10.5. PRE-TAX PROFIT AND NET PROFIT

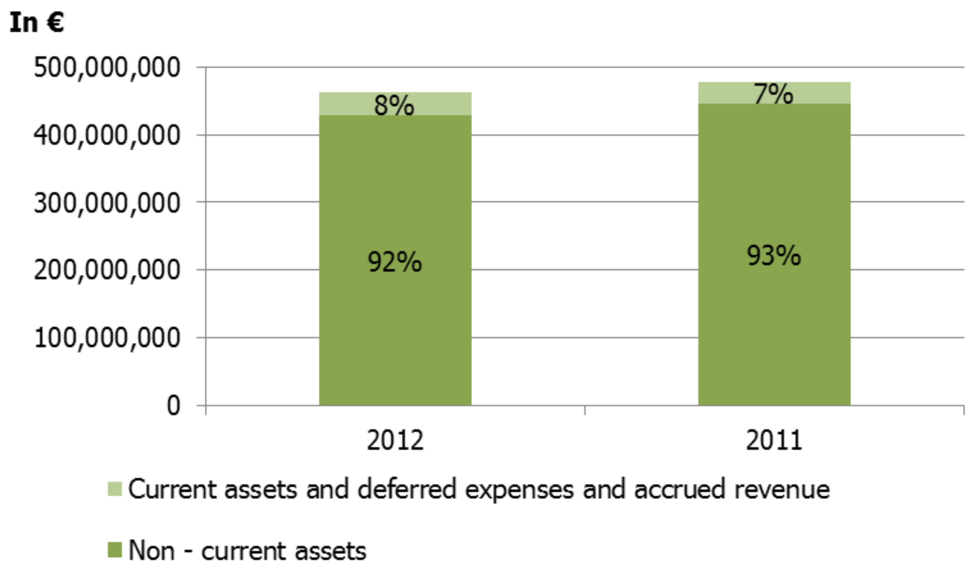
Pre-tax of the Luka Koper Group in 2012 amounted to €13.1m, and the net operating result stood at €10.5m. The net operating result of the Luka Koper Group in 2012 exceeds the 2011 result by €10.1m, but it is €3.1m behind the plan.

The net operating result of Luka Koper, d. d., was €7.5m in 2012, while the company ended 2011 with a loss of €1.8m. The 2012 operating result of Luka Koper, d. d., was affected by the impairment of financial investment in the subsidiary Adria Terminali, d. o. o., in the amount of €1m, which has no effect on the operating result of the Luka Koper Group.

10.6. ASSETS AND LIABILITIES

As at 31 December 2012, the balance sheet total of the Luka Koper Group totalled €463.4m, which is 3% (€14.9m) below the result fromon 31 December 2011.
Non-current assets account for a majority of total assets, i.e. 92%. Compared to the balance on 31 December 2011 these assets dropped by €17.7m.

Structure of assets of the Luka Koper Group



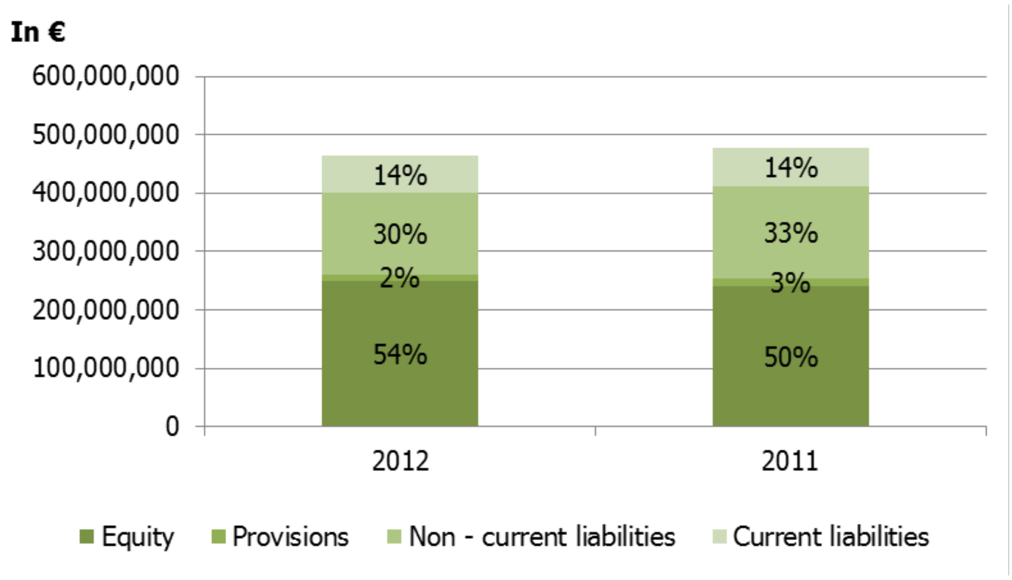
The largest decrease was recorded in property, plant and equipment due to the depreciation of assets and impairment in the amount of €2m. Non-current financial investments decreased in the total amount of €2.4m; these include decrease in revaluation surplus due to the fall in the share price of Krka, d. d., in the amount of €1.2m, and other impairments of investments through financial expenses, among which are also investments in the shares of NLB, d. d., in the amount of €0.5m. The decline in long-term investments and consequent increase in current investments is the consequence of the accounting recognition of a long-term €2.9m bank deposit as short-term. Compared to 31 December 2011, current assets and deferred expenses and accrued revenue rose by 9% (€2.8m), amounting to €35.1m. Current assets also include investment in the shares of Intereuropa, d. d., in the amount of €2m, which was in 2012 written down by €0.9m.

As of 31 December 2012, Group's assets amount to €249.3m, accounting to 54% of the balance sheet total.

Non-current liabilities and provisions together with accrued costs and deferred revenues in the amount of €150.4m account for 32% of total equity and liabilities.

The Luka Koper Group further implements the strategy of enhancing financial strength. As of 31 December 2012, financial liabilities account for 74% of total capital, which is a twelve percentage point decrease on 31 December 2011. Financial liabilities recorded a decline of €22m during 2012, amounting to €183.8m as of 31 December 2012. Details about financial liabilities of the Luka Koper Group are presented under Financial Management and Notes 27 and 29 in the Consolidated Financial Report.

Structure of liabilities of the Luka Koper Group



10.7. CASH FLOW

Cash flow structure of the Luka Koper Group

(In €)	2012	2011
Cash flow from operating activities	45,828,425	49,453,131
Cash flow from investment activities	-16,104,908	–20,228,967
Cash flow from financing activities	-29,153,442	–28,866,723
Cash flow for the period	**570,075**	**357,441**

In 2012, the Luka Koper Group generated a positive cash flow from operations in the amount of €45.8m, which is €3.6m less than in 2011. 2012 EBITDA was €1.8m down compared to 2011, and changes in net current assets and provisions affected the decrease in the cash flow from operating activities in 2012 by €1.8m more than in 2011.

In 2012, the Luka Koper Group generated negative cash flow from investment activities in the amount of €16.1m. Group's investment expenses in 2012 totalled €19.1m, dropping by €5.6m compared to 2011. The Group intended €18.6m for investment in intangible assets, property, plant and equipment, which is €1.2m less than in the previous year. Expenses for the acquisition of financial investments and increase in loans were €4.4m lower in 2012 as compared with 2011. 2012 investment receipts dropped by €1.4m as compared with 2011, and accounted for €3m.

In 2012, the Luka Koper Group generated a negative cash flow from investment activities in the amount of €29.2m. The Group intended €23.1m for the repayment of loans, which is €2.3m more than in 2011. €6m were intended for the payment of interest on loans, i.e. €2m less than in the previous year.

2012 financial result of the Luka Koper Group totalled €0.6m, while it was €0.4m in 2011. The Group manages its long-term 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 in the Consolidated Financial Report, Note 33).

11. MARKETING: CARGO GROUPS AND MARKETS

11.1. MARKETING STRATEGY

Customer relationship is the key to ensure a positive corporate performance. We can achieve success by optimising the supply chain, which decreases customers' expenses, and at the same time by ensuring reliable and high-quality services aimed at achieving mutual benefits.

At the Luka Koper Group we see the best marketing opportunities in the area of containers and cars, yet we strive toward increasing the throughput of all cargo groups and achieving maritime throughput of 21.4 million tonnes in 2015. The Group will try to increase the throughput on its traditional hinterland markets, such as Austria, Germany, Italy and Hungary, and on its newer European markets, such as Slovakia, the Czech Republic and other East European markets and partly also the Balkans.
It will be vital for the Luka Koper Group to adapt the existing capacities and acquire new ones in order to fully use the market opportunities. Every delay in the implementation of developmental projects can result in untimely adaptation to buyers' needs, which may end in a loss of competitive advantage.

In 2012, we stayed focused on increasing the recognisability of our Port in Central European and East European countries, as well as on promoting the Luka Koper Group as the entry point for goods on the way between the Near and Far East and the European market.

In 2012, we organised promotional events on our hinterland markets. Regular monitoring of customer's needs and active seeking of solutions and information via representative offices was enhanced with the organisation of the promotional Port Day in Poland aimed at obtaining new business transactions. In the last quarter of 2012 we managed to bring together for the first time all Slovenian partners as well as those from the hinterland markets of Austria, Slovakia, the Czech Republic and Hungary at our promotional Port Day. One of the important events was also the traditional pre-New Year meeting with the management of the Company and the most important clients from Austria, the Czech Republic and Hungary.

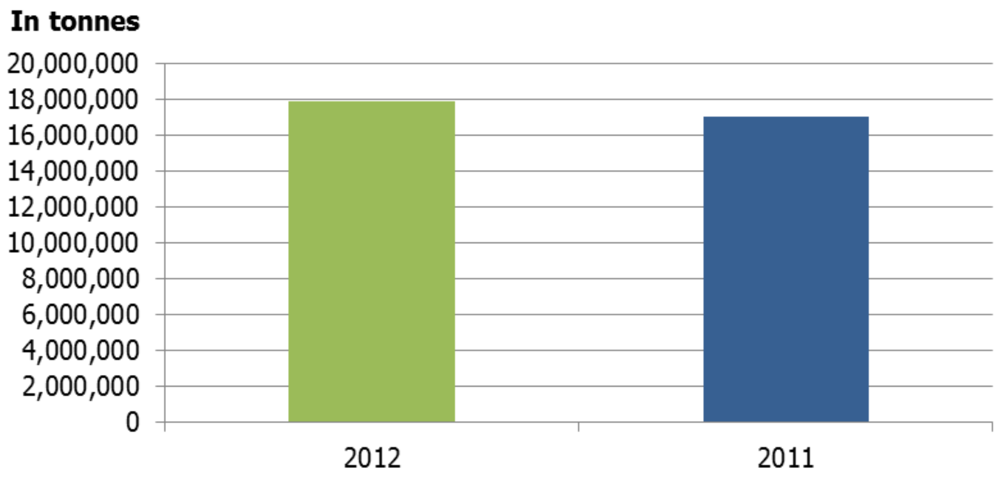
We participated at many logistic conferences, joined economic delegations, visited port days and attended meetings on important overseas markets in South Korea, Japan, Brazil, India, Dubai and China. In addition to improved results in throughput we were also positively surprised by the response to such proactive marketing activities, which was particularly expressed in Japan, where the organisation of port day and the presentation of the Port of Koper aroused great interest of important potential Japanese partners.

We paid special attention to markets with big potentials and an enviable economic growth, such as Turkey where we visited the most important logistics fair organised by München Messe Fair, with which we have cooperated at the traditional Transport Logistic fair in München for a number of years. We also joined the Slovenian economic delegation and visited North African countries, where the political situation has stabilised, which has shown in increased throughput of timber for this area.

11.2. MARITIME THROUGHPUT

Despite harsh economic conditions within hinterland markets, the Luka Koper Group managed to accomplish its plans as well as surpass last year's record total cargo throughput. The total cargo throughput amounted to 17.9 million tonnes, a five percent increase on the 2011 level. In 2012, cargo throughput increased in relation to all cargo groups with the exception of container throughput, where a slight fall of 1% was observed. The second most important cargo group – vehicles – recorded an increase in 5% on the Group level. The Passenger Terminal recorded 64,461 visitors, which was 41% down on the previous year. In 2012, the Luka Koper Group recorded growth in exports in the amount of 19%, with the highest increase in dry bulk cargoes. Imports by the Group dropped 1% compared to 2011.

Maritime throughput



11.3. MARITIME THROUGHPUT AT OTHER PORTS

Poor general economic situation, decreased consumption and smaller volume of investments in Europe have affected the maritime transport goods flows, as well as the negative trend in maritime throughput at almost all North Adriatic and other northern ports.

The direct competition of the Port of Koper is other ports of the North Adriatic area, although the Port of Koper is comparable also to two North European ports – Rotterdam and Hamburg.

Maritime throughput by ports

	2012	2011	Index 2012/2011
Venice	25,395,650	26,321,701	96
Ravenna	21,460,479	23,343,617	92
Rijeka	8,050,000	9,390,380	86
Koper	**17,880,697**	**17,051,314**	**105**
Rotterdam	441,527,000	434,550,000	102
Hamburg	130,900,000	132,200,000	99

Maritime container throughput in TEU per port

	2012	2011	Index 2012/2011
Venice	429,893	458,363	94
Trieste	411,247	393,195	105
Ravenna	208,152	215,336	97
Rijeka	129,680	150,667	86
Koper	**570,744**	**589,314**	**97**
Rotterdam	11,865,916	11,880,000	100
Hamburg	8,850,600	9,000,000	98

Venice and Ravenna ended 2012 with a drop in all cargo groups. The most important cargo groups at the Port of Ravenna are liquid and general cargoes, which recorded an 8% fall in 2012 compared to 2011. The container throughput also dropped, by 3%. Similar situation is recorded also in Venice, where the container throughput decreased by 6%, whereas the number of passengers decreased by 11%, and the general cargo throughput by 8%. Maritime throughput recorded in Venice dropped by 4%.

In recent years, the Port of Rijeka recorded constant drops in the throughput and the year 2012 showed no recovery with a 14% decrease in the container throughput and a 14% drop in the total throughput despite having received a new concessionaire of the container terminal. Croatia is about to undergo changes next year with accession to the EU.

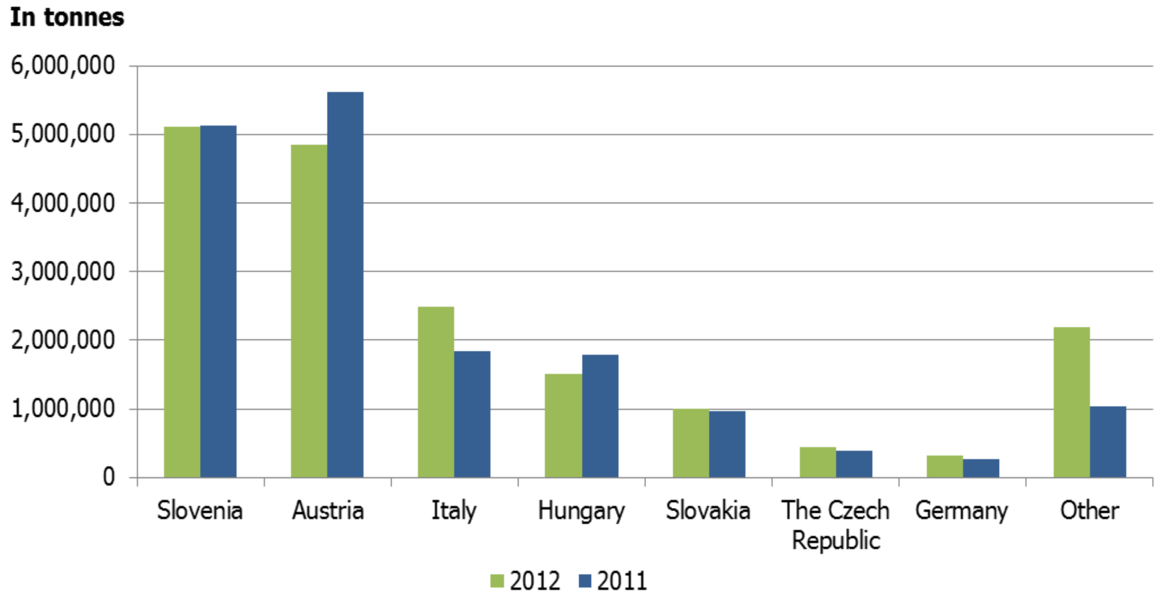
In 2012, the Port of Rotterdam achieved a growth in maritime throughput by 2%. The general situation in EU production units has reflected in major drops of the throughput of iron ore, old iron, coal and general and othe dry cargoes (cereals, sand, etc.). The port recorded growth mainly in exports, while it managed to keep a similar level of the maritime throughput in import to that in 2011. With just under €12m of transhipped TEU the port managed to keep a similar level of container throughput than in 2011.

The Port of Hamburg ended 2012 with a slightly poorer result than the Port of Rotterdam, generating €8.9m of transhipped TEU (2%) less than in 2011. The drop is mainly due to a decreased throughput of empty containers, which dropped by 12% in one year. Total 2012 maritime throughput was €130.9m, representing a 1% year-on decrease. The drop in imports was 3%, while the port achieved an increase in 2% in overseas exports on account of the German economy.

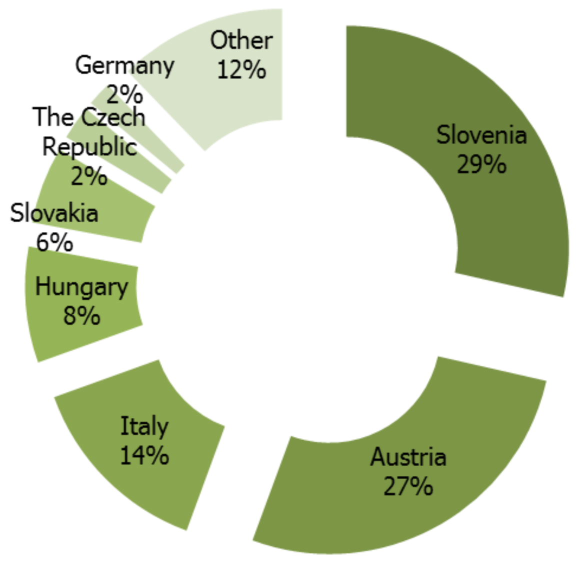
11.4. THROUGHPUT STRUCTURE BY MARKETS

In 2012, the Luka Koper Group focused its endeavours into keeping its position on traditional markets, while simultaneously seeking new opportunities and increasing its share on other markets. The domestic market took a majority part in the structure of maritime throughput in 2012, while – compared with 2011 – the highest growth of maritime throughput was achieved on the Italian market.

Maritime throughput by markets



Structure of maritime throughput by markets in 2012



SLOVENIA

In 2012, the Slovenian market again assumed the leading role among the markets, which are supplied via the Port of Koper. Although the Luka Koper Group failed to exceed the 2011 maritime throughput, a total of 5.1 million tonnes were transhipped for Slovenia in 2012. The highest share of throughput among individual cargo groups was recorded in oil products, cars and timber.

AUSTRIA

With 4.8 million tonnes of throughput in 2012, the volume of maritime throughput for the Austrian market decreased by 14%. The major drop in the Group's maritime throughput was recorded in the group of bulk cargoes (coal, iron ore, etc.), while it achieved an increase in throughput of timber and iron products intended for export. The container throughput of 94 thousand TEU keeps the Group at a similar level to that in 2011. The Port of Koper is the first port for the Austrian overseas trade with almost a third of the total Austrian overseas trade passing through it.

ITALY

Despite increasingly competitive Italian ports, Italy represents one of the most important hinterland markets for the Port of Koper. This was particularly obvious in 2012, when the maritime throughput almost doubled compared to 2011. Two energy product groups have substantially affected the result, i.e. increased transhipment of bulk cargo (coal, iron ore, etc.) as a result of increased consumption on the Italian market, and increased throughput of liquid energy products.

HUNGARY

Due to the unfavourable economic situation in Hungary, which was marked by a 1.6% drop of GDP, inflation and a drastic fall in domestic production, the Luka Koper Group recorded total maritime throughput for this market, import and export included, of 1.5 million tonnes of various kinds of cargo (16%) below the 2011 result. The Group managed to keep its prevailing market share in the area of container and soy throughput. In both cases, the Port of Koper represents the main collection-distribution logistics centre for Hungary. The fall in Hungary's consumption showed the most negative effect in the area of the throughput of imported quantities of new cars and containers from the Far East. Unfavourable weather conditions decreased the yield brought by grains, primarily corn, which showed a negative effect on the Hungarian overseas export to the Mediterranean pool for which the Port of Koper represents an important logistics starting point.

2012 brought revival of the export kettle flow for North African countries; the Group also successfully managed export flows to Turkey and entered into new business deals.

SLOVAKIA

In addition to bauxite for aluminium production, an important part of throughput for Slovakia remained the container throughput for the automotive and the electronics industries. Throughput of containers and conventional cargoes, especially iron products, increased by 3% in 2012, exceeding 1 million tonnes for the first time.

THE CZECH REPUBLIC

Similar to Slovakia, container parts and sheet for the automotive industry account for the main part of cargo, in addition to cars, which is transhipped by the Port of Koper for the Czech Republic. Maritime throughput for the Czech Republic in 2012 amounted to 443 thousand tonnes, exceeding that from 2011 by 14%.

GERMANY

In 2012, Germany again recorded growth of almost all economic indicators. We achieved an 18% increase in maritime throughput on the German market; however, the competition by the North European ports remains too strong for a major breakthrough of the South transportation route. Besides the main cargo group of automobiles, we also tranship containers, iron products and kettle for the German market. The total throughput was 316 thousand tonnes.

OTHER MARKETS

In 2012, the Luka Koper Group increased maritime throughput by over 100% in other markets.

11.5. THROUGHPUT STRUCTURE BY CARGO GROUPS

Throughput increased for most cargo groups, reaching new records in certain segments. The prevailing types in the total structure of maritime throughput were dry bulk cargoes, which even increased by 1 percentage point compared to 2011. The share of liquid cargoes also increased by 1 percentage point, while a decrease of 2 percentage points was recorded in container throughput.

Throughput by cargo groups in tonnes

	2012	2011	Index 2012/2011
General cargoes	1,438,833	1,383,355	104
Containers	5,292,047	5,334,817	99
Cars	674,692	640,407	105
Liquid cargoes	3,194,636	2,922,890	109
Dry bulk cargoes	7,280,490	6,769,845	108
TOTAL	**17,880,697**	**17,051,314**	**105**

GENERAL CARGOES

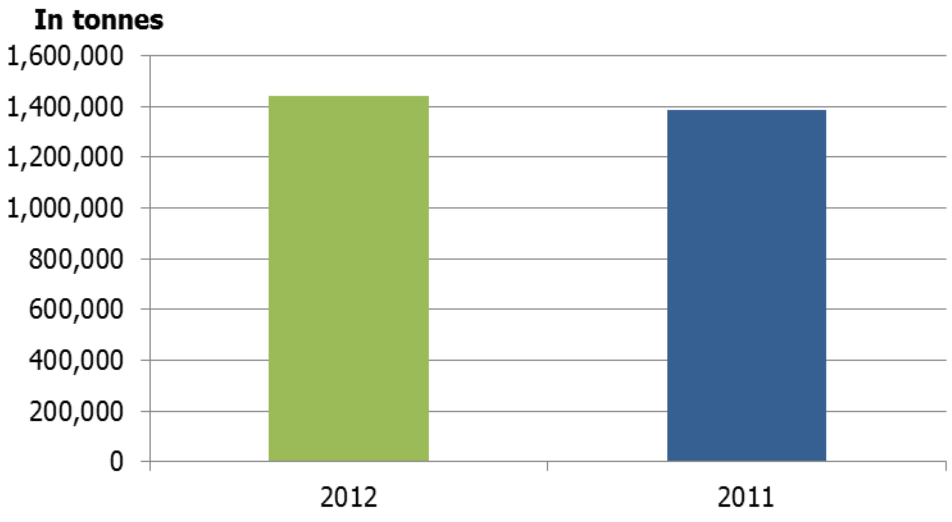
In terms of general cargoes, 2012 ended with a 4% increase in maritime throughput as compared to 2011.

Inside the general cargo group, a major drop was recorded in the throughput of paper and iron products, while the highest growth was achieved in the throughput of kettle and aluminium. In 2012, the throughput of general cargoes in containers increased (coffee, paper and iron products).

Maritime throughput of timber increased by 23% compared to 2012, with a major increase in exports of timber to Libya.

Due to changes in the global market, throughput of fruit with conventional ships decreased on account of increasing throughput of fruit in containers. As a result, the throughput of bananas with conventional ships decreased, whereas the throughput of other fruit and vegetables in containers increased with the most significant increase in throughput from Egypt and Israel, while imports from America decreased.

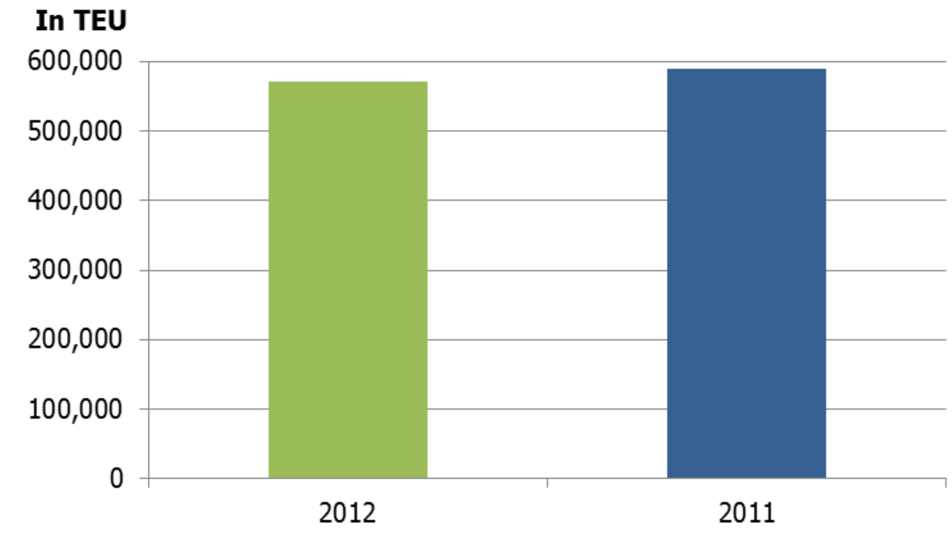
Movement of general cargo maritime throughput



CONTAINERS

In 2012, the Luka Koper Group's throughput accounted for 571 thousand TEU, which is 3% less than in 2011, solely on account of decreased throughput of empty containers. The Group achieved a 1.3% increase in maritime throughput of full containers, managing to keep goods flows via Luka Koper, d. d., and even increased them for some markets, while the throughput of empty containers decreased by 20%. A more economical behaviour of shipping companies affects the loading of containers in Europe and decreases the volume of containers, which return empty to the Far East. Decreased competitiveness of the container terminal is also a result of delays in the dredging operations to deepen the navigation channel into the port, which will allow the arrival of more heavily loaded ships with greater drafts. Direct line ships from the Far East make the first stop in Trieste due to draft and only then in Koper, meaning some clients unload urgent shipments already in Trieste.

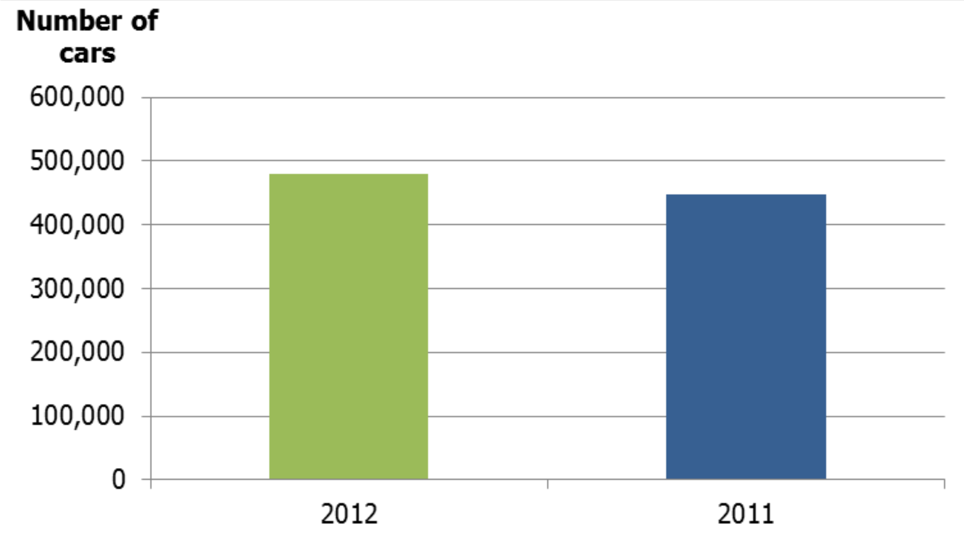
Movement of maritime container throughput



CARS

In 2012, the Group transhipped 480 thousand of cars, exceeding the 2011 result by 7%. The increased throughput is mainly a result of a strongly increased export of cars to North African countries, Israel and Turkey, while poorer sales in the European market resulted in the import of cars via the Port of Koper.

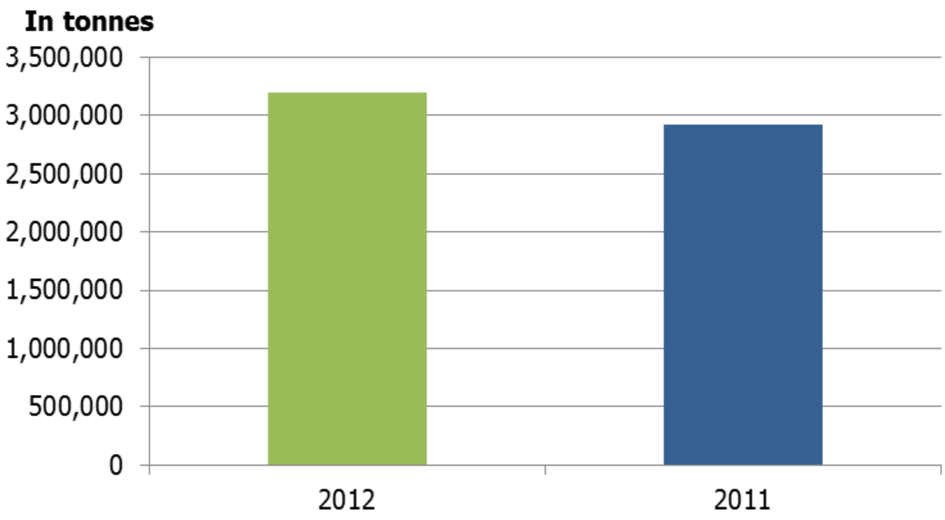
Movement of maritime throughput of cars



LIQUID CARGOES

As compared with 2011, the throughput of liquid cargoes increased by 9%, with a major increase in the throughput of aircraft fuel, followed by the throughput of alcohol and other oil derivatives.

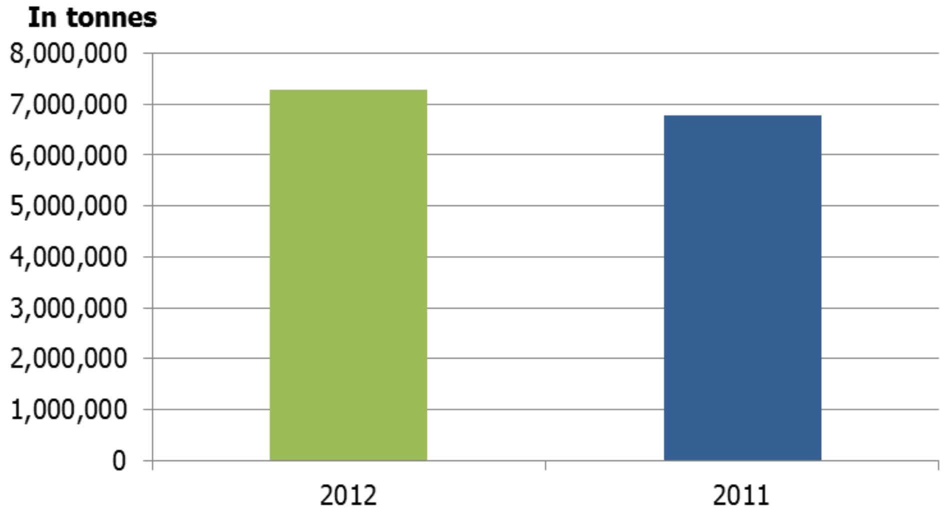
Movement of liquid cargo maritime throughput



DRY BULK CARGOES

The maritime throughput of dry bulk cargoes recorded an 8% increase in 2012.
The throughput of coal experienced a 14.5% increase compared to 2011 with the transhipment of bulk cargo (e.g. coal, iron ore, etc.) increasing as a result of a higher consumption on the Italian market.
The throughput of dry cargoes such as cereals, sand, etc., however, dropped by 12% compared to the previous year. This is due to the increasing containerisation of minerals, drought in the Central Europe and South America and consequently lower throughput of soy and cereals as well as old iron on account of lower prices on the old iron market.

Movement of maritime throughput of dry bulk cargo



11.6. BUYERS

The availability of information, a developed hinterland infrastructure, rapid development, economic and political changes, and the changing trends in the world of logistics have been intensifying the competition among ports on a daily basis. In order to achieve the final goal, customers are offered a wide range of possibilities to get involved in the supply chain, and this can be the key to gaining new goods flows.

One of the key guidelines to successful operations at the Port of Koper is the awareness that we need to maintain and continuously improve our existing and potential business relationships with customers. We need to keep up with the present as well as predict and exceed our customers’ wishes and needs.

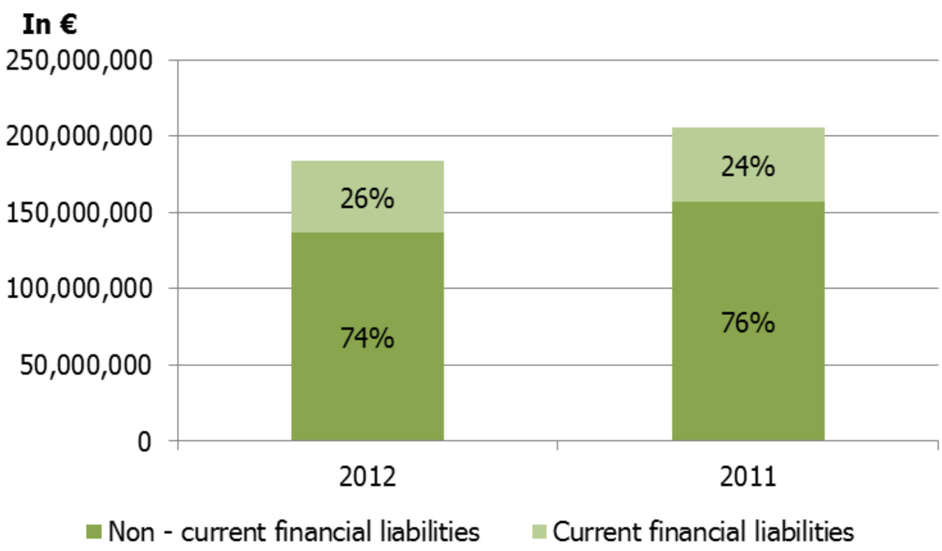
We are continuously trying to identify the advantages of our company and make use of them in the battle with our competition. We use our small size in comparison with northern ports for flexibility and personal approach in entering into new business deals and in swift settling of the issues of our existing customers. We obtain opinions and suggestions of our customers also through a satisfaction poll, and we also present the results, inform the customers about the measures that were adopted, and we encourage them to provide new suggestions for improvement and development of services. This way we directly include our customers in the development of the company, which rewards our port system and enhances our business relationships.

12. FINANCIAL MANAGEMENT

12.1. STRUCTURE OF MATURITY OF LIABILITIES

The structure of maturity of liabilities of the Luka Koper Group stayed similar to that in 2011. 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) and refinancing of a €37m worth short-term loan in the amount of €10m at the end of 2011 and in the amount of €27m in the beginning of 2012. The restructuring process of short-term financial liabilities will continue also in 2013, when we will refinance a part of the short-term part of long-term loans, which fall due in 2012.

Structure of financial liabilities of the Luka Koper Group by maturity as of 31 December

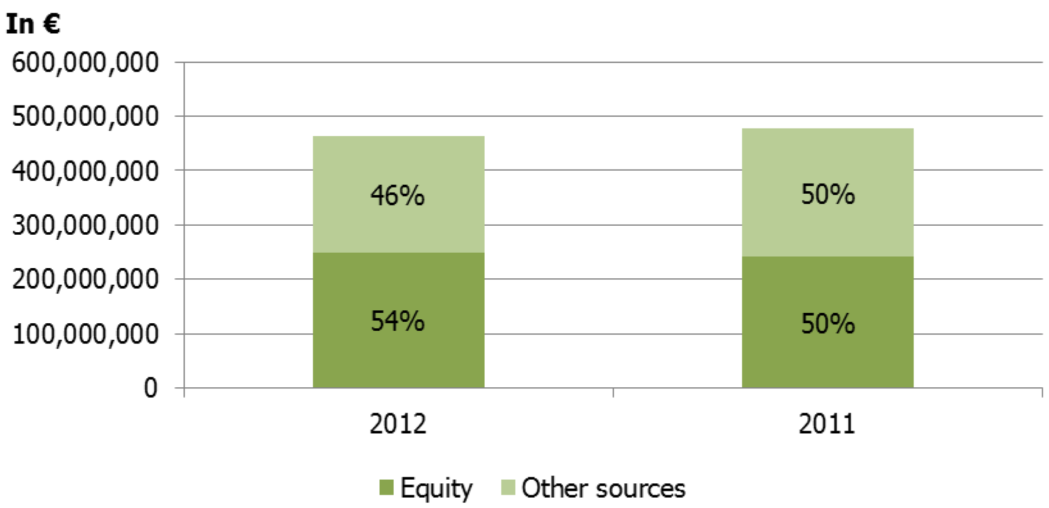


12.2. STRUCTURE OF LIABILITIES

Financial liabilities to banks are tied to the variable interest rate. As at 31 December 2012, the share of loans with a variable interest rate reached 99.7%. 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 2012, the entire Group kept the structure of maturity of financial liabilities. Good operations and decreasing the volume of financial liabilities helped improve the share of equity in the overall balance sheet total. Moreover, the Group managed to decrease financial liabilities by €22m (11%).

Structure of liabilities of the Luka Koper Group as at 31 December



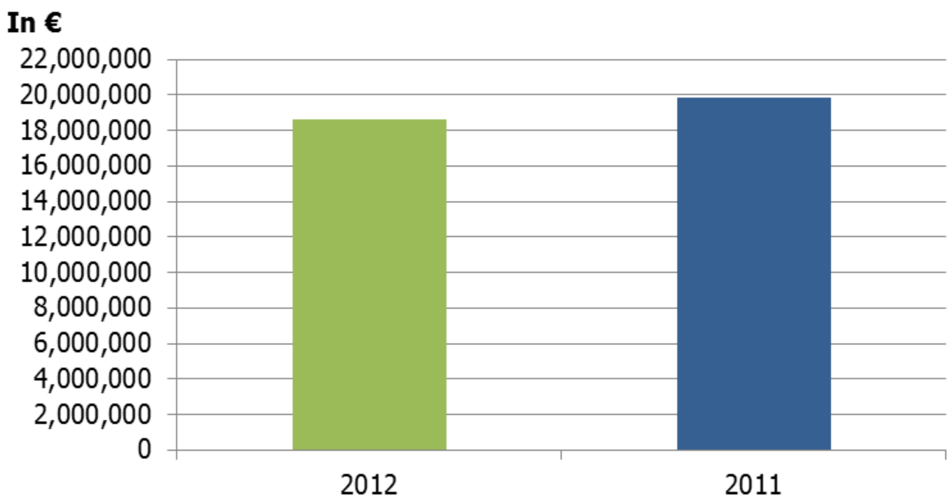
13. INVESTMENTS IN NON-FINANCIAL ASSETS

The Luka Koper Group intended €18.6m for investments in non-financial assets, €17.8m of which from the managing company Luka Koper, d. d.

In 2012, the Group realised the following big investments:

- for the needs of the container terminal we ended investments in two RTG cranes, which were acquired at the end of 2011, and in September in additional three RTG cranes, we acquired additional manipulators and terminal tugs, as arranged and strengthened additional surfaces for the storage of containers,
- in order to fulfil regulatory requirements, we started, in compliance with the Decree on the emissions of substances in discharge of waste water, to abolish flow-through cesspools in the area of the port and to build a new faecal network,
- we launched the state-of-the-art Tideworks container terminal management information system, which will increase the competitiveness of the container terminal,
- we ordered and carried out the study for the increase in container terminal capacities by presenting the business and operative model for the development of the container freight,
- we started rehabilitating the shore of pier II,
- as a result of substantial increase in car throughput and storage, we started arranging additional areas for the storage for cars,
- on the coal terminal we began to renovate crane tracks of rotary dredger, dump truck and combination machine.

Investments in property, plant and equipment, investment property and intangible assets (from the Cash Flow Statement)



13.1. INVESTMENTS IN ECOLOGY – ENSURING SUSTAINABLE DEVELOPMENT

Monitoring and managing environmental impacts have remained an important part of regular activities of our Port. In 2012, we intended €1.3m for investments in ecology.
In order to keep in harmony with the environment, we earmarked also in 2012 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:

- started installing additional filters into the equipment used in the unloading of dry cargo (cereals, sand, etc.) to decrease the dusting,
- started renovating a dosing feeder hopper for throughput of dry cargo (cereals, sand, etc.) by installing anti-dust protection, which limits dusting and enables better dust filtering,
- acquired a new loading device for the purpose of dry cargo (cereals, sand, etc.) throughput, which contains additional filters and is thus friendlier to the device operator in terms of health and safety at work,
- installed new light towers on the new container terminal surfaces, along the track and in the area of empty container storage, and thus arranged the issue of lighting.

14. DEVELOPMENTAL ACTIVITY

In terms of research and development activities, in 2012, we focused particularly on the preparation of studies for the needs of individual terminals, the introduction of information improvements, the coordination of the development materials of the Company and the Port, and on the institutional cooperation at the local, national and international levels.

The research and development activities of the Luka Koper Group are a matter of a continuous process of discussing certain issues and of forming development concepts. Considering the complexity of the Port's operations, we were again devoted to the following three segments in 2012:

- infrastructural and technological solutions,
- development of activity and offer, and
- new approaches and process solutions.

Our endeavours to connect R&D activities with European projects are shown in the studies also prepared in 2012:

- Feasibility study for the development of the container transport's operations at the Port of Koper,
- Study about a comprehensive energy check of the Port,
- Study on the transformation of the classical warehouse into a dangerous cargo warehouse,
- Study on the development potential of the Sežana terminal,
- Study for the introduction of proper technologies to limit dusting during dry cargo (cereals, sand, etc.) throughput,
- Study to promote the development of the passenger terminal,
- Study of the assessment of the Port's future goods' flows and the need for hinterland connections,
- Study on the possibilities of drawing grants for the public port infrastructure, and a study for establishing the Edifact centre.

14.1. EUROPEAN PROJECTS

The Luka Koper Group entered 2012 with 19 active projects, eight of which were finished during the year, and four new ones started. In the beginning of 2013, we are actively engaged in 15 projects.

We continued the European territorial cooperation projects which refer primarily to the planning and development of the national and all-European transportation infrastructure, logistics concepts, environmental protection, safety, marine protection, dangerous cargoes, and information updating. Within this set we concluded the SONORA project of the Central European programme, the WATERMODE project of the South Eastern Europe programme, and the CLIMEPORT, BACKGROUNDS and MEMO projects of the Mediterranean programme. The projects we continue with in 2013 are: LOSAMEDCHEM, FREIGH4ALL, PORTA, EMPIRIC,

LOGICAL, SEEMARINER, SETA, INWAPO and GIFT, and we have two new projects INTE-TRANSIT and iFREIGHTMED.
In terms of the Slovenia-Italy cross-border programme we continued the ADRIA–A project, which is primarily focused on promoting mobility and passenger transport in the cross-border area, and we intensively devoted also to 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 concluded the KOBALINK projects, which are part of the Marco Polo programme, where we endeavoured to redirect as many vehicles as possible to the maritime service between the car terminals on the Koper-Barcelona route, and the HINTEPORT project, where we exchanged good practices of cooperation between European ports and hinterland terminals.
As regards the TEN–T programme, we concluded the MOS4MOS project, where we introduced prototypes for concrete information improvements among individual logistics performers. In the same TEN-T programme, we continued the ITS NAPA project, which is aimed at setting up an information platform for data exchange among North Adriatic ports, and a new project called GREENCRANES was started – it studies the energy efficiency of container terminals.

We are evaluating new projects and preparing new tender proposals. The 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 2012, the value of the Luka Koper, d. d., share (LKPG) was 12% above the value of the previous year. On the last trading day of 2012, the price of one LKPG share was €7.95.

The ownership structure of Luka Koper, d. d. experienced no major changes also in 2012. As at 31 December 2012, the Company had 12,861 shareholders, accounting for 535 less than the year before. The biggest shareholder remains the Republic of Slovenia jointly with its two funds Slovenska odškodninska družba, d. d., and Kapitalska družba, d. d.

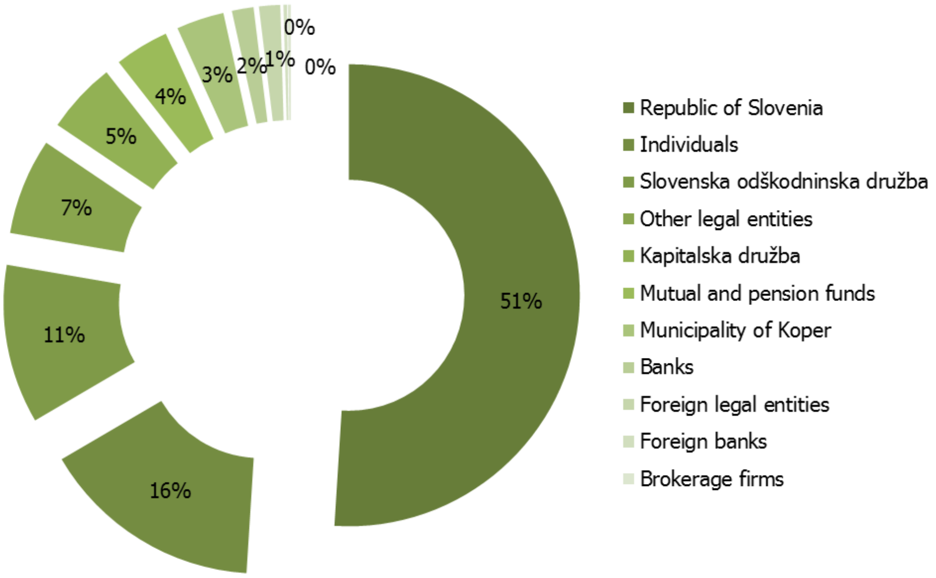
Ten largest shareholders as of 31 December

Shareholder	No. of shares 31. 12. 2012	Stake 2012 (in %)	No. of shares 31. 12. 2011	Stake 2011 (in %)
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.	696,579	4.98	696,579	4.98
Municipality of Koper	466,942	3.34	466,942	3.34
KD India – China, share	160,205	1.14	106,935	0.76
KD Galileo, flexible investment structure	158,230	1.13	158,230	1.13
Vzajemni sklad KD Share Income	149,389	1.07	149,849	1.07
Abanka Vipa, d. d.	134,583	0.96	79,062	0.56
Perspektiva FT, d. o. o.	125,895	0.90	125,895	0.90
Zavarovalnica Triglav	104,756	0.75	104,756	0.75
Total	**10,694,436**	**76.39**	**10,586,105**	**75.62**

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

Shareholder	No. of shares 31. 12. 2012	Stake 2012 (in %)	No. of shares 31. 12. 2011	Stake 2011 (in %)
Republic of Slovenia	7,140,000	51.00	7,140,000	51.00
Individuals	2,180,554	15.58	2,241,513	16.01
Slovenska odškodninska družba	1,557,857	11.13	1,557,857	11.13
Other legal entities	943,445	6.74	911,689	6.51
Kapitalska družba	696,579	4.98	696,579	4.98
Mutual and pension funds	531,748	3.80	537,623	3.84
Municipality of Koper	466,942	3.34	466,942	3.34
Banks	211,592	1.51	189,522	1.35
Foreign legal entities	207,459	1.48	168,674	1.20
Foreign banks	34,047	0.24	52,310	0.37
Brokerage firms	29,777	0.21	37,291	0.27
Total	**14,000,000**	**100.00**	**14,000,000**	**100.00**

Ownership structure of Luka Koper, d. d., as at 31 December 2012

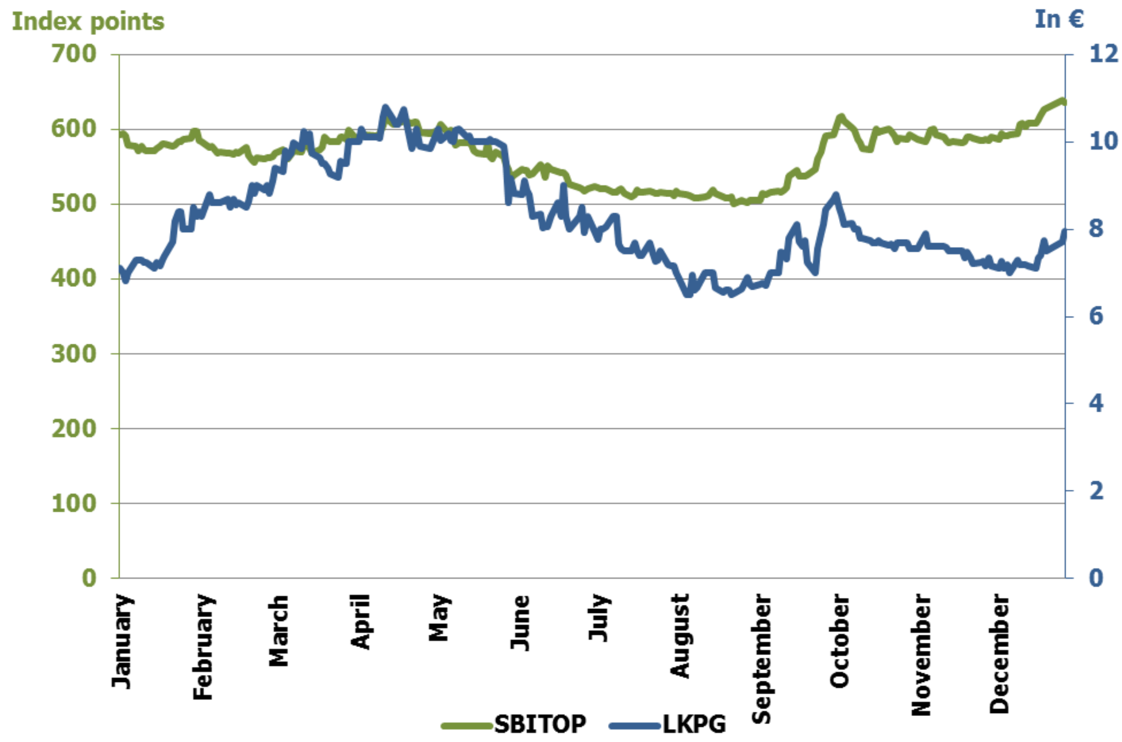


15.1. LKPG SHARE TRADING

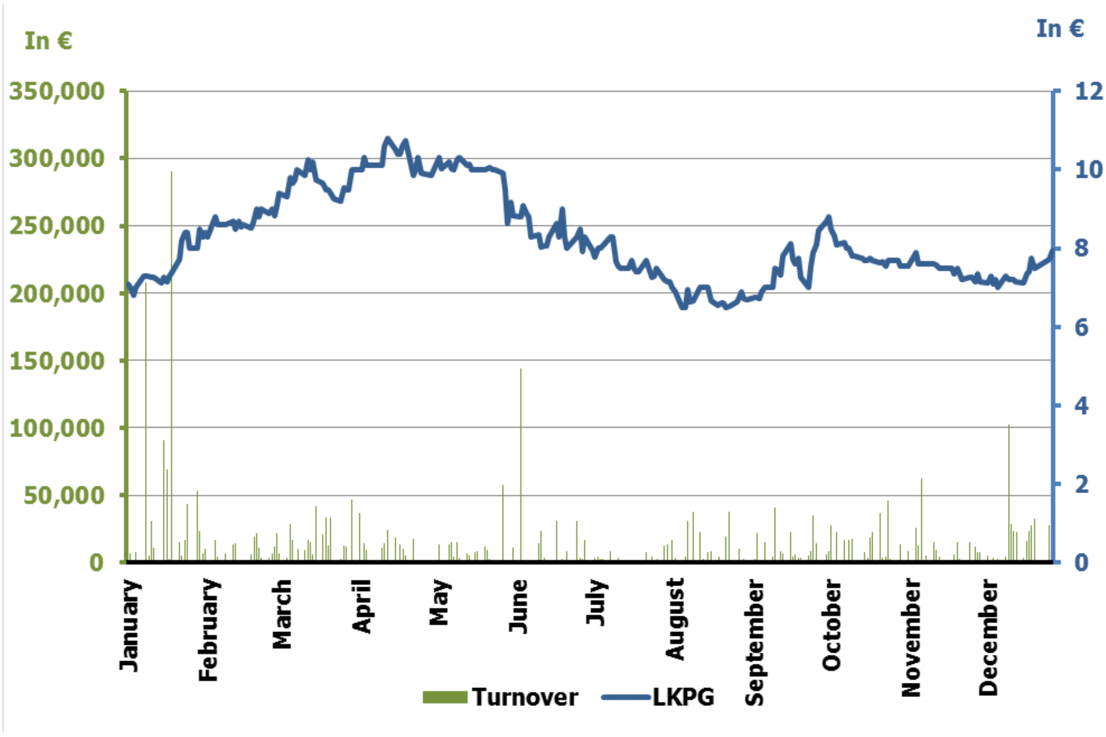
In 2012, the average daily share price for Luka Koper, d. d., was €8.24. Its value fluctuated between €6.49 and €10.80. The highest market price of the share was €10.85, and the lowest €6.11. On 31 December 2012, the market cap of Luka Koper shares totalled €111,300,000.

In 2012, the value of the LKPG share slightly increased in comparison to the Slovenian blue chip index, SBITOP; with a 7.79% increase in the index, the LKPG share recorded an 11.97% increase. The total number of stock-exchange transactions and deals with lots for the share was 2,173. The total turnover in this period amounted to €3,412,184, which is 7% less than in 2011. 426,086 shares changed owners.

Changes in SBITOP and average daily LKPG price in 2012



Changes in the LKPG share price and daily turnover in 2012



Key data about the LKPG share

	2012	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 (€)	7.95	7.10
Share's book value as at 31 December (€)	16.81	16.41
Price-Book value Ratio (P/BV)	0.47	0.43
Average weighted market price (€)*	8.01	12.13
Average share book value (€)**	16.60	16.88
Average weighted market price/Average share book value ratio	0.48	0.72
Net earnings per share (EPS) (€)	0.54	–0.13
Average weighted market price/Earnings per share ratio	14.83	–93.31
Share price/earnings ratio (P/E)	14.72	–54.62
Market capitalisation as at the last day of the year (€m)	111.3	99.40
Total share trading (€m)	3.4	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

The dividend policy of Luka Koper, d. d., represents a harmonised combination of the owners' wish for dividend yields, and the wish to use the net profit for financing investment plans. Luka Koper, d. d., endeavours to intend up to a third of the net generated profit of the period for dividends, including also the planned investments in the port infrastructure and equipment.

In 2012, Luka Koper, d. d., generated a net profit of €7,527,590. Following the decision of the Management Board, the Company formed other profit reserves already while preparing the Annual Report, in the amount of a half of the net profit of 2012. The Company's 2012 distributable profit is thus €3,763,795.

The Management and Supervisory Boards propose to the General Meeting of Shareholders that the distributable profit, which totalled €3,763,795 as at 31 December, be used as follows:

- €2,380,000 of the distributable profit for the payment of dividend in the gross amount of €0.17 per ordinary share,
- the rest of the distributable profit, i.e. €1,383,795, be left undistributed.

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 2012, is Intereuropa, d. d., with a 7.13% share in the total equity and a 11.65% share in ordinary shares. 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%).

15.4. SHARE OWNERSHIP BY MEMBERS OF THE SUPERVISORY AND MANAGEMENT BOARDS

Shareholder		Shares owned as at 31 December 2012
Supervisory Board	Marko Simoneti, DSc, Member	590
	Nebojša Topič, MSc, Member	9

As at 31 December 2012, the other Members of the Supervisory Board and Members of the Management Board of Luka Koper, d. d. did not own any shares in the Company.

15.5. TREASURY STOCK, AUTHORISED CAPITAL, CONDITIONAL CAPITAL INCREASE

As at 31 December 2012, Luka Koper, d. d., held no treasury shares or issued debt instruments that would enable a conditional increase in its share capital. The applicable Articles of Association of the Company do not provide for categories of authorised capital up to which the Management Board could increase the 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's 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 cargo groups, and it also provides information about what is new in area of operations of the Port of Koper.

- Events

Furthermore, investors are informed of the Company's performance and innovations at the events organised by the Ljubljana Stock Exchange. In April and December 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. We also enabled them to get a close look of the container crane.

Investor information is available at the following web address www.luka-kp.si/slo/za-vlagatelje.

Contact person:

Rok Štemberger

Investor Relations

Tel.: 05 66 56 140

Fax: 05 63 95 020

Email: rok.stemberger@luka-kp.si

15.8. CALENDAR OF MAJOR PUBLICATIONS IN 2013

Scheduled date of publication / event	Type of publication / event
24 January 2013	• Publication of preliminary results: revenues of the parent company and maritime throughput for 2012
26 January to 25 February 2013 – period of quiet	
25 February 2013	• Publication of non-audited, non-consolidated and consolidated financial statements for 2012
18 April 2013	• Publication of preliminary results: revenues of the managing company and maritime throughput for January-March 2013
27 March to 26 April 2013 – period of quiet	
26 April 2013	• Publication of the Statement of Compliance with the provisions of the Governance Code for Public Limited Companies • Publication of the 2012 Annual Report • Publication of the Annual Document
28 April to 27 May 2013 – period of quiet	
27 May 2013	• lication of the Operational Report for the first three months of the financial year
18 July 2013	• Publication of preliminary results: revenues of the parent company and maritime throughput for January-June 2013
July 2013	• Session of the General Meeting of Shareholders
Second working day after the General Meeting of Shareholders	• Dividend eligibility day
27 July to 26 August 2013 – period of quiet	
26 August 2013	• Publication of the six-monthly Report of the Company's operations
September 2013	• Open Door Day for investors
17 October 2013	• Publication of preliminary results: revenues of the managing company and maritime throughput for January-September 2013
October	• Dividend payment
26 October to 25 November 2013 – period of quiet	
25 November 2013	• Operational Report for the first nine months of the financial year
23 December 2013	• Publication of a summary of 2014 business plan and evaluation of operations in 2013

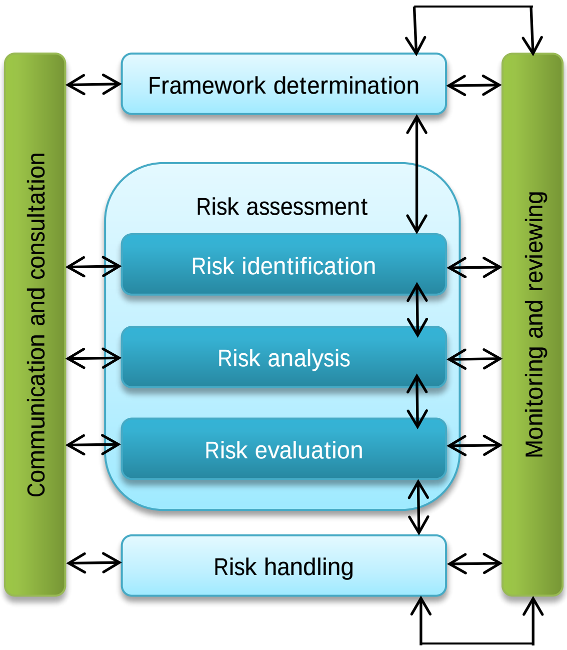
Periodic publications and other price sensitive information will be regularly publicised on the Ljubljana Stock Exchange website via electronic information system (http://seonet.ljse.si/) and on our website of http://www.luka-kp.si/slo/za-vlagatelje. Any changes to estimated date of individual publications 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 twelve months, is also published on both these websites in the Slovene and English languages.

16. RISK MANAGEMENT

The determination of goals is a precondition to be able to recognise, assess and manage risks. The five-year 2011–2015 strategic plan of the Luka Koper Group is the key policy for the determination of a concrete risk management strategy framework. The Luka Koper Group manages risks through its risk management system, which is a comprehensive and repeating process aimed at increasing the probability of achieving strategic and tactical objectives.

In 2012, the modernised risk management system was further upgraded and supplemented in accordance with the requirements of the ISO 31000 standard, which is the theoretical framework for the introduced system, and it is structured in five key steps:

- risk identification,
- risk assessment,
- risk handling,
- monitoring, and
- reporting.



Each phase includes certain activities, which are carried out in accordance with the rules of procedure, and each phase ends with a corresponding product, which serves as the entry point to the following phase. After the risk treatment is concluded, we get a register of risks, i.e. a range of the key risks, which are monitored at the corporative level. A responsible person is appointed for an individual risk. Such person prepares the policy of response and treatment of risk, and the actions to be taken. The holders of activities, which are used for risk management, are process owners. Processes include a determination of internal controls, which help us improve the processes as well as recognise any new risks on time.

The internal control system is a part of the process approach, and it is also integrated in corporate management systems.

In the following paragraphs, key risks are presented which we believe are vital to achieve the determined objectives. The Group undertook suitable policies and other measures and managed to decrease the recognised risks in the process of responding to them; therefore these are not considered as key risks anymore.

16.1 STRATEGIC RISKS

Strategic risks are the risks that can jeopardise the achievement of set objectives. 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 and limitations from the environment and the general economic situation.

Risk	How it is being controlled	Estimated risks in 2012/2011
Risk of the Port's unsuitable involvement in the logistics chain, and of insufficient provision of infrastructural connections with the environment due to: ▪ the delay in the modernisation of the Slovenian railway network ▪ standstills in the construction and modernisation of the Koper–Divača track ▪ unsuitable policies in the area of systematic arrangement of railway transportation implementation in the light of transportation liberalisation ▪ insufficient competitiveness level of the public railway infrastructure in comparison with the more competitive transport routes	Comprehensive communication and informing on plans and needs, and cooperation with state bodies and institutions in determining national developmental projects.	The same
Risk of threatened Port's competitive position as a result of: ▪ decreased macroeconomic conditions of operation on hinterland markets	Continuous and active monitoring of the market situation, including the competition. Development and offer of new services.	Increase

▪ delay in developmental activities compared to neighbouring competitive ports. ▪ decrease in the market potential of traditional cargo groups.	Improving partnerships with buyers. Involvement of our own representative offices in events on the most important hinterland markets. Active engagement in the NAPA and ESPO associations by promoting the North Adriatic transport route. Promotional activities on overseas markets with the aim of increasing the recognisability of the transport route through the Port of Koper for goods intended for the markets of the Central and South Eastern Europe.	
Risk of Port's insufficient infrastructural development to meet the needs of buyers in terms of quality and volume of services as a result of: ▪ inappropriate depth of basin I at the shore of the container terminal ▪ shortage of storage and handling surfaces for an uninterrupted performance of the core activity ▪ standstill in the development and increase of physical capacities of the container transportation as the fastest growing cargo group in recent years ▪ limited number of berths for the throughput of cars	Enhancing the quality and reliability of performed services also with investments in the key infrastructure and equipment. Inclusion in the Port's Development Programme to increase capacities and developmental needs. Informing and convincing those involved in the Concession Agreement on the achievement of the set objectives.	Increase
Risk of increased requirements regarding social responsibility, which are reflected in: ▪ additional requirements of the local community for the	Cooperation with the local community. Adaptation of communication plans in accordance with results	The same

reduction of potential harmful impacts of the Port's community on the environment ▪ individual aspirations of the local community for the limitation of the Port's activity and its development	of public opinion research, and the performance of activities. Showing responsibility towards the social environment by promoting cultural, sports, environmental, humanitarian and other activities through sponsorships and donations from the fund called "Living with the Port".	

16.2 OPERATIONAL RISKS

Operational risks are the risks which arise from the implementation of processes at all levels. 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 2012/2011
Risk of unsuitable reliability and availability of the key equipment affects: ▪ the effective operation of the technological equipment ▪ the acceptability and suitability of equipment in terms of ecology ▪ constant high availability of certain types of irreplaceable machines	An integral preventive maintenance process, continuous investment in the modernisation of equipment, and introduction of state-of-the-art technological solutions. Enhancing partnerships with suppliers ensures punctuality of delivery times, as well as reliability and quality of products and services.	The same
Risk of providing services of our key partners due to: ▪ the suspension of operations by partners involved in the logistics chain and by port service performers	The preparation of a plan to ensure continuous operations. The introduction of a long-term model which would assure port services in a combination with external port service performers. Strengthening partnership relationships in the whole logistics	The same

	chain.	
HR and organisational risks, which are reflected as: ■ organised stoppage of work	Preparation and realisation of the HR development strategy. Continuous partnership with representatives of employees and consistent fulfilment of provisions of the corporative collective agreement. Improving internal communication. Identification of HR potentials and care for their development and motivation.	The same
Environmental risks due to: ■ uncontrolled emissions of heat or substances to the environment, which have negative consequences on the health and lives of people or negative material consequences ■ inefficient use of energy sources	Monitoring the implementation of determined measures, particularly ISO 14001 and EMAS, and improvement of the control system. Environmental workshops for employees. Consistent implementation of measures based on the system of efficient energy use. Regular and suitable maintenance of equipment and replacement of defect equipment.	The same

16.3 FINANCIAL RISKS

Financial risks affect the realisation of the planned financial categories, particularly planned future cash flows. Financial risks are managed in the process of managing financial assets and liabilities; the finance and accounting department is in charge of this process. The most important among ordinary financial risks, such as fair value risk, interest rate risk, liquidity risk, currency risk, credit risk and capital structure risk, are still interest rate risk and fair value of investments risk.

Risk	**How it is being handled**	**Estimated risks in 2012/2011**
Interest rate risk	Continuous monitoring of financial markets and using the derivatives for interest rate hedging.	The same
Fair value of investments risk	Decrease the volume of invested assets at the fair value and redirecting them in investments into the core activity.	The same

A detailed description of financial risks management and assessment of financial risks are provided in Note 33 of 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 TinO system is also an entry point enabling our partners or clients to make electronic orders of services from the Port of Koper. In 2012, we celebrated the 20th anniversary of e-ordering of services.

The managing 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. d. Partnership with an outsourcer represents a certain amount of risks, which 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

In addition to outsourcing information support services, Luka Koper, d. d., is in charge of:

- Development planning and implementing development projects, which deliver value added and higher competitive advantage,
- Determining safety policy of information systems,
- Monitoring the operation of all systems.

The result of planning information solutions in accordance with the development strategy in this area is shown in stable operation of the information system as a whole and in a suitable level of user satisfaction with information tools.

17.3. INTRODUCTION OF NEW INFORMATION SOLUTIONS

The most important project in 2012 was the implementation of Tideworks, a state-of-the-art system for container terminal management, which has replaced the Cosmos solution. The change was a result of the decision made by the existing provider – Cosmos – to stop with its support provision. The new solution will ensure better use of the warehouse areas, and consequently increased productivity in the ship work and the possibility of implementing a higher level of process automatization.

We activated a connection with the Customs Administration of the Republic of Slovenia via a web service to monitor the quality of input data from clients of Luka Koper, d. d., via an ID number.

We ended the tests of the connection with the Slovenian Maritime Administration for the automatization of opening and announcement of ships in the port system. This is an element, which will simplify operations between clients and the Port of Koper, and it also represents the key element of the future unified frame.

The project of implementing a business reporting system of the Luka Koper Group, which will enable with its modern tool a high-quality and timely analysing for the needs of the managing and operational personnel, is in the phase of conclusion.

SUSTAINABLE DEVELOPMENT

Although small in size, the Slovenian coast enables carrying out many activities. One of such, which is very important, is the port activity, which has significantly affected the image of Koper and its environment, as well as the quality of life of its inhabitants. Luka Koper, d. d., plays an active role in the development of the local and national area with its effects on the environment. The Company has developed into a modern establishment, which operates internationally, yet it remains loyal to its environment. Its social responsibility is included in its daily operations and the developmental strategy. With socially responsible operations the Company takes care for the improvement of living conditions in the local and broader community. It carries out business functions in the way which meets the standards and expectations of both the corporate as well as social environment. By supporting different organisations and individuals in our corporate and social environment Luka Koper, d. d., will continue supporting sports, humanitarian, cultural and educational activities also in the future. In terms of development issues, the company will continue following the principles of sustainable development and responsible environmental management, thereby reaching suitable solutions to this increasingly complex issue.

The big importance of sustainable development in the company is evident in the systems established 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 started setting up and verifying the environmental management system in accordance with the EMAS scheme and obtained the certificate in 2010.

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 publish 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

The Port of Koper is the only port in the North Adriatic with an implemented environmental protection quality system, as well as the occupational health and safety system, and the safety of foodstuffs system. We have also started introducing the effective energy management system. Our goal is to remain a friendly port with clean sea, and be recognised globally in this respect.

The most important achievements in the area of natural environment in 2012:

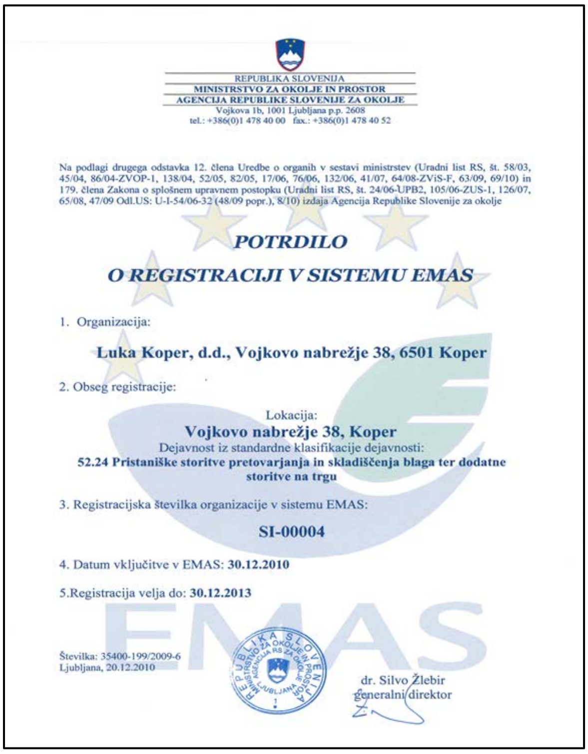
- we set up the equipment to monitor sea quality, equipment for a fast identification of any spills at sea, and additional equipment to monitor the air quality at the passenger terminal in the Koper direction,
- we again registered into the EMAS scheme,
- we obtained the environmental protection permit for emissions into the air,
- we made some important investments related with the integration or reconstruction of filtering devices with the aim of decreasing dusting during dry cargo (cereals, sand, etc.) throughput.

The most important goals in the area of natural environment in 2013:

- we will renew the EMAS registration,
- we will decrease the emissions of dust at all Port's locations to 250 mg/m^2 a day,
- we will keep the value of PM_{10} (the size up to 10 μm) emissions in the entire Port's area below 30 μg/m^3,
- we will keep the percent of separately collected waste above 84,
- we will decrease the emissions of sanitary waters by finishing the project of connecting sumps and small cleaning devices to the public utility network or by replacing sumps with modern small public utility cleaning devices,
- we will make a 1% decrease in characteristic consumptions of electricity, fuels and water,
- we will rearrange 85% of outdoor lighting in order to decrease the environmental pollution caused by lighting,
- no inspection or internal measures during interventions into the environment,
- no sea pollution outside the Port's aquatorium.

18.1. THE EMAS CERTIFICATE

We were awarded the certificate of compliance for our environmental management operations also in 2012. Besides the compliance with the legislation and constant improvement of the environmental management effects, the EMAS system requires objective and regular evaluation 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. Besides Luka Koper, d. d., four other companies in Slovenia have obtained the EMAS certificate.



REPUBLIKA SLOVENIJA
MINISTRSTVO ZA OKOLJE IN PROSTOR
AGENCIJA REPUBLIKE SLOVENIJE ZA OKOLJE
Vojkova 1b, 1001 Ljubljana p.p. 2608
tel.: +386(0)1 478 40 00 fax.: +386(0)1 478 40 52

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

Slovenski institut za kakovost in meroslovje
Slovenian Institute of Quality and Metrology

Izjava okoljskega preveritelja o dejavnostih preverjanja in potrjevanja št. O-004

Slovenski institut za kakovost in meroslovje,
z registracijsko številko okoljskega preveritelja SV-V-0001,
akreditirani za preverjano dejavnost organizacije (NACE: 52.240),

izjavlja, da smo preverili, ali organizacija

LUKA KOPER, d.d., Vojkovo nabrežje 38, 6000 Koper,

izpolnjujeta vse zahteve Uredbe (ES) št. 1221/2009 Evropskega parlamenta in Sveta z dne 25. novembra 2009 o prostovoljnem sodelovanju organizacij v Sistemu Skupnosti za okoljsko ravnanje in presojo (EMAS).

S podpisom tega dokumenta izjavljamo, da:
- sta bila preverjanje in potrjevanje izpeljana popolnoma v skladu z zahtevami Uredbe (ES) št. 1221/2009;
- rezultati preverjanja potrjujejo, da ni dokaza o neskladnosti z veljavnimi zakonskimi zahtevami v zvezi z okoljem;
- podatki in informacije iz okoljske izjave »Okoljsko poročilo za leto 2011, marec 2012«, podajajo zanesljivo, verodostojno in pravilno sliko o vseh dejavnostih organizacije v obsegu, navedenem v okoljski izjavi

Ta dokument ni enakovreden registraciji EMAS. Registracijo EMAS lahko podeli le pristojni organ na podlagi Uredbe (ES) št. 1221/2009. Ta dokument se pri sporočanju javnosti ne uporablja samostojno.

SLOVENSKA AKREDITACIJA
SI-V-0001

Datum validacije: 2009-05-20
Izdaja: 03/2012-05-17
Velja do: 2013-05-31

Igor Likar:
Direktor SIQ

SIQ, Tržaška cesta 2, SI-1000 Ljubljana, Slovenija,
tel.: +386 1 4778 100 • fax: +386 1 4778 444 • e-mail: info@siq.si • http://www.siq.si

The three-year period since we successfully registered for the European effective environmental management scheme as directed by the European legislation (EMAS) will end in 2013.

18.2. CARE FOR ENVIRONMENT

We have endeavoured to decrease emissions into the atmosphere, which are generated during the port activity, for a number of years. The main sources of emissions are:

- transhipment and storage of dry cargo (cereals, sand, etc.), which produce emissions of dust,
- transhipment and storage of liquid cargoes, which produce emissions of volatile organic compounds,
- consumption of liquid energy products and drive fuels for the port's mechanisation, which produces dust and greenhouse gas emissions.

The storage and transhipment systems of the above-mentioned cargoes have been set up in accordance with the best available techniques and are the basis to obtain building, operating and environmental protection permits.

In 2012, we obtained the environmental protection permit for emissions into the atmosphere.

18.2.1. Exceptional events in the year 2012

The exceptionally unfavourable weather conditions at the beginning of February caused an extraordinary rise of dust from the coal depot. The dusting could not be prevented either by wetting the cargo or by a 11 m high fence surrounding the depot. Town councillors responded to the event and we organised a meeting and presented them the planned and the already implemented measures to decrease the environmental impacts and a medium-term developmental strategy of the Port. Applying a protective layer of cellulose solution to the depot was selected the most appropriate and economically acceptable solution. Tests have already been successfully performed in a laboratory, and we will additionally test the proposed solution at the Port's depot. If the tests are successful, investment will be made in such technological solution in 2013.

18.2.2. Total amount 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, which allow the annual limit value for total dust deposits of 350 mg/m^2 a day. The average 2012 annual value on all measuring points was 155 mg/m^2 a day, dropping 30% compared to the previous year.

We made an additional goal not to exceed the annual average value of 250 mg/m^2 a day on the measuring points near the dry cargo (cereals, sand, etc.) terminal. In 2012, the average value of dust sediments was 237 mg/m^2 a day, 9% less than in the previous year.
We have set a three-year goal for the annual average value on each measuring point to drop below the value of 250 mg/m^2 a day.

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

The amounts of fine dust particles have been continuously monitored at the Port for several years, in the directions of Ankaran and Betroki. The statutory determined dust particle measurements (PM_{10}) at the Port of Koper, which are performed by an authorized organisation at these two locations, are below the statutory determined amount of 40 $\mu g/m^3$ and below the goal of 30 $\mu g/m^3$.

Comparison of mean values of PM_{10} measurements in 2012 and 2011

	2012	2011
Ankaran–Rožnik	24 $\mu g/m^3$	26 $\mu g/m^3$
Bertoki	26 $\mu g/m^3$	27 $\mu g/m^3$

Air Quality Regulation determines that the daily limit concentration of PM_{10}, which is safe for the health of people, 50 $\mu g/m^3$, may be exceeded a maximum of 35 times in a year. We adhere to the statutory provisions also in this case.
A report prepared by the Slovenian Environment Agency states that in 2012, the area of Koper was among environments that are least polluted with PM_{10} dust particles in Slovenia (Source: Air Quality Data).

In 2012, a new modern measuring device was installed at the Passenger Terminal to monitor the air quality in the direction of the centre of Koper. Its results will be available in 2013.
The results of measurements at the Ankaran–Rožnik location and at the Koper Passenger Terminal are automatically presented on the Port's sustainable development portal www.zivetispristaniscem.si on an hourly basis.

18.2.4. Emissions of dust particles on key sources

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

18.2.5. Reduction of greenhouse gas emissions

Ever since 2009 we have annually calculated the Port's carbon print, which includes the emissions of CO_2, CH_4 and N_2O. We have observed gradual increase in emissions, mainly as a result of increased throughput and consequently increased use of fossil fuels.

The 2012 carbon print of Luka Koper, d. d., is 51,520 tonnes of CO_{2e} (3.2 kg of CO_{2e}) per a tonne of transhipped cargo, whereas in 2011 we generated 53,273 tonnes of CO_{2e} (3.39 kg CO_{2e}) per a tonne of transhipped cargo 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 their stay in 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 sector.

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.

18.3.1. Separate waste collection at the Port

Some separately collected waste fractions are then used as secondary raw materials. Others are provided to authorised collectors. For the needs of organic waste processing the Waste Management Centre also comprises a composting plant, where such waste is processed into compost.

In 2012, we separately collected 89.9% of waste produced by the Port, which confirms our devotion to separate waste collection and recycling. Our set goal of 80% was thus exceeded.

In 2011, we separately collected 86% of waste produced by the Port.

We equip organisational units at the Port with separate waste collection bins, and by introducing “small ecological islands” we have started the separate waste collection also in all administrative buildings.

In 2012, we made an extensive action and provided 95 tonnes of waste sleepers, 40 tonnes of worn out tires and 164 tonnes of old iron to authorised consignees.

18.4. NOISE

We constantly measure the noise level on three limit points of the port (already since 2008) and we present the measurements on the sustainable development portal www.zivetispristaniscem.si. We have obtained an environmental protection permit for noise emissions of the port operations.

Comparison of mean noise measurements (in dB) in 2012 and 2011

2012			2011			Borderline values
East border of the Port (Bertoki)	North border of the Port (Ankaran)	South border of the Port (Koper)	East border of the Port (Bertoki)	North border of the Port (Ankaran)	South border of the Port (Koper)	
L_d = 55	L_d = 57	L_d = 63	L_d = 55	L_d = 57	L_d = 63	L_d = 73
L_N = 50	L_N = 54	L_N = 62	L_N = 51	L_N = 52	L_N = 60	L_N = 63
L_{DVN} = 58	L_{DVN} = 61	L_{DVN} = 68	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 2012 again showed that the most burdened with noise coming from the Port are northern parts of Koper. Ships, which are moored in the Port, significantly contribute to the measured levels of noise. Moreover, there are also various sources of noise affecting this area, such as cooling systems, elevators, means of transportation, air-conditioning systems, etc.
In 2012, we handled three complaints regarding noise produced by ships. On the basis of complaints and our endeavours we reached an agreement with a shipping company to remove from the regular Far East container line yet another noise-producing ship and substitute it with a different one.

On account of slightly higher noise value towards the city centre of Koper measured in 2012 and compared with 2011, we prepared an action plan and measures for noise reduction. In 2013 we will thus carry out transport route resurfacing and start replacing the old, loud mechanisms with new ones.

18.5. ENERGY

Control over the consumption of energy or energy products holds a big unused potential, both in terms of decreasing emissions as well as creating market competitiveness and recognisability in an urban environment. We need to emphasise environmental views, which largely reflect the quality and the actual functioning of the energy management. In 2012, we used this area to set grounds for the development of energy efficiency at Luka Koper, d. d. We made an analysis of energy flows and an energy inspection of selected systems, and we already introduced certain measures from these analyses in practice. We plan to implement a majority part of the proposed measures in 2013, most of all with new investments. In 2013, we will start to actively monitor the energy efficiency at Luka Koper, d. d., using new indicators – characteristic use of energy products, since the existing indicators do not include changes in the structure of throughput.

In the area of compressed air we accurately inspected certain compressor stations and consumption elements and fixed leakage. We also decreased the operating pressure of compressors where possible, as well as the consumption and consequently also operating costs.

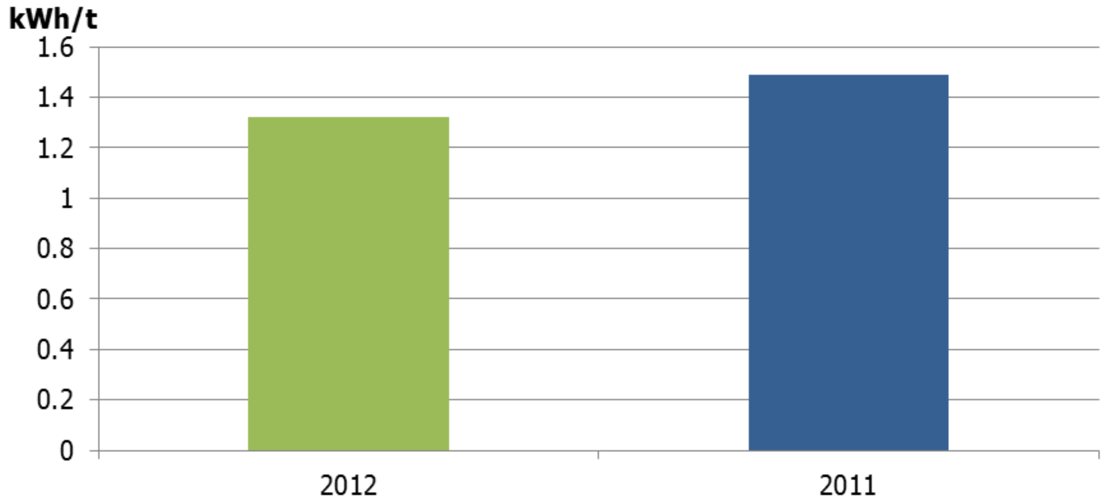
In July we started working on the European project (TEN-T) called Greencranes, which focuses on the container terminal. Within the project, which is planned to end in May 2014, a comparison of the energy management of container terminals will be made between the ports of Valencia, Livorno and Koper. A new method of evaluating energy indicators will be introduced, and certain new alternative drive sources for the mechanisation in the terminal will be analysed.

18.5.1. Electricity consumption

The port activity is carried out using mechanisation and equipment with high nominal power and, consequently, high electricity consumption. Berth cranes and the engine rooms for cooling nutrients in the fruit terminal consume particularly high levels of energy.

Electricity consumption per throughput tonne decreased by 11% compared to 2011. Although we failed to achieve the set goal of 1.30 kWh/t, we came very close with 1.32 kWh/t. We have set characteristic goals of electricity consumption for 2013 according to the structure of throughput.

Electricity consumption per tonne of the total throughput

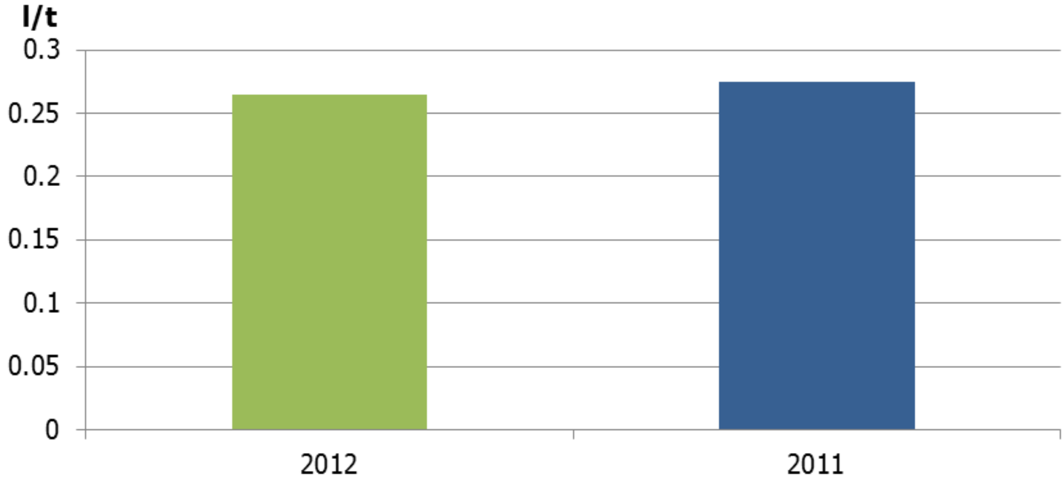


18.5.2. Motor fuel consumption

As compared with 2011, the absolute motor fuel consumption stayed practically at the same level. Fuel consumption per transhipped tonne decreased by just under 4%, and with 0.26 l/t we failed to achieve the set goal of 0.18 l/t. The decreased indicator of motor fuel consumption per transhipped tonne can be attributed to the increased throughput of bulk cargoes, where the fuel consumption per transhipped tonne is small, since transport is mainly electricity-driven. Fuel consumption increased in certain terminals, while it decreased in others. The reasons for this arise also from changed volume of throughput of certain cargo groups as compared with 2011. Increased fuel consumption is also a result of better equipment of the container terminal with diesel-driven machines. Most motor fuel is used in the container terminal, where 54% of the total fuel at Luka Koper, d. d., is used. On the basis of an energy inspection, which is still in progress, we will thus determine the areas where consumption could be decreased by introducing certain changes at work.

Another reason for increased fuel consumption is the throughput of long-distance goods at the Port. 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 and by making operative changes in the container throughput process.

Motor fuel consumption per tonne of the total throughput



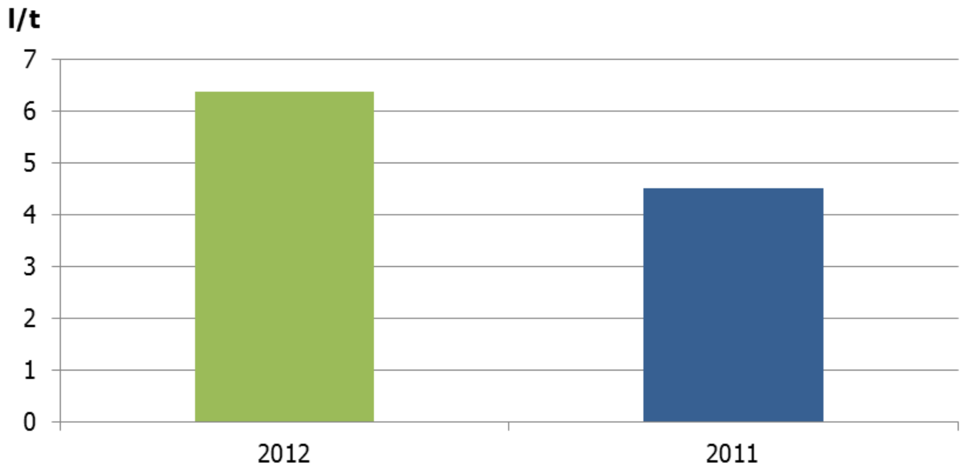
18.6. WATER

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

After successful 2011, we again increased loss of water on account of increased water leakage. Our annual target of drinking water consumption is 5.80 l/transhipped tonne. In 2012, the consumption increased to 6.36 l/transhipped tonne. Having failed to achieve the set goal, we will approach a systematic elimination of leakage and particularly a rehabilitation of the old pipeline.
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.

Consumption of drinking water per transhipped tonne



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. The measurements of thr quality of technological wastewater comply the required norms. Our long-term objective in this area is to reduce burdening of the environment with sanitary waters by connecting sanitary wastewater 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 all sumps to the public sewage system or to replace sumps with modern small communal cleaning devices was not entirely realised. The project will be completed in 2013.

18.7. EFFECTS OF LIGHTING

In accordance with regulations for safe work, Luka Koper, d. d., ensures proper lighting, which is required for continuous performance of work processes. Unfortunately, the lighting, which illuminates warehousing areas, sites, transportation routes and tracks 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. The deadline specified by law for 100% coordination is December 2016. Until now, we have coordinated 83% of entire lighting at the Port, and have thus exceeded the goal set for 2012, which was 80%.

18.8. MARINE PROTECTION

In accordance with the provisions of the Concession Agreement for the Administration, Management, Development and Regular Maintenance of Port Infrastructure at Koper Port Terminal we are obliged to prevent and eliminate the consequences of any kind of marine pollution that might appear in the Port's aquatorium. In 2012, we installed a sound in one of the lighting buoys in front of the entrance to basin III, intended to monitor the general sea quality parameters at the Port. We are conducting measurements of the pH value, temperature, salinity, turbidity and oxygen in the sea. The data are available at www.zivetispristaniscem.si.

In 2012, we installed sensors at three points for the detection of possible spills at the sea. These are modern optical sensors installed above sea surface, which detect spills also during the night and in conditions of decreased visibility. We started implementing measurements already in 2012, and we will set up the alarm system in the Safety Control Centre.

The Port of 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 2012, 21 incidents were noted and 18 interventions carried out. In 6 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 or streams from open sea into the Port aquatorium. We managed to trace the polluters and had them refund the cost of cleaning. In addition, we recorded 4 events, which presented a direct risk for pollution, however we managed to prevent it by implementing timely and effective measures.
During the year we also recorded one case of coal dust pollution outside the Port's aquatorium, and we managed to dam and rehabilitate it with the available equipment. To avoid such events in the future, we installed equipment for rapid detection of pollution on a buoy in front of the entrance to basin III.

Statistical data on interventions at sea

	2012	2011
Number of incidents at sea	21	25
Number of interventions in the Port's aquatorium	18	17
Number of incidents not requiring intervention	3	8
Number of pollution incidents outside the Port's aquatorium	1	0

18.9. CONSTRUCTION WORKS

In 2012, we carried out small construction works at a site, which will be intended for storage purposes of the container terminal. Construction works had no effect on the environment.

18.10. INTERVENTIONS IN ENVIRONMENT

No major interventions in environments were carried out in 2012.

19. HUMAN RESOURCE MANAGEMENT

19.1. EMPLOYMENT

At the end of 2012 we recorded a lower number of employees at the Luka Koper Group than the year before, which was marked by more intensive recruitments. We ensured an optimal HR structure of employees primarily through in-house mobility of employees; selective recruitments were realised in the basic throughput process at the Company, and the large number of retirements was also selectively covered for, particularly through the career development of employees.

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

	2012	2011	Index 2012/2011
Luka Koper, d. d.	785	787	**100**
Luka Koper INPO, d. o. o.	184	200	**92**
Luka Koper Pristan, d. o. o.	4	4	**100**
Adria Terminali, d. o. o.	24	27	**89**
TOC, d. o. o.	2	2	**100**
The Luka Koper Group	**999**	**1,020**	**98**

In 2012, no redundant workers were identified in the Group. The reason for increased departures is primarily a high number of retirements before the enforcement of the new retirement legislation on 1 January 2013. Other reasons, to a much smaller degree, are consensual terminations of employment, death and transfers of employees among Group companies. An increased number of retirements and smaller number of recruitment have increased the turnover rate of employees above the plan.

Comparison between recruitments, departures and employee turnover

	New recruitments		Departures		EMPLOYEE TURNOVER RATE (in %)*	
	2012	2011	2012	2011	2012	2011
Luka Koper, d. d.	27	59	29	21	3.6	2.6
The Luka Koper Group	31	66	52	48	5	4.5

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

19.2. ORGANISATIONAL CHANGES AND EFFICIENT MANAGEMENT OF WORKING TIME

In order to optimise business processes we made several planned organisational changes in 2012, focusing on the level of organisational units where we joined the finance and accounting departments, we organised the internal audit function into an independent organisational unit, we set up the energy efficiency management system and started with partial modernisation of job positions from 2008.
The competitiveness, which Luka Koper, d. d., ensures also through uninterrupted performance of throughput services, has shown the trend of increased overtime, which is however inside the legally required limits.

19.3. OCCUPATIONAL SAFETY

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

In 2012, we recorded 75 accidents at work, which is five less than in 2011. There were 125 reported loss events in 2012, and 147 in the previous year.

In cooperation with Slovenske železnice, d. d., we were searching for solutions to increase safety at level crossings also in 2012 by ensuring additional trainings to participants in such work processes and with technical solutions at the crossings. We performed intensified control of complying with the road traffic regulations and with the Traffic Rules of Slovenske železnice at the most dangerous crossings. Moreover, we provided additional ground signs to the above-mentioned crossings, such as speed limits, no stopping, crossings marked with colour, and light signalisation.

In 2012, we started the project called "Comprehensive treatment of employees and work processes aimed at improving occupational safety at the Luka Koper Group", which is intended to promote a healthy relationship to work and relationships, as well as encourage them to take an active approach towards improving their physical and emotional well-being. We also started implementing activities to obtain work license for carrying out occupational safety tasks.

After a recorded increase in 2011, absenteeism due to health conditions again dropped to the planned level, which is comparable with the previous years. We took actions to promote the health of employees where we also organised many educational events on the topic of health. A large part of health-related absenteeism represented employees' absence from work for more than three months due to suffering from serious health conditions which were not directly linked to their work, and injuries they suffered outside the working time.

Employee absenteeism (in %)*

	2012	2011
Luka Koper, d. d.	4.3	5.4
The Luka Koper Group	4.8	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 2012, the Luka Koper Group ensured proper competence of employees through targeted training of groups of employees and improvement in the educational structure. The planned average of 16 hours of training per employee was achieved at Luka Koper, d. d., with 16.2 hours, while the Group average is 15.2 hours of training per employee. A majority part of education and training – 81% of total hours of education and training at Luka Koper, d. d., and 77% at the Group level were in-house trainings on issues identified at work, using our own training programmed and in-house staff as lecturers/coaches.
We financed part-time study to eight employees, which is in line with the requirements and possibilities of the company's business processes. Everyone who successfully finished the part-time study, including those who enrolled on their own initiative, was publicly promoted.
85% of employees were included in trainings.
In September, Luka Koper, d. d., and Intereuropa, d. d., applied for a public tender entitled Competence centres for human resource development for the 2012–2015 period prepared by the Slovene Human Resources Development and Scholarship Fund, which is aimed at preparing the competence model for typical profiles in logistics and the training of employees who match these profiles.

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

	Luka Koper, d. d.				The Luka Koper Group			
Level of education	No. of employees 2012	Share (%) 2012	No. of employees 2011	Share (%) 2011	No. of employees 2012	Share (%) 2012	No. of employees 2011	Share (%) 2011
VIII/2	1	0.1	2	0.3	1	0.1	2	0.2
VIII/1	18	2.3	17	2.2	19	1.9	18	1.8
VII	97	12.4	96	12.2	107	10.7	106	10.3
VI/2	119	15.2	118	15.0	124	12.4	125	12.2
VI/1	58	7.4	55	7.0	67	6.7	64	6.3
V	236	30.1	233	29.6	265	26.5	264	25.9
IV	197	25.1	201	25.5	256	25.6	264	25.9
III	12	1.5	15	1.9	19	1.9	21	2.1
I–II	47	6.0	50	6.3	141	14.1	156	15.3
Total	**785**	**100**	**787**	**100**	**999**	**100**	**1,020**	**100**

19.5. ENSURING PERSONAL AND PROFESSIONAL GROWTH OF EMPLOYEES

The Luka Koper Group systematically monitors the career development of employees. In order to maximise the motivation and harmonisation of personal and developmental goals of employees with the objectives of the company, Luka Koper, d. d., made yearly interviews with 58% of employees in 2012. Luka Koper INPO, d. o. o., makes yearly interviews every two years; they are scheduled for 2013.

In 2012, 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 28% of employees in the Luka Koper Group and to 26% of employees in the Luka Koper, d. d., although we planned only 15% of promotions.

We formed a base of HR potentials, particularly for job positions at higher levels of the organisational structure, we identified the successors of heads of organisational units, and we also prepared development plans. In 2012, we covered the needs for HR at the highest levels of the HR structure, i.e. five heads of organisational units, with in-house sources.

Career development of employees

	Vertical and horizontal promotion		Ranking to a higher level of competence and flexibility	
	2012	**2011**	**2012**	**2011**
Luka Koper, d. d.	56	61	146	118
Share (% of employees)	7	8	19	15
The Luka Koper Group	73	74	208	222
Share (% of employees)	7	7	21	22

19.6. ENSURING JOB AND SOCIAL SECURITY TO EMPLOYEES

The employees of the Luka Koper Group are ensured a high level of job security, since 97% of employees held a permanent contract at the end of 2012. Fixed-term employment contracts were concluded only for the purpose of introduction to work or substitution of maternity leaves.

Despite the harsh economic situation we made regular salary payments, which follow the growth of costs of living in accordance with the corporate collective agreement. Employees received annual leave allowance and based on the result of operating performance also the 13th pay in the amount of 60% of the average monthly payment of employee. The employees who in 2012 withdrew their savings from the free voluntary pension insurance fund after a ten-year period of savings were allowed to include into the fund again under the same conditions.

Social security of our employees was contributed also by the average salaries of our employees, which are above the Slovenian average. The average monthly gross salary of employees in the Luka Koper Group was €2,289.60, exceeding the Slovenian average by

50%. The average monthly gross salary of employees in the Company was €2,488.40, exceeding the Slovenian average by 63%.
In accordance with the provisions of collective agreements, the Luka Koper Group provided less financial help than in the previous years: four employees received help due to long periods of absenteeism as a result of illness, and two aids were paid out due to the death of workers.

We deal with the issue of disability by employing a share of disabled workers inside the Luka Koper Group in the social enterprise Luka Koper INPO, d. o. o. There were five cases of the reduced capacity to work being assessed in front of a disability committee, none of which ended with disability retirement. There was, however, one transfer from the Company to the social enterprise. At the end of 2012, 57% of employees at INPO , d. o. o., had the status of disabled workers. At the Group level we recorded a decreased amount of disables workers, primarily as a result of many age-related retirements at the social enterprise.

Disability issue – number and share of employees with disability status

	2012	2011
Luka Koper, d. d.		
Number of employees with disability status	14	11
Share (%)	1.9	1.4
The Luka Koper Group		
Number of employees with disability status	122	135
Share (%)	12.2	13.2

Due to the nature of work, the employee structure comprised far more men than women. Although the share of women in the structure of employees accounts for only 10%, their share among high-ranked leading staff is 26%.

Structure of employees by gender

	2012	2011
Luka Koper, d. d.		
Number of women	105	103
Share of women in the employee structure (%)	13.4	13.1
The Luka Koper Group		
Number of women	121	120
Share of women in the employee structure (%)	12.1	11.8

The average age and period of employment have stagnated for a number of years. With regular employment we ensure a balanced age structure of employees.

Average employee age and length of service

	Average age of employees		Average length of service of employees	
	2012	2011	2012	2011
Luka Koper, d. d.	41.7	41.4	19.4	19.2
The Luka Koper Group	43.2	43.2	21.1	21.1

19.7. COOPERATION WITH EDUCATIONAL INSTITUTIONS

In terms of development and education, Luka Koper, d. d., operates in the principle of corporate responsibility in the local and wider area. In 2012, we cooperated with many educational institutions (University of Primorska, the Faculty for Maritime and Transport, IEDC Business school Bled, Jožef Stefan International Postgraduate School, People's University Koper, secondary schools, and others) in ensuring mentoring of seminar, project and diploma papers, providing students with compulsory on-the-job trainings and expert excursions. Our employees are also associate lecturers and Members of Management Boards of educational and research institutions. We also presented our company, its practices and jobs to students on many occasions. In 2012, we approved one student scholarship, and recruited the student.

19.8. MONITORING HUMAN RESOURCE MANAGEMENT EFFICIENCY AND ENSURING MOTIVATION OF EMPLOYEES

Monitoring human resource management and ensuring motivation of employees is essential for the long-term success of the Luka Koper Group.

In addition to achieving the indicators of ensuring and developing human resources and organisation, we carried out annual interviews between employees and their superiors and assessed the managerial staff in 2012. We conferred public recognition and rewards to exemplary employees, manager of the year, innovator, quality assurance team and long-term employees. We organised several social events, such as the company's anniversary, New Year, Women's Day; we gave New Year presents to the children of our employees. Moreover, we organised events for and promoted the employees who successfully completed part-time studies; we organised events for the employees who retired in 2012, and we also held many informal sports events and visits to cultural and sports events. We enabled our employees to use the Port's holiday capacities; we covered the cost of flu vaccinations and the payment of a 70–90% share of the supplementary pension insurance premium.

On the basis of regular social dialogue, the issues of the corporate collective agreement brought forward by representatives of employees were explained and harmonised.

In 2012, we adopted the Code of Ethics of the Luka Koper Group, audited the Rules on personal data protection, and started preparing rules on internal communication among employees.

In accordance with internal provision, we will again start measuring the organisational climate, employee loyalty and satisfaction in 2013.

20. SOCIAL ENVIRONMENT

Already since 1957, Luka Koper, d. d., has held an active role in the development of the local and national environment. This was confirmed by experts who gathered at a round table event on the topic of the Port's future, which was held on the day of the 55th anniversary of the Company on 23 May 2012. They emphasised the importance of the Port's development and other maritime activities for Slovenia, and the necessary harmony between the Port and local community.

20.1. LIVING WITH THE PORT

The project "Living with the Port" is based on providing information and on a responsible attitude towards the environment. The project includes a web portal, library for children "Luka Koper, a Window into the World", and a leaflet with interesting points and less known facts about our Port intended for adults. 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.
We also communicate via Facebook, enabling our followers to follow the Port "from the distance".

In September, Luka Koper, d. d., organised the 6th Port Day when individuals could see the inland part as well as the sea part of the Port. The event attracted a record-high number of visitors – 2,500. During the year, the Port received amazing 13,000 visitors in organised groups. According to the annual public opinion research, only a third of locals visit the Port. Nonetheless, more than 60% of the questioned people support the Port's developmental plans.

20.2. SUPPORT TO SOCIALLY BENEFICIAL PROJECTS

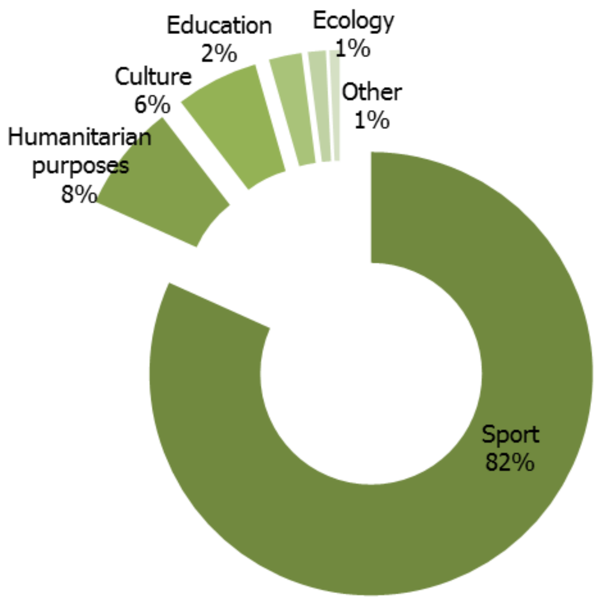
For a number of years, Luka Koper, d. d., has supported infrastructural and other projects, which contribute to the development of the environment and enhance the quality of people's lives. The Passenger Terminal has shown a major contribution to the development of tourism, trade and other auxiliary activities on the Slovenian coast and also in the broader Slovenian level. We focused on this topic at the 2013 summit about possible versions of the cruise tourism development, which was organised by Luka Koper, d. d., and the Municipality of Koper.

Although the Company constantly monitors its environmental impacts and keeps the public informed about this via the website "Living with the Port", the municipal council of the Municipality of Koper adopted a decision in April 2012 requiring Luka Koper, d. d., to shut down the bulk cargo (coal, iron ore, etc.) terminal. Luka Koper, d. d., responded by proposing the town authorities to establish a working body, which would comprehensively discuss the issue and prepare harmonised solutions. Wishing to discuss this issue comprehensively, we invited to the Port all municipal councillors and explained them the importance of such cargoes on Company's operations and the efforts invested by the Company in the protection of the environment. At the same time we launched an advertising campaign called “Leave the Window Open” to raise awareness among the general audience about the importance of the Port and the Port's activities.

20.3. SPONSORSHIPS AND DONATIONS

In 2012, Luka Koper, d. d., intended €1.04m for projects in the field of culture, sports, environmental, humanitarian and other activities in the local and wider environment, which is slightly below the number from the year before, when we spent €1.17m on donation and sponsorship projects. We provided financial support to projects in the areas of culture, sports, ecology, humanitarian work, education and other activities. A part of our available assets were allocated in the tender called “Living with the Port”. We received 271 applications and granted sponsorship or donation funds to 93 projects.

Allocation of donation and sponsorship funds in 2012 by segments



A majority part of funds were intended for sports also in 2012, especially for local sports clubs with a long tradition and many memberships, which achieve good results and whose main sponsor we have been for decades. Most of our sponsorship funds went to Football Club Koper, followed by Luka Koper Volleyball Club, Luka Koper Bowling Club and to many professional and amateur athletes: athlete Snežana Rodič, sailor Gašper Vinčec and Slovenian participants at the Olympic games, swimmer Matjaž Markič, rower Špela Ponomarenko Janić and tennis player Andreja Klepač.

In 2012, we sponsored the Olympic Committee of Slovenia and enabled our top athletes to represent Slovenia at the major world competitions. Good sports results of our Olympic athletes are the best promotion of our country and they help include Slovenian transport routes on the world map.

We support culture by being the general sponsor of the Koper Brass Orchestra; we also give contributions for many theatre and puppet shows, publication of books, organisation of music festivals, literary meetings and other cultural projects.

The need for helping the socially weaker population has further increased, thus we supported many humanitarian projects. In 2012, we gave support to the Red Cross of Slovenia for the Youth Health and Summer Resort at Debeli rtič, where children from socially weaker families from Slovenia spend summer holidays every year.
We donated funds to coastal municipalities for the acquisition of new defibrillators, and supported many NGOs, which help unemployed and financially weak as well as health-deprived people in Slovenia. The money for our New Year presents were donated to the Slovenian Friends of Youth Association to finance school meals of Slovenian children from socially weakest families.

At Luka Koper, d. d., we believe in the necessity of good cooperation with the local community, which breathes and lives with the Port already more than a half of century. We want to return to our social and natural environment what we can and what makes the lives of Port's “neighbours and citizens” even more interesting, friendly and cosy; in the first line locally, and immediately afterwards also on the national level.

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 www.luka-kp.si 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 2012, we published four issues of the Notice information bulletin for investors, providing them up-to-date information about operations and other significant events.

21. SUPPLIERS AND CUSTOMERS

The performance and respect of the Luka Koper Group are connected also with the work of our suppliers. The management of supply costs and their on-going optimisation, timely supplies, ensuring the highest level of competitiveness and the lowest possible amount of fund committed are only some of the important tasks we pursue in our operations. We endeavour to create excellent, long-term partnerships with suppliers, and we are searching for common solutions for a high-quality management of the purchase process, we are exploring news in the global markets and in the area of introducing new technologies. We communicate with all potential suppliers, trying to choose the best by analysing their proposals, certificates, references and also by relying on our experience. 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 developing relationships with them, we are becoming increasingly aware of how difficult it is in the today's competitive environment to create new ideas, transfer them into the working environment and boost corporate performance. Therefore we strive to include all suppliers into the innovative environment, where they can contribute to the realisation of new ideas. Demands, negotiations and entering into sales agreements are the bases for the procurement operations. When selecting a supplier, we pay a great deal of attention to the supplier's perspective of the environmental impacts, giving advantage to those with well-arranged environmental protection standards and procedures.

On the basis of objective, internal assessment of our suppliers, we choose and reward the best suppliers in four categories each year: port service performers, technical services, investments and technical products. 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. Planned gathering of information and control over the existing suppliers ensure constant quality of their services in the long-term. For this purpose we obtain and archive information about claims, and use it as one of the criteria to assess suppliers.

In 2012, 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 managed to obtain better commercial conditions and decrease procurement risks.

The best suppliers of the Luka Koper Group in 2012 were:

- Treven, d. o. o., for the area of investments
- Nautic Service, d. o. o., for the area of technical services
- OMV Slovenija, d. o. o., for the area of products
- MD-SKIP, d. o. o., for the area of port services

22. BUSINESS EXCELLENCE IN THE MANAGEMENT SYSTEM

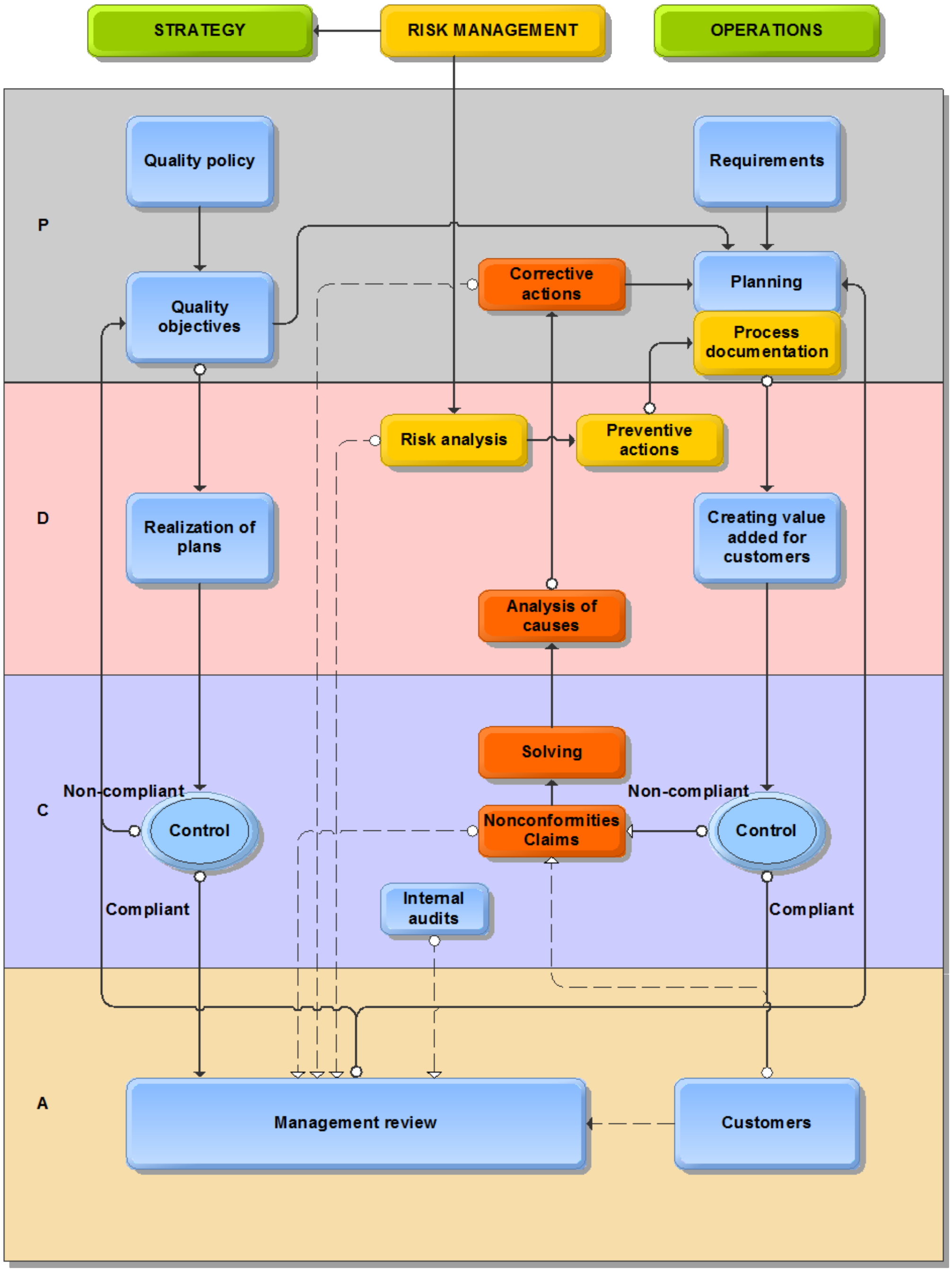
The management system encompasses all activities necessary to ensure the quality of services and successful operations of the Group in accordance with the determined requirements, laws and objectives, which we use to realise our mission, vision, business policy and objectives. The internal PDCA mechanisms – planning, implementing, checking and acting, i.e. continuous improving arise from the fundamental principles of the business excellence model.

The Luka Koper Group's management system is process-oriented and includes an extensive set of requirements:

- quality management system in accordance with ISO 9001,
- environmental management system in accordance with ISO 14001,
- occupational health and safety system in accordance with BS OHSAS,
- ensuring food safety in accordance with the Haccp system and ISO 22000,
- non-gmo system for separate transhipment and storage of non-gmo soy,
- Eco certificate for the transhipment and storage of vegetable origin products from ecological and conventional production,
- business excellence model,
- safety management system (Seveso),
- other relevant statutory and other requirements.

Gaining a wide range of skills and knowledge, successful implementation of services into the practice, and particularly keeping their high quality in a long run represents a big challenge, both at the system and support levels as well as at the implementing and operative levels. The effort we have invested offers us certain competitive advantage and adaptability to market requirements. Accordingly, we decide to introduce new requirements into the management system only for those areas, which bring direct added value or which are required by the law.
In 2012, we received an eco-certificate for the transhipment and storage of vegetable-origin products from ecological and conventional production, which was needed for setting up a new cargo group. Such ad hoc and flexible certification of requirements of specific small cargo groups with a long-term market potential requires the implementation of tailored and excellent services. This is our response to such trend of target-oriented requirements of the international trade in goods.

Requirements of quality management system



In 2012, we continued with the process of optimising management system's support modules on the internal information portal "Luka net", and defined requirements for the development of new information support for the area of claims and incident management.

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 www.luka-kp.si.

Any further information required can be found on our website or by contacting the relevant department.

Luka Koper, d. d.

portkoper@luka-kp.si

Vojkovo nabrežje 38, 6501 Koper, Slovenia

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Investor relations	Rok Štemberger	*rok.stemberger@luka-kp.si*	05 66 56 140
Visits to the Port	Luka Koper Reception Desk	*recepcija@luka-kp.si*	05 66 56 150

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CONSOLIDATED FINANCIAL STATEMENTS OF THE LUKA KOPER GROUP FOR THE YEAR 2012

1. CONSOLIDATED INCOME STATEMENT

(EUR)	Notes	2012	2011
Operating revenue	1	144,359,819	143,633,226
Other revenue	2	1,003,939	486,606
Cost of material	3	11,954,886	10,443,559
Cost of services	4	40,885,307	39,019,644
Labour cost	5	37,490,357	37,897,391
Write-downs	6	30,112,501	27,738,474
Other operating expenses	7	5,736,470	6,637,064
Operating profit or loss		**19,184,237**	**22,383,700**
Finance income from shares in associates	8	395,108	442,885
Finance income from shares in other companies	8	661,953	855,613
Finance income from loans	8	989,952	256,170
Finance income from operating receivables	8	96,340	160,118
Finance expenses for financial investments	9	2,167,628	14,161,958
Finance expenses for financial liabilities	9	5,968,102	8,001,151
Finance expenses for operating liabilities	9	62,210	1,968
Profit or loss from financing activities		**-6,054,587**	**-20,450,291**
Profit or loss before tax	10	**13,129,650**	**1,933,409**
Income tax	11	1,394,257	1,130,339
Deferred tax	12	1,236,834	355,341
Net profit for the period	**13**	**10,498,559**	**447,729**
Net profit of the controlling shareholder	**13**	**10,478,881**	**443,364**
Net profit of the non-controlling shareholders	**13**	**19,678**	**4,365**
Net profit per share – basic and diluted	**13**	**0.75**	**0.03**

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

2. CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(EUR)	2012	2011
Net profit or loss for the period	**10,498,559**	**447,729**
Gains or losses on revaluation of available-for-sale financial assets	-1,195,797	-4,389,895
Change in fair value of financial instruments used in hedge accounting	-1,123,620	-372,857
Deferred tax	366,279	951,562
Other items of comprehensive income	372	-
Other comprehensive income	**-1,952,766**	**-3,811,190**
Total comprehensive income for the period	**8,545,793**	**-3,363,461**
Total comprehensive income of the controlling shareholder	**8,525,741**	**-3,367,825**
Total comprehensive income of non-controlling shareholders	**20,052**	**4,364**

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

3. CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(EUR)	Notes	31.12.2012	31.12.2011
ASSETS			
Property, plant and equipment	14	351,319,247	363,153,532
Investment property	15	20,310,622	20,283,049
Intangible assets and long-term deferred cost	16	5,882,038	5,089,118
Non-current investments	17	41,381,973	43,742,721
Loans	17	1,526,547	4,567,302
Non-current operating receivables	18	5,243	8,664
Deferred tax assets	19	7,824,010	9,060,845
Non-current assets		**428,249,680**	**445,905,231**
Assets (disposal groups) held for sale	20	5,992,398	6,975,723
Investments and loans	21	3,278,291	681,227
Operating receivables	22	22,713,218	23,117,862
Cash and cash equivalents	23	1,608,345	1,038,270
Current assets		**33,592,252**	**31,813,082**
Short-term deferred cost and accrued revenue	24	**1,555,503**	**552,748**
TOTAL ASSETS		**463,397,435**	**478,271,061**
EQUITY AND LIABILITIES			
Share capital	25	58,420,965	58,420,965
Capital surplus	25	89,562,703	89,562,703
Revenue reserves	25	78,904,872	75,146,205
Revaluation surplus	25	4,750,559	6,703,699
Retained earnings	25	10,845,942	10,411,742
Net profit the year	25	6,715,086	443,364
Equity of the controlling shareholder		**249,200,127**	**240,688,678**
Equity of non-controlling interests		**128,192**	**108,140**
Provisions and accrued costs and deferred revenue	26	**12,053,082**	**12,435,924**
Borrowings	27	135,262,778	156,367,885
Other financial liabilities	27	1,607,383	496,823
Non-current operating liabilities	28	201,430	130,935
Deferred tax liabilities	19	1,310,880	1,677,159
Non-current liabilities		**138,382,471**	**158,672,802**
Borrowings	29	46,586,860	48,822,193
Other financial liabilities	29	342,941	112,572
Other current liabilities	30	14,918,133	16,128,974
Current liabilities		**61,847,934**	**65,063,739**
Accrued costs and deferred revenue	31	**1,785,629**	**1,301,778**
TOTAL EQUITY AND LIABILITIES		**463,397,435**	**478,271,061**

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

4. CONSOLIDATED CASH FLOW STATEMENT

(EUR)	2012	2011
Cash flows from operating activities		
Net profit for the period	10,498,559	447,729
Adjustments for:		
Amortisation and depreciation	28,032,349	27,815,969
Write-downs and losses from sale of property, plant, equipment and investment property	1,725,828	33,023
Gains from the sale of property, plant, equipment, intangible assets and investment property	-85,705	-108,024
Bad debt allowance	105,514	413,911
Finance income	-2,143,353	-1,140,757
Finance expenses	8,197,940	22,163,108
Income tax and deferred tax assets and liabilities	2,631,091	1,485,680
Operating revenue before the change in net current assets and tax	**48,962,223**	**51,110,639**
Changes in net current assets and provisions		
Change in operating receivables	302,551	-932,098
Change in inventories	-	12,688
Change in current assets of disposal groups held for sale	-	378,100
Change in deferred costs and accrued revenue	-1,002,755	-593,041
Change in operating liabilities	-1,462,614	291,907
Change in provisions	-382,842	-200,877
Change in accrued costs and deferred revenue	483,851	516,152
Income tax	-1,071,989	-1,130,339
Net cash from operating activities	**45,828,425**	**49,453,131**
Cash flows from investing activities		
Received interest	1,086,292	256,170
Received dividends	1,057,061	1,073,562
Receipts from sale of property, plant, equipment and intangible assets	97,530	168,493
Receipts from sale of investment property	-	805,253
Receipts from sale, decrease in financial investments and loans	719,795	2,089,150
Disbursements to acquire property, plant, equipment and intangible assets	-18,639,095	-19,790,184
Disbursements to acquire investment property	-	-43,870
Disbursements to acquire financial investments and increase in loans	-426,491	-4,787,541
Net cash from investing activities	**-16,104,908**	**-20,228,967**
Cash flows from financing activities		
Interest paid	-6,030,312	-8,001,150
Cash repayments of non-current financial liabilities	-2,737,602	-34,895,279
Cash repayments of current financial liabilities	-79,629,193	-61,193,656
Receipts from non-current borrowings	28,206,296	45,000,000
Receipts from current borrowings	31,037,369	30,223,470
Dividends paid	-	-108
Net cash from financing activities	**-29,153,442**	**-28,866,723**
Opening balance of cash and cash equivalents	**1,038,270**	**680,829**
Cash inflow/outflow for the period	**570,075**	**357,441**
Closing balance of cash and cash equivalents	**1,608,345**	**1,038,270**

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

5. CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FY 2012

(EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Total revenue reserves	Retained earnings	Net profit or loss	Revaluation surplus	Total majority shareholders' equity	Minority shareholders' equity	Total equity
At 31 December 2011	**58,420,965**	**89,562,703**	**18,882,889**	**56,263,316**	**75,146,205**	**10,411,742**	**443,364**	**6,703,699**	**240,688,678**	**108,140**	**240,796,818**
At 1 January 2012	**58,420,965**	**89,562,703**	**18,882,889**	**56,263,316**	**75,146,205**	**10,411,742**	**443,364**	**6,703,699**	**240,688,678**	**108,140**	**240,796,818**
Changes in equity – transactions with owners											
Other changes in equity	-	-	-5,128	-	-5,128	-9,164	-	-	**-14,292**	-	**-14,292**
	-	-	-5,128	-	-5,128	-9,164	-	-	**-14,292**	-	**-14,292**
Total comprehensive income for the period											
Net profit or loss for the period	-	-	-	-	-	-	10,478,881	-	**10,478,881**	19,678	**10,498,559**
Other comprehensive income for the period	-	-	-	-	-	-	-	-1,953,140	**-1,953,140**	374	**-1,952,766**
	-	**-**	**-**	**-**	**-**	**-**	**10,478,881**	**-1,953,140**	**8,525,741**	**20,052**	**8,545,793**
Changes within equity											
Transfer of the remaining net profit of the previous reporting period to other items of equity	-	-	-	-	-	443,364	-443,364	-	**-**	-	**-**
Transfer of the remaining part of net profit for the year to other items of equity based on a decision of the Management and Supervisory Boards	-	-	-	3,763,795	3,763,795	-	-3,763,795	-	**-**	-	**-**
	-	**-**	**-**	**3,763,795**	**3,763,795**	**443,364**	**-4,207,159**	**-**	**-**	**-**	**-**
At 31 December 2012	**58,420,965**	**89,562,703**	**18,877,761**	**60,027,111**	**78,904,872**	**10,845,942**	**6,715,086**	**4,750,559**	**249,200,127**	**128,192**	**249,328,319**

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

FY 2011

(EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Total revenue reserves	Retained earnings	Net profit or loss	Revaluation surplus	Total equity of the controlling entity	Total equity of non-controlling entities	Total equity
At 31 December 2010	**58,420,965**	**89,562,703**	**18,882,889**	**58,112,522**	**76,995,411**	**8,562,537**	**-**	**10,514,887**	**244,056,503**	**-**	**244,056,503**
At 1 January 2011	**58,420,965**	**89,562,703**	**18,882,889**	**58,112,522**	**76,995,411**	**8,562,537**	**-**	**10,514,887**	**244,056,503**	**-**	**244,056,503**
Changes in equity – transactions with owners											
	-	-	-	-	-	-	-	-	**-**	103,776	**103,776**
Total comprehensive income for the period	-										
Net profit or loss for the period	-	-	-	-	-	-	443,364	-	**443,364**	4,364	**447,728**
Other comprehensive income for the period	-	-	-	-	-	-	-	-3,811,189	**-3,811,189**	-	**-3,811,189**
	-	**-**	**-**	**-**	**-**	**-**	**443,364**	**-3,811,189**	**-3,367,825**	**4,364**	**-3,363,461**
Changes within equity											
Release of revenue reserves to cover losses based on a decision of the Management Board	-	-	-	-1,849,205	-1,849,205	1,849,205	-	-	**-**	-	**-**
	-	**-**	**-**	**-1,849,205**	**-1,849,205**	**1,849,205**	**-**	**-**	**-**	**-**	**-**
At 31 December 2011	**58,420,965**	**89,562,703**	**18,882,889**	**56,263,317**	**75,146,206**	**10,411,742**	**443,364**	**6,703,698**	**240,688,678**	**108,140**	**240,796,818**

The accompanying notes are an integral part of the consolidated 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 2012 include the financial statements of the controlling 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 controlling company, the Luka Koper Group consisted of 4 subsidiaries and 7 associates and jointly controlled companies as at 31 December 2012.

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 2012, the Company had 787 employees.

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

		31.12.2012		31.12.2011	
(EUR)	Country	Stake	Share capital	Stake	Share capital
Subsidiaries:					
Luka Koper Inpo, d. o. o.	Slovenia	100.0	240,878	100.0	240,878
Luka Koper Pristan, d. o. o.	Slovenia	100.0	1,894,746	100.0	1,894,746
Adria terminali, d. o. o.	Slovenia	100.0	802,157	100.0	802,157
TOC, d. o. o.	Slovenia	68.1	787,100	66.8	563,487
Luka Koper Deutschland GmbH*	Germany	-	-	74.8	18,700

Luka Koper Deutschland was deleted from the register of companies in 2012.

Activities of subsidiaries and changes that occurred in 2012

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 2012 it employs a total of 184 employees of which 105 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 2012 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 2012, the company had 24 employees. On 31 December 2012 Luka Koper d. d. held a 100 percent stake in the company.

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. Due to the withdrawal of the partner INSOL, d. o. o., from the company, the share capital of the company decreased accordingly. Subsequently, Luka Koper, d. d., became the majority owner with 68.1 percent stake.

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.

(EUR)	Country	31.12.2012 Stake	31.12.2011 Stake
Associates:			
Avtoservis, d. o. o.	Slovenia	49.0	49.0
Golf Istra, d. o. o.	Slovenia	20.0	20.0
Railport Arad s. r. l.	Romania	33.3	33.3
Jointly controlled companies:			
Adriafin, d. o. o.	Slovenia	50.0	50.0
Adria Transport, d. o. o.	Slovenia	50.0	50.0
Adria- Tow, d. o. o.	Slovenia	50.0	50.0
Adriasole, d. o. o.	Slovenia	98.0	98.0

7. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Luka Koper, d. d., pristaniški in logistični system, 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 2012 include:

- consolidated statement of financial position,
- 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.

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 the companies in the Luka Koper Group between International Financial Reporting Standards and IFRS adopted by the EU.

The Management Board approved the consolidated financial statements on 20 March 2013.

Basis for the preparation of financial statements

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.

Accounting policies applied

The accounting policies used are consistent with those applied in the financial year ended 31 December 2011, except for the adoption of new standards and interpretations effective from 1 January 2012 and which are noted below.

Newly adopted standards and interpretations

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
The amendment provides guidance on how an entity can resume presenting IFRS financial statements when its functional currency ceases to be subject to severe hyperinflation.
A further amendment is the removal of the legacy of fixed dates in IFRS 1 relating to derecognition and day one gain or loss transactions have also been removed. The amendments are effective in the EU for periods beginning on or after 1 January 2013. The amendment has no impact on the consolidated financial statements.

IFRS 7 – Financial instruments Disclosures – Transfer of Financial Assets

The amendments are effective for periods beginning on or after 1 July 2011 and were issued to improve the disclosure requirements relating to the transfer of financial assets. Amendments require disclosures for transfers of financial assets that are derecognised in their entirety, as well as those that are not, to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. The amendment requires retrospective application. The amendment affects disclosures only and has no impact on the consolidated financial statements

Standards and interpretations issued but not yet effective and not early adopted

The Group has not early adopted any standard or interpretation issued but not yet effective. The Group intends to adopt these standards, if applicable, when they become effective

The following new and amended standards will be applied in future periods as required by IFRSs and the European Union:

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amended)
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 retrospectively applied.

IFRS 10 – Consolidated Financial Statements

This standard replaces the part of IAS 27 Consolidated and Separate Financial Statements which refers to consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. The standard is applicable in the EU for periods beginning on or after 1 January 2014. IFRS 10 establishes a single control model that applies to all entities. This will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. The standard also changes the definition of control.

IFRS 11 – Joint Arrangements

This standard replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly-controlled entities – non-monetary contributions by venturers. The new standard addresses only two forms of joint arrangements (joint operations and joint ventures), where there is joint control. IFRS 11 uses the principle of control in IFRS 10. In addition, IFRS 11 removes the option to account for jointly-controlled entities using proportionate consolidation, leaving only the option to use the equity method. The standard is effective in the EU for periods beginning on or after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities

This standard is effective in the EU for periods beginning on or after 1 January 2014 and includes disclosure requirements that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. A number of new disclosures are also required, especially regarding judgments made to determine whether an entity controls another entity.

IFRS 13 – Fair Value Measurement

The new standard is applicable for 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 the fair value of financial and non-financial assets and liabilities when required or permitted by IFRSs.

IAS 1 – Presentation of Financial Statements: Presentation of Items in Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments are effective for periods beginning on or after 1 July 2012.

IAS 12 – Deferred Tax (amended)

The amendment is effective in the EU for annual periods beginning on or after 1 January 2013. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include a) 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) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

IAS 19 – Employee Benefits (amended)

In June 2011, the International Accounting Standards Board (the “the IASB”) issued numerous amendments to IAS 19. The key amendment refers to the removal of the corridor mechanism for recognising changes in the value of defined benefit plans. This means all changes in the value of defined benefit plans will be recognised as they occur depending on the type of change either in profit or loss or in other comprehensive income. The amendments are effective for periods beginning on or after 1 January 2013.

IAS 27 – Separate Financial Statements (revised)

This revised standard was issued in May 2011 as a result of the new standards IFRS 10, IFRS 11 and IFRS 12. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The standard is effective in the EU for periods beginning on or after 1 January 2014.

IAS 28 – Investments in Associates and Joint Ventures (revised)

This revised standard was issued in May 2011 as a result of the new standards IFRS 10, IFRS 11 and IFRS 12. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This revised standard is effective in the EU for periods beginning on or after 1 January 2014.

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.

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.

In compliance with the requirements of IFRSs and subject to the endorsement by the European Union, the Group will have to apply in future periods the following amended and revised standards and interpretations:

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Government loans (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2013. This amendment sets out how a first-time adopter would account for a government loan with a below-market rate of interest when they transition to IFRSs. This amendment provides the same relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

IFRS 9 – Financial Instruments

The Standard replaces IAS 39. IFRS 9 Financial Instruments was published in November 2009 and contained requirements for financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities. In December 2011, the IASB amended IFRS 9 to require application for annual periods beginning on or after 1 January 2015 and to not require the restatement of comparative-period financial statements upon initial application.

Phase II of IFRS 9, relating to impairment, has been in the process of re-deliberations from January 2011.

In September 2012, the IASB issued a review draft on general hedge accounting requirements (Phase III of IFRS 9) which will be added to IFRS 9 Financial Instruments.

IFRS 10 – Consolidated Financial Statements: Investment Entities (amendment)

In October 2012, IASB issued an amendment to IFRS 10 Consolidated Financial Statements to provide an exception to the consolidation requirements for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. An entity must meet all three elements of the definition and consider whether it has four typical characteristics, in order to qualify as an investment entity. There is one exception to this requirement not to consolidated subsidiaries for investment entities. If an investment entity has a subsidiary that provides investment-related services (e.g. investment management services) to the entity or third parties, then the investment entity must consolidated its subsidiary. The amendment applies for annual periods beginning on or after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities: Investment Entities (amendment)

In addition to the amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities has also been amended to require additional disclosures for investment entities. The amendment applies for annual periods beginning on or after 1 January 2014.

IAS 27 – Separate Financial Statements: Investment Entities (amendment)

In addition to the amendments to IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements has also been amended to define the accounting for and disclosure of subsidiaries of investment entities in the separate financial statements of an investment entity. The amendment applies for annual periods beginning on or after 1 January 2014.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief.

Improvements to IFRS

In May 2012, the IASB issued its annual improvements to IFRSs which included improvements of some of the existing standards. The effective date for the amendments is for annual periods beginning on or after 1 January 2012, but the amendments have not been endorsed yet by the EU.

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Repeated application of IFRS 1

This amendment clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS again, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS (according to IAS 8).

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Borrowing costs

Upon transition to IFRS, an entity will be allowed to retain its previously capitalised borrowing costs, without adjustment. After transition, borrowing costs are recognised in accordance with IAS 23 Borrowing costs.

IAS 1 – Presentation of Financial Statements: Clarification of the requirements for comparative information

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information (this is generally the previous period information). If an entity chooses to voluntarily provide comparative information beyond the minimum required comparative period, it must include comparative information also in the related notes to the financial statements.

Also, the amendment requires entities to present a third balance sheet (the opening balance sheet) (a) when an entity changes its accounting policies; or (b) makes retrospective restatements or makes reclassifications which have a material effect on the balance sheet. In such cases the entity is not required to provide supporting notes for the opening balance sheet.

IAS 16 – Property, plant and equipment: Classification of servicing equipment

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 – Financial instruments: Presentation: Tax effect of distributions to holders of equity instruments

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 Income taxes to any income tax arising from distributions to equity holders.

IAS 34 – Interim financial reporting: Interim financial reporting and segment information for total assets and liabilities

This amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. It also ensures that interim disclosures are aligned with annual disclosures in IFRS 8 Operating segments.

The Group is reviewing the impact of the improvements to IFRS which are not yet mandatory and have not yet been endorsed by the EU and, for the time being, has not assessed the impact of new pronouncements on its financial statements. The Group will apply the improvements to IFRS in accordance with their requirements, if endorsed by the EU.

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 recognised in the income statement.

Profit/loss from operations

Profit from operations is defined as the result before income tax and finance items. Finance items comprise interest revenue on cash balances at the bank, deposits, interest bearing available-for-sale investments, interest expense on borrowings, gains and losses 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 awards and termination benefits upon retirement,
- Provisions for legal disputes and damages,
- Impairment of investments.
- Impairment of receivables.

Deferred tax assets recognised on account of provisions for jubilee awards, termination benefits, legal disputes, 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 capitalised on sale or disposal of the investment or financial instrument as well as on final write-off of receivables.

Deductible temporary differences are recognised on account of provisions and impairments at the tax rate of 17 percent and for which we expect to be reversed in the short-term, and at the tax rate of 15 percent for provisions and impairments which we believe are long-term in nature.

Deferred tax liabilities are recognised recorded for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss) to a higher value, whereas on revaluation of available-for-sale financial assets to a lower value, deferred tax assets are recognised.

At the balance sheet date 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:

- Provisions for jubilee awards and termination benefits upon retirement are set on the basis of actuarial calculation.
- Provisions for legal disputes and damages are set aside using the following criteria:
  - Whether present obligation (legal or constructive) exists as a result of past events,
  - It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognise if the probability is high.
  - A reliable estimate can be made of the amount of the obligation.

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. In 2012, the Group changed the method of recognition of the surplus of port dues over the costs of the public commercial service of regular maintenance of the port infrastructure in individual financial year in accordance with Item 9.3. of the concession agreement. In accordance with the new recognition method, the revenue from port dues was reduced by the surplus amount of revenue over the costs of the public commercial services of regular maintenance of the port infrastructure, and the surplus was reported as long-term deferred revenue. In 2011, the surplus amount was recognised as an item of other operating expenses (provisions) and reported within items of long-term deferred revenue. The recognition method is explained in more detail in Note 1 and Section 12 of the Company's financial report.

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 the monetary price on the date of the asset's recognition.

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 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.

In 2012, the Group did not acquire any items of property, plant and equipment under finance lease.

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. 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, considering the assessed economic life of an individual asset. 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 assets of disposal groups held for sale and works of art are not depreciated. Average annual depreciation rates are presented below.

Asset	2012	2011
Buildings	1.5–6 %	1.5–6 %
Transport and transhipment equipment	5.6–20 %	5.6–20 %
Computer hardware	10–25 %	10–25 %
Other equipment	6.6–25 %	6.6–25 %

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 losses resulting from disposal of individual item of property, plant and equipment is determined as the differences between the revenue from disposal 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. All items of intangible assets have finite useful lives.

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. Assessed useful life of other items of intangible assets is between 5 and 10 years (average amortisation rates use dare presented below).

Intangible assets	2012	2011
Concessions, trademarks and licences	10–20%	10–20%

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 are divided into individual parts according to estimated useful lives. Only those buildings and land that are leased to unrelated parties, are included in this category. Average used depreciation rates for investment property:

Investment property	2012	2011
Buildings	1.5–6 %	1.5–6 %

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. Financial investments held to maturity
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. 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 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 percent) 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 current or non-current 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 non-current and current financial liabilities. On the last day of the year, all financial liabilities maturing within a period of 12 months are transferred to current financial liabilities. Interest-bearing borrowings are insured with bills of exchange 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 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. 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 the cost.

Non-current assets of 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 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 of 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

The 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 recognised 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

Share 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.

Redemption of treasury shares

In 2012, the Group did not trade in treasury shares.

Authorised capital

At 31 December 2012, the Group had no authorised capital.

Provisions

Provisions for legal disputes and damages

The Company made provisions for disputes and damages related to alleged business offences. The amount of provisions and the need for their recognition is determined in consideration of the following criteria:

- Whether present obligation (legal or constructive) exists as a result of past events,
- It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognise if the probability is high.
- A reliable estimate can be made of the amount of the obligation.

Provisions for termination benefits and jubilee awards

In accordance with the statutory requirements and the collective agreement, the Group is obligated to pay jubilee awards 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 are recognised in the income statement.

Maintenance of port infrastructure

In accordance with the concession agreement concluded with the Republic of Slovenia, and criteria approved by the government of the Republic of Slovenia, Luka Koper, d. d., recognises long-term accrued costs for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs. In the case the Company reports a surplus of costs over revenue from port dues, the relevant amount of deferred revenue is transferred to the revenue.

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 collateral received for rented business premises. Trade liabilities and payables to the state and employees are shown 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.

Accrued and deferred items

Capitalised short-term deferred costs and accrued revenue include items of deferred costs or deferred expenses, as well as items of accrued revenue, whereas short-term accrued costs and deferred revenue include accrued costs or expenses, as well as items of deferred income.

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 2012 the Company did not receive a positive decision from the 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 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 2012, income tax liability was calculated at the rate of 18 percent of the tax basis compared to 20 per cent tax rate applied in the previous year. In accordance with the applicable legislation, in the next few years, the income tax rate will be gradually decreased to 15 percent in 2015.

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 temporary differences resulted in an increase of the taxable amounts and deferred tax liabilities. Whereas deductible temporary differences resulted in a decrease of taxable amounts and an increase in deferred tax assets.

Earnings per share

The basic and diluted earnings per share was calculated by dividing the net profit for the financial year 2012 by the weighted average number of ordinary shares in issue.

Revenue

Operating revenue

<u>Revenue from services rendered</u>

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. Revenue from the local market was achieved in Slovenia, while revenue from foreign markets was generated in the EU and third countries.

<u>Rental income</u>

Rental income (primarily 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 operating revenue

Other operating revenue comprises revaluation operating revenue from the sale of property, plant and equipment.

Other revenue

Other revenue includes subsidies and insurance proceeds.

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. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

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 Group's 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 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 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 or another estimated amount 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.

Statement of comprehensive income

In the statement of comprehensive income the Group reports the net profit or loss and other comprehensive income (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 2012 and 31 December 2011, as well as the items in the income statement for the financial year ended 31 December 2012, inclusive of any necessary adjustments of the cash flow.

Statement of changes in equity

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

Basis for consolidation

Subsidiaries

Subsidiaries are entities controlled 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.

Associates

Associates are companies in which the Group has a significant influence but does not control their financial and business policies. A significant influence exists if the Group owns 20 to 50 percent of voting rights in another company. Investments in associates are measured under the equity method. The cost of an investment includes the cost of transaction. Consolidated financial statements include a share of the Group in profits and losses and in other comprehensive income calculated after the financial policies have been harmonised, from the date when a significant influence starts to the date when it ends.

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 eliminated in the same way as profits, provided that no evidence of impairment exists.

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. Efficient 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 are described in the chapter Risk management. 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 33: 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.

FY 2012

(EUR)	Slovenia 2012	Foreign markets 2012	Elimination 2012	Total 2012
Sales to non-group companies	51,558,506	90,143,594	-	141,702,100
Sales to Group companies	3,948,255	-	-3,948,255	-
				-
Non-current assets	421,373,761	6,875,919	-	428,249,680

FY 2011

(EUR)	Slovenia 2011	Foreign market 2011	Elimination 2011	Total 2011
Sales to non-group companies	47,611,912	93,420,510	-	141,032,422
Sales to Group companies	5,143,866	-	-5,143,866	-
				-
Non-current assets	438,556,135	7,349,096	-	445,905,231

9. ADDITIONAL NOTES TO THE CONSOLIDATED INCOME STATEMENT

Note 1: Operating revenue

(EUR)	2012	2011
Net sales on the domestic market	51,558,506	47,611,912
- services	50,048,206	46,017,885
- goods and material	75,360	24,548
- rent	1,434,940	1,569,479
Net sales on foreign markets	90,143,594	93,420,510
- services	89,808,623	93,261,933
- goods and material	101,342	-
- rent	233,629	158,577
Sales revenue	**141,702,100**	**141,032,422**
Subsidies to disability companies	100,389	106,347
Other income for cost covering	2,469,442	2,372,724
Revaluation operating revenue	85,706	108,024
Other operating revenue	2,182	13,709
Other operating revenue	**2,657,719**	**2,600,804**
Total operating revenue	**144,359,819**	**143,633,226**

In 2012, the Group changed the method of recognition of the surplus of port dues over the costs of the provision of public commercial services relating to regular maintenance of port infrastructure in an individual business year in accordance with the concession agreement and criteria approved by the Republic of Slovenia. In accordance with the new recognition method, the revenue from port dues was reduced by the surplus of revenue over the cost of the public commercial services of regular maintenance of port infrastructure, and the surplus was reported as deferred revenue in the total amount of EUR 1,215,545. The long-term deferred revenue amounts will be utilised to cover the cost of utility services of regular maintenance of the port infrastructure in the next financial years.

Note 2: Other revenue

(EUR)	2012	2011
Subsidies, grants and similar income	917,484	335,398
Insurance proceeds	48,001	8,134
Other operating revenue	8,467	15,352
Capitalised own products and services	29,987	127,722
Total	**1,003,939**	**486,606**

The majority of other revenue recognised in 2012 and in 2011 relates revenue accrued on the basis of the costs incurred on European projects, and the Group justifiably expects to receive these subsidies and grants.

Note 3: Cost of material

(EUR)	2012	2011
Cost of material and spare parts	3,944,493	2,823,043
Cost of power supply	7,479,833	7,138,180
Office supplies	145,318	156,041
Other cost of material	385,242	326,295
Total	**11,954,886**	**10,443,559**

Note 4: Cost of services

(EUR)	2012	2011
Cost of physical services	17,763,201	16,920,479
Cost of transportation	258,742	231,817
Cost of maintenance	6,849,623	6,362,758
Rents	793,625	795,081
Reimbursement of costs associated with labour	287,029	325,681
Costs of payment processing and insurance premiums	479,697	459,026
Cost of intellectual and personal services	1,014,185	842,523
Cost of advertising, trade fairs and hospitality	1,115,767	1,201,814
Cost of services rendered by natural entities	272,155	249,072
Cost of other services	12,051,283	11,631,393
Total	**40,885,307**	**39,019,644**

The majority of the costs of services relate to physical services which are inclusive of port services rendered by the contractors. The costs of intellectual and personal services include cost of auditing financial statements of Luka Koper, d. d. and its subsidiaries, and cost of auditing the Group's financial statements, in the amount of EUR 37,500. The major item among cost of other services is IT support cost of EUR 3,099,731 in 2012 (in 2011: EUR 3,203,331), followed by cost of concession fee in the amount of EUR 4,471,855 (in 2011: EUR 4,473,430), cost of conveying and carting off of carriages of EUR 2,475,044 (in 2011: EUR 2,516,315), utility and cleaning services EUR 591,384 (in 2011: EUR 570,664) and security cost of EUR 173,750 (in 2011: EUR 196,996).

In the category of payment processing costs and insurance premiums, the prevailing are insurance premiums amounting to EUR 416,388 (in 2011: 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 well as the infrastructure under long-term lease.

Note 5: Labour cost

(EUR)	2012	2011
Employee benefits	23,407,691	24,551,523
Salary substitutes	4,814,285	4,196,705
Voluntary pension insurance	1,171,721	1,189,871
Employer's contributions on employee benefits	4,618,233	4,686,723
Annual holiday pay, reimbursements and other costs	3,478,427	3,272,569
Total	**37,490,357**	**37,897,391**

In 2012, the annual holiday pay amounted to EUR 763 per employee (in 2011: EUR 910).

In 2012, the employees, with exception of members of the Management Board and employees with individual contracts of employment, received the amount equal to 60% of the average salary (13th salary) on account of the planned added value achieved. The employees at Luka Koper Inpo, d. o. o., received one average salary (13th salary) on account of the planned added value achieved. Additional benefits paid to employees by the employer are voluntary pension insurance contributions (pension scheme), which the employer has been paying for the past eleven years.

The number of Group employees decreased to 999 as at 31 December 2012, compared to 1020 reported at 31 December 2011. This is mainly due to retirements. The average number of employees in 2012 was 1,015 (in 2011: 998).

In 2012, the Group has not granted any loans to employees on individual contracts, whereas in 2011, the amount of such loans was EUR 2,508.

Average number of employees of the Luka Koper Group by educational level in 2012 and 2011

Level of education	Average 2012	Average 2011
VIII/2	2	2
VIII/1	19	18
VII	106	103
VI/2	123	122
VI/1	66	61
V	267	259
IV	263	249
III	21	22
I–II	148	162
Total	**1,015**	**998**

Note 6: Write-downs

(EUR)	2012	2011
Depreciation of buildings	11,978,447	11,798,140
Depreciation of equipment, spare parts and small tools	15,395,670	15,079,083
Depreciation of investment property	139,151	139,076
Amortisation of intangible assets	519,081	275,241
Revaluation operating expenses for property, plant and equipment	1,974,638	33,023
Revaluation operating expenses for current assets	105,514	413,911
Total	**30,112,501**	**27,738,474**

In 2012, amortisation and depreciation rates applied to property, plant and equipment, investment property and intangible assets were not changed. Amortisation and depreciation charges on these assets increased as a result of new purchases and the completion of some major investments.

A majority of revaluation operating expenses include revaluation of property, plant and equipment, more specifically rail carriages in the amount of EUR 1,164,681, the Luna building of EUR 430,000, which is included in a group of assets held for disposal, and land in Sežana of EUR 244,911.

The revaluation operating expenses from current assets arose on impairment of receivables with maturity of over 180 days (the same criteria as the one applied in 2011).

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Note 7: Other operating expenses

(EUR)	2012	2011
Charges unrelated to labour costs or other costs	5,313,598	5,272,150
Environmental charges	77,293	112,037
Awards and scholarship to students	6,397	10,050
Other cost (fines, damages, demurrage...)	829,476	718,398
Provisions for legal disputes	-490,294	365,213
Regular maintenance cost in accordance with the Concession Agreement	-	159,216
Total	**5,736,470**	**6,637,064**

A significant item of charges represents urban land rates, which totalled EUR 5,049,210 in 2012 (in 2011: EUR 4,889,121).

Note 8: Finance income

(EUR)	2012	2011
Financial revenue from shares and interest		
Financial revenue from shares and interests in associates	395,108	442,885
Financial revenue from shares and interests in other companies	661,953	855,613
Financial revenue from loans		
Financial revenue from loans and deposits to others	989,952	256,170
Financial revenue from operating receivables		
Financial revenue from operating receivables due from others	96,340	160,118
Total	**2,143,353**	**1,714,786**

Note 9: Finance expense

(EUR)	2012	2011
Finance expenses for investments	2,167,628	14,161,958
Finance expenses for financial liabilities		
Finance expenses for borrowings from banks	5,947,015	7,966,722
Finance expenses for other finance liabilities	21,087	34,429
Finance expenses for operating liabilities		
Finance expenses for liabilities to suppliers	43,136	453
Finance expenses for other operating liabilities	19,074	1,515
Total	**8,197,940**	**22,165,077**

In addition to finance expenses for borrowings, a significant item of finance expenses is expenses for investments referring particularly to impairments of investments in associates and other companies. A detailed explanation of impairments is provided in Note 9 of the financial report of the company. Revaluation of Adria Terminali, d. o. o., and TOC, d. o. o., was eliminated from the consolidated statements, whereas profit or loss of associates was included under the equity method, as follows: loss of Railport Arad, s. r. i., in the amount of EUR 144,659, loss incurred by Adriafin, d. o. o., in the amount of EUR 28,615, and loss incurred by Golf, Istra d. o .o., of EUR 22,647.

Finance expenses for other operating liabilities represent the difference between exchange rate gains in the amount of EUR 120,029 and exchange rate losses of EUR 139,103. The result is exchange rate loss in the amount of EUR 19,074.

Note 10: Profit or loss before tax

In 2012, the Group generated an operating result of EUR 19,184,237, compared to EUR 22,383,700 generated at the end of 2011. Considering the loss from financing of EUR 6,054,587 (in 2011: loss of EUR 20,450,291), the 2012 profit is EUR 13,129,650, compared to EUR 1,933,409 reported in 2011.

Note 11: Effective tax rate

(EUR)	2012	2011
Profit or loss before tax	**13,129,650**	**1,933,409**
Income tax (18% in 2012; 20% in 2011)	**-2,363,337**	**-386,682**
Non-taxable income and increase in expenditure	123,050	319,956
Non-taxable dividends received	284,571	166,617
Tax allowances	1,462,109	521,525
Expenses not recognised for tax purposes	-587,423	-627,427
Impairment loss not recognised for tax purposes	-248,096	-1,479,669
Other reduction in the tax basis	9,279	-
Effect of changes in the tax rate	-1,311,244	
Total income tax payable	**-2,631,091**	**-1,485,680**
Effective tax rate	**20.04%**	**-**

The corporate income tax of the entire Group was accounted for in accordance with the Corporate Income Tax Act. In 2011, the income tax was EUR 1,130,339.

Note 12: Deferred tax

In 2012, deferred taxes reduced the amount of net profit by EUR 1,236,834, (2011: EUR 355,341). Deferred tax assets were made on account of investment impairment, provisions for jubilee awards, termination benefits, legal disputes, and receivable allowances. The amount of deferred tax was decreased due to the utilisation of provisions for jubilee awards, termination benefits, sale or disposal of previously impaired financial investments and by the amount of decommissioned items of fixed assets.

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

(EUR)	2012	2011
Provisions	-26,659	1,275
Unutilised tax losses	-	-1,701,621
Non-current investments	80,316	1,275,090
Receivable allowances	-200,866	69,916
Decommissioning of fixed assets	-31,446	-
Interest hedging	254,401	-
Amendment to tax legislation	-1,312,581	-
Total	**-1,236,835**	**-355,340**

Changes in deferred tax liabilities recognised in the comprehensive income are:

(EUR)	2012	2011
Deferred tax on changes in fair value of AFS financial investments	366,279	-951,563

FY 2012

(EUR)	Assets Balance at 1 Jan 2012	Recognised in the income statement	Balance at 31 Dec 2012	Liabilities Balance at 1 Jan 2012	Deferred through revaluation surplus	Balance at 31 Dec 2012
Deferred tax assets and liabilities on account of:						
Impairment of investments and financial instruments	8,073,327	-860,444	7,212,883	1,677,159	-366,279	1,310,880
Provisions for termination benefits and jubilee awards and long-term accrued revenue from public commercial services	657,084	-138,073	519,011	-	-	-
Receivable allowances	298,988	-206,872	92,116	-	-	-
Decommissioning of fixed assets	31,446	-31,446	-	-	-	-
Total	**9,060,845**	**-1,236,835**	**7,824,010**	**1,677,159**	**-366,279**	**1,310,880**

FY 2011

(EUR)	Assets Balance at 1 Jan 2011	Recognised in the income statement	Balance at 31 Dec 2011	Liabilities Balance at 1 Jan 2011	Deferred through revaluation surplus	Balance at 31 Dec 2011
Deferred tax assets and liabilities on account of:						
Impairment of investments and financial instruments	6,798,237	1,275,090	8,073,327	2,628,722	-951,563	1,677,159
Provisions for termination benefits and jubilee awards and long-term accrued revenue from public commercial services	655,808	1,275	657,083	-	-	-
Receivable allowances	229,072	69,917	298,989	-	-	-
Decommissioning of fixed assets	31,446	-	31,446	-	-	-
Tax loss	1,701,622	-1,701,622	-	-	-	-
Total	**9,416,185**	**-355,340**	**9,060,845**	**2,628,722**	**-951,563**	**1,677,159**

Note 13: Earnings per share

2012 the Group generated net profit of EUR 10,498,559 (in 2011: EUR 447,729). Net profit of the controlling interest amounted to EUR 10,478,881 (in 2011: EUR 443,364), whereas net profit of non-controlling interests amounted to EUR 19,678 (in 2011: EUR 4,365). The non-controlling interest is held by the partner of the company TOC, d. o. o.

(EUR)	31.12.2012	31.12.2011
Net profit of the controlling interest for the period	10,478,881	443,364
Total number of shares	14,000,000	14,000,000
Number of ordinary shares	14,000,000	14,000,000
Basic and diluted net profit per share	**0.75**	**0.03**

Net earnings per share for the year 2012 were calculated by dividing the net operating profit 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.

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.

Attributable profits/losses of subsidiaries

Subsidiaries (EUR)	Net profit/loss 2012	Net profit/loss 2011
Luka Koper Inpo, d. o. o.	**2,496,792**	**2,215,186**
Generated profit	3,120,886	3,120,469
Profit share paid	-624,094	-905,282
Luka Koper Pristan, d. o. o.	**-18,732**	**-94,501**
Generated profit	1,687	20,419
Profit share paid	-20,419	-114,920
Adria terminali, d. o. o.	**-389,936**	**-45,916**
TOC, d. o. o.	**42,070**	**8,782**

Attributable profits/losses of associates and jointly controlled companies

Associates (EUR)	2012	2011
Avtoservis, d. o. o.	**-3,200**	**-63,024**
Profit attributed under the equity method	31,776	34,976
Profit share paid	-34,976	-98,000
Golf Istra, d. o. o.	**-22,647**	**-**
Loss/profit attributed under the equity method	-22,647	-
Railport Arad s. r. l.	**-144,659**	**-**
Loss/profit attributed under the equity method	-144,659	-

Jointly controlled entities (EUR)	2012	2011
Adriafin, d. o. o.	**-28,615**	**-202,709**
Profit attributed under the equity method	-28,615	-2,709
Profit share paid	-	-200,000
Adria Transport, d. o. o.	**80,374**	**3,791**
Profit attributed under the equity method	154,860	78,406
Profit share paid	-74,486	-74,615
Adria-Tow, d. o. o.	**8,473**	**132,212**
Profit attributed under the equity method	208,473	332,212
Profit share paid	-200,000	-200,000

10. ADDITIONAL NOTES TO THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note 14: Property, plant and equipment

(EUR)	31.12.2012	31.12.2011
Property, plant and equipment		
Land	11,043,000	10,966,136
Buildings	238,062,787	245,041,383
Plant and machinery	78,089,558	81,758,020
Other plant and equipment	188,474	245,119
Fixed assets being acquired and advances given	23,935,428	25,142,874
Total	**351,319,247**	**363,153,532**

No items of property, plant and equipment are pledged as collateral.

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 2012. No items of property, plant and equipment have been pledged by the Group. As at 31 December 2012, the outstanding trade liabilities to the suppliers of items of property, plant and equipment amounted to EUR 2,775,455 (in 2011: EUR 2,262,110). A majority of investments was made by Luka Koper, d. d.. Details are presented in Note 14 of the financial report of the company.

Table of changes in property, plant and equipment

FY 2012

(EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Fixed assets being acquired	Advances on fixed assets	Total
Cost							
At 31 December 2011	10,966,136	407,413,493	232,623,122	509,304	23,895,174	1,247,700	676,654,929
Adjustments	76,864	-76,864	-	-	-	-	-
1 January 2012	11,043,000	407,336,629	232,623,122	509,304	23,895,174	1,247,700	676,654,929
Additions	-	1,616,282	10,773,338	11,780	5,340,133	-	17,741,533
Transfer from investments in progress	-	3,652,891	1,244,249	-	-4,897,140	-	-
Disposals, write-downs	-	-37,489	-1,994,322	-	-	-	-2,031,811
Transfer from/to intangible assets	-	-	-	-	-414,439	-	-414,439
Transfer from/to investment property	-	-168,679	-	-	-	-	-168,679
Transfer from/to current assets	-	-7,920	-2,406,286	-	-	-	-2,414,206
Reclassifications in property, plant and equipment	-	-4,448	1,240,448	-		-1,236,000	-
At 31 December 2012	11,043,000	412,387,266	241,480,549	521,084	23,923,728	11,700	689,367,327
Accumulated depreciation							
At 31 December 2011	-	162,372,110	150,865,102	264,185	-	-	313,501,397
Adjustments							-
At 1 January 2012	-	162,372,110	150,865,102	264,185	-	-	313,501,397
Depreciation	-	11,978,450	15,327,244	68,425	-	-	27,374,119
Disposals, write-downs	-	-16,063	-1,918,218	-	-	-	-1,934,281
Impairments	-	-	1,164,681	-	-	-	1,164,681
Transfer from/to investment property	-	-1,954	-	-	-	-	-1,954
Transfer from/to current assets	-	-7,920	-2,047,962	-	-	-	-2,055,882
Reclassifications in property, plant and equipment	-	-144	144	-	-	-	-
At 31 December 2012	-	174,324,479	163,390,991	332,610	-	-	338,048,080
Carrying amount							
At 31 December 2011	**10,966,136**	**245,041,383**	**81,758,020**	**245,119**	**23,895,174**	**1,247,700**	**363,153,532**
At 1 January 2012	**11,043,000**	**244,964,519**	**81,758,020**	**245,119**	**23,895,174**	**1,247,700**	**363,153,532**
At 31 December 2012	**11,043,000**	**238,062,787**	**78,089,558**	**188,474**	**23,923,728**	**11,700**	**351,319,247**

FY 2011

(EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Fixed assets being acquired	Advances on fixed assets	Total
Cost							
At 31 December 2010	12,072,877	398,946,758	226,419,573	148,952	26,117,245	505,222	664,210,627
Adjustments (Group's change)	-	33,373	-	359,351	-	-	392,724
At 1 January 2011	12,072,877	398,980,131	226,419,573	508,303	26,117,245	505,222	664,603,351
Additions	-	5,693,404	7,482,803	1,001	4,295,505	742,478	18,215,191
Transfer from investments in progress	-	5,905,759	611,817	-	-6,517,576	-	-
Disposals, write-downs	-	-1,128,034	-1,261,222	-	-	-	-2,389,256
Transfer from/to intangible assets	-	3,664,483	1,156,506	-	-	-	4,820,989
Transfer from/to investment property	-1,106,741	-3,620,697	-	-		-	-4,727,438
Transfer from/to current assets	-	-2,081,553	-1,786,355	-	-	-	-3,867,908
At 31 December 2011	10,966,136	407,413,493	232,623,122	509,304	23,895,174	1,247,700	676,654,929
Accumulated depreciation							
At 31 December 2010	-	152,707,554	137,662,655	-	-	-	290,370,209
Adjustments (Group's change)	-	2,670	-	192,758	-	-	195,428
At 1 January 2011	-	152,710,224	137,662,655	192,758	-	-	290,565,637
Depreciation	-	11,798,140	15,007,656	71,427	-	-	26,877,223
Disposals, write-down	-	-318,734	-1,194,314	-	-	-	-1,513,048
Transfer from/to intangible assets	-	-	1,156,506	-	-	-	1,156,506
Transfer from/to investment property	-	-1,817,520	-	-	-	-	-1,817,520
Transfer from/to current assets	-	-	-1,767,401	-	-	-	-1,767,401
At 31 December 2011	-	162,372,110	150,865,102	264,185	-	-	313,501,397
Carrying amount							
At 31 December 2010	**12,072,877**	**246,239,204**	**88,756,918**	**148,952**	**26,117,245**	**505,222**	**373,840,418**
At 1 January 2011	**12,072,877**	**246,269,907**	**88,756,918**	**315,545**	**26,117,245**	**505,222**	**374,037,714**
At 31 December 2011	**10,966,136**	**245,041,383**	**81,758,020**	**245,119**	**23,895,174**	**1,247,700**	**363,153,532**

Note 15: Investment property

(EUR)	31.12.2012	31.12.2011
Investment property - land	16,289,500	16,123,733
Investment property - buildings	4,021,122	4,159,316
Total	**20,310,622**	**20,283,049**

Investment property consists of buildings that are leased out to unrelated entities under an operating lease and land, which is held in order to appreciate in value in the long-term. The equity interest in the assets is checked on a regular basis. As at 31 December 2012, the fair value of investment property does not deviate substantially from carrying amounts.

(EUR)	31.12.2012	31.12.2011
Income from the rent of investment property	891,475	936,123
Depreciation of investment property	-139,151	-139,076

The table above presents income from rent of investment property, and significant cost of investment property, depreciation.

Table of changes in investment property

FY 2012

(EUR)	Land	Buildings	Total
Cost			
At 31 December 2011	16,123,733	5,614,226	21,737,959
Adjustments			-
At 1 January 2012	16,123,733	5,614,226	21,737,959
Transfer from/to property, plant and equipment	165,767	2,912	168,679
At 31 December 2012	16,289,500	5,617,138	21,906,638
Accumulated depreciation			
At 31 December 2011	-	1,454,910	1,454,910
Adjustments			-
At 1 January 2012	-	1,454,910	1,454,910
	-		
Depreciation	-	139,152	139,152
Transfer from/to property, plant and equipment	-	1,954	1,954
At 31 December 2012	-	1,596,016	1,596,016
Carrying amount			
At 31 December 2011	**16,123,733**	**4,159,316**	**20,283,049**
At 1 January 2012	**16,123,733**	**4,159,316**	**20,283,049**
At 31 December 2012	**16,289,500**	**4,021,122**	**20,310,622**

FY 2011

(EUR)	Land	Buildings	Total
Cost			
At 31 December 2010	16,123,733	1,482,372	17,606,105
Adjustments			-
At 1 January 2011	16,123,733	1,482,372	17,606,105
Transfer from/to intangible assets	-	4,131,854	4,131,854
At 31 December 2011	16,123,733	5,614,226	21,737,959
Accumulated depreciation			
At 31 December 2010	-	93,898	93,898
Adjustments			-
At 1 January 2011	-	93,898	93,898
	-		
Depreciation	-	139,075	139,075
Transfer from/to property, plant and equipment	-	1,221,937	1,221,937
At 31 December 2011	-	1,454,910	1,454,910
Carrying amount			
At 31 December 2010	**16,123,733**	**1,388,474**	**17,512,207**
At 1 January 2011	**16,123,733**	**1,388,474**	**17,512,207**
At 31 December 2011	**16,123,733**	**4,159,316**	**20,283,049**

Note 16: Intangible assets

(EUR)	31.12.2012	31.12.2011
Intangible assets:		
Development costs	390,746	332,570
Concessions, trademarks and licences	5,491,292	4,756,548
Total	**5,882,038**	**5,089,118**

Intangible assets were not impaired in 2012. The changes and the related accumulated amortisation are shown in the following table for the year 2012, with the 2011 figures provided for comparison. As at 31 December 2012 and 31 December 2011, no intangible assets were pledged as collateral.

In addition to concessions, trademarks and licences, most of which are owned by the controlling company, Group's intangible assets include development costs in the amount of

EUR 390,746 of the subsidiary TOC, d. o. o., for the CAPSorb project (the development of effective ecological absorbents to control spillage of all kinds of hydrophilic and hydrophobic dangerous and non-dangerous liquids on solid ground and water surfaces).

At 31 December 2012, outstanding supplier payables for property, plant and equipment amounted to EUR 344,890 (in 2011: EUR 484,476).

Table of changes in intangible assets

FY 2012

(EUR)	Development cost	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost				
At 31 December 2011	332,570	14,448,644	967,369	15,748,583
Adjustments				-
At 1 January 2012	332,570	14,448,644	967,369	15,748,583
Additions	58,176	56,708	782,678	897,562
Transfer from/to property, plant and equipment	-	414,439	-	414,439
At 31 December 2012	390,746	14,919,791	1,750,047	17,060,584
Accumulated amortisation				
At 31 December 2011	-	10,659,465	-	10,659,465
Adjustments				-
At 1 January 2012	-	10,659,465	-	10,659,465
Amortisation	-	519,081	-	519,081
At 31 December 2012	-	11,178,546	-	11,178,546
Carrying amount				
At 31 December 2011	**332,570**	**3,789,179**	**967,369**	**5,089,118**
At 1 January 2012	**332,570**	**3,789,179**	**967,369**	**5,089,118**
At 31 December 2012	**390,746**	**3,741,245**	**1,750,047**	**5,882,038**

FY 2011

(EUR)	Development cost	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost				
At 31 December 2010	-	11,915,537	6,906,261	18,821,798
Adjustments (Group's change)	332,570	201,835	-	534,405
At 1 January 2011	332,570	12,117,372	6,906,261	19,356,203
Additions	-	350,884	866,419	1,217,303
Transfer from investments in progress	-	3,140,828	-3,140,828	-
Disposals, write-downs	-	-1,160,440	-	-1,160,440
Transfer from/to property, plant and equipment	-	-	-3,664,483	-3,664,483
At 31 December 2011	332,570	14,448,644	967,369	15,748,583
Accumulated amortisation				
At 31 December 2010	-	11,522,400	-	11,522,400
Adjustments (Group's change)	-	18,494	-	18,494
At 1 January 2011	-	11,540,894	-	11,540,894
Amortisation	-	275,240	-	275,240
Disposals, write-downs	-	-1,156,669	-	-1,156,669
At 31 December 2011	-	10,659,465	-	10,659,465
Carrying amount				
At 31 December 2010	**-**	**393,137**	**6,906,261**	**7,299,398**
At 1 January 2011	**332,570**	**576,478**	**6,906,261**	**7,815,309**
At 31 December 2011	**332,570**	**3,789,179**	**967,369**	**5,089,118**

Note 17: Non-current investments and loans

(EUR)	31.12.2012	31.12.2011
Loans:		
Held-to-maturity investments:		
Non-current loans with purchase of securities	1,454,471	1,586,889
Cost of held-to-maturity investments to others	1,497,241	1,629,659
Impairment of held-to-maturity investments to others	-42,770	-42,770
Loans		
Non-current loans	62,925	127,796
Non-current housing loans to employees	57,353	101,367
Non-current loans to others	6,284	31,869
Impairment of non-current loans and housing loans to employees	-712	-5,440
Non-current deposits given	9,151	2,852,617
Total loans	**1,526,547**	**4,567,302**
Non-current investments:		
Investments in associates and jointly controlled companies measured at cost	12,087,827	12,269,902
Cost of available-for-sale investments in shares and interests of associates	16,327,192	16,246,697
Impairment of available-for-sale investments in shares and interests of associates	-4,239,365	-3,976,795
Other investments measured at cost	6,205,666	7,188,541
Cost of investments in shares and interests of other companies	31,066,996	31,066,996
Impairment of available-for-sale shares and interests of other companies	-24,861,330	-23,878,455
Other investments measured at fair value through equity	23,088,480	24,284,278
Total non-current financial investments	**41,381,973**	**43,742,721**
Total	**42,908,520**	**48,310,023**

A majority of changes in non-current investments occurred in the controlling company. They are presented in Note 17 of the financial report of the company.

Table of changes in non-current investments and loans

FY 2012

(EUR)	Held-to-maturity investments	Loans	Non-current investments	Total
Gross value				
Balance at 31 December 2011	1,629,659	2,985,853	71,597,971	76,213,483
Additions				
New loans, acquisitions	-	9,151	80,495	89,646
Disposals				
Repayments, disposals	-132,418	-37,704	-	-170,122
Transfer to the current part	-	-2,884,512	-	-2,884,512
Revaluation to fair value through equity	-	-	-1,195,798	-1,195,798
Balance at 31 December 2012	1,497,241	72,788	70,482,668	72,052,697
Accumulated impairment loss				
Balance at 31 December 2011	42,770	5,440	27,855,250	27,903,460
Additions				
Impairment	-	-	1,245,445	1,245,445
Disposals				
Investments written-off, later recovered	-	-4,728	-	-4,728
Balance at 31 December 2012	42,770	712	29,100,695	29,144,177
Net amount at 31 December 2011	**1,586,889**	**2,980,413**	**43,742,721**	**48,310,023**
Net amount at 31 December 2012	**1,454,471**	**72,076**	**41,381,973**	**42,908,520**

FY 2011

(EUR)	Held-to-maturity investments	Loans	Non-current investments	Total
Gross value				
Balance at 31 December 2010	2,169,701	226,656	74,239,181	76,635,538
Additions				
New loans, acquisitions	-	2,800,000	13,096	2,813,096
Attribution of interest	-	52,617	-	52,617
Revaluation to fair value through equity	-	-	3,139,807	3,139,807
Disposals				
Repayments, disposals	-120,042	-6,428	-1,409,154	-1,535,624
Transfer to the current part	-420,000	-86,992	-	-506,992
Revaluation to fair value through equity	-	-	-4,384,959	-4,384,959
Balance at 31 December 2011	1,629,659	2,985,853	71,597,971	76,213,483
Accumulated impairment loss				
Balance at 31 December 2010	42,770	9,847	29,020,404	29,073,021
Additions				
Impairment	-	-4,407	244,000	239,593
Disposals				
Repayments, disposals	-	-	-1,409,154	
Balance at 31 December 2011	42,770	5,440	27,855,250	29,312,614
Net amount at 31 December 2010	**2,126,931**	**216,809**	**45,218,777**	**47,562,517**
Net amount at 31 December 2011	**1,586,889**	**2,980,413**	**43,742,721**	**48,310,023**

Note 18: Non-current operating receivables

(EUR)	31.12.2012	31.12.2011
Non-current operating receivables:		
Non-current advances and guarantees	7,664	8,664
Impairments	-2,421	-
Total	**5,243**	**8,664**

Note 19: Deferred tax assets and liabilities

	Assets		Liabilities	
(EUR)	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Deferred tax assets and liabilities relating to:				
- investments, long-term deferred revenue from public commercial services relating to maintenance and other receivables	7,667,675	8,862,053	1,310,880	1,677,159
- trade receivables	73,482	54,835	-	-
- provisions for termination benefits	53,319	105,855	-	-
- provisions for jubilee awards	29,534	38,102	-	-
Total	**7,824,010**	**9,060,845**	**1,310,880**	**1,677,159**

Deferred tax assets are accounted for as temporary differences arising from the creation of provisions for termination benefits and jubilee awards in the amount of EUR 82,853, impairment of assets in the amount of EUR 73,482, non-current investments and deferred revenue to cover the cost of the commercial service relating to regular port infrastructure maintenance in the amount of EUR 7,667,675.

Note 20: Assets of disposal group held for sale

(EUR)	31.12.2012	31.12.2011
Assets held for disposal:		
Property, plant and equipment	1,275,879	1,402,475
Other assets held for sale	4,716,519	5,573,248
Total	**5,992,398**	**6,975,723**

A majority of changes in available-for-sale assets are a result of changes in assets of the controlling company. The changes are specifies in the financial report of the Company in Note 20.

(EUR)	Property, plant and equipment	Other assets	Total
Gross value			
Balance at 31 December 2011	2,245,307	23,615,132	25,860,439
Additions			
Transfer from the long-term part	2,414,206	-	2,414,206
Transfer from receivables	-	245,716	245,716
Disposals			
Repayments, disposals	-961,670	-	-961,670
Balance at 31 December 2012	3,697,843	23,860,848	27,312,975
Accumulated impairment loss			
Balance at 31 December 2011	842,832	18,041,884	18,884,716
Additions			
Impairment	430,000	921,441	1,351,441
Transfer from receivables		181,004	
Transfer from the long-term part	2,055,882	-	2,055,882
Disposals			
Repayments, disposals	-906,750	-	-906,750
Balance at 31 December 2012	2,421,964	19,144,329	21,385,289
Net amount at 31 December 2011	**1,402,475**	**5,573,248**	**6,975,723**
Net amount at 31 December 2012	**1,275,879**	**4,716,519**	**5,992,398**

Note 21: Investments and loans

(EUR)	31.12.2012	31.12.2011
Loans:		
Held-to-maturity investments		
Non-current loans with purchase of securities from others	-	420,000
Non-current loans with purchase of securities from others	-	420,000
Impairment of non-current loans with purchase of securities from others	-	-
Total held-to-maturity investments	**-**	**420,000**
Loans		
Current loans to others	130,968	221,201
Current loans to others	303,308	1,137,442
Impairment of current loans to others	-172,340	-916,241
Current deposits	3,147,323	40,026
Total loans	**3,278,291**	**261,227**
Total investments and loans	**3,278,291**	**681,227**

A majority of changes in current investments is a result of changes in investments of the controlling company. They are presented in Note 21 of the financial report of the company.

Changes in current investments and loans

FY 2012

(EUR)	Held-to-maturity investments	Loans	Total
Gross value			
Balance at 31 December 2011	420,000	1,177,468	1,597,468
Additions			
New loans, acquisitions	-	211,415	211,415
Attribution of interest	-	120,702	120,702
Transfer from the non-current part	-	2,884,513	2,884,513
Disposals			
Repayment, disposals	-420,000	-697,751	-1,117,751
Transfer to assets held for sale	-	-245,716	-245,716
Balance at 31 December 2012	-	3,450,631	3,450,631
Accumulated impairment loss			
Balance at 31 December 2011	-	916,241	916,241
Additions			
Impairment	-	453	453
Disposals			
Investments written-off, later recovered	-	-563,350	-563,350
Transfer to assets held for sale	-	-181,004	-181,004
Balance at 31 December 2012	-	172,340	172,340
Net amount at 31 December 2011	**420,000**	**261,227**	**681,227**
Net amount at 31 December 2012	**-**	**3,278,291**	**3,278,291**

FY 2011

(EUR)	Held-to-maturity investments	Loans	Total
Gross value			
Balance at 31 December 2010	-	2,964,962	2,964,962
Additions			
New loans, acquisitions	-	40,026	40,026
Attribution of interest	-	5,958	5,958
Transfer from the non-current part	420,000	86,992	506,992
Disposals			
Repayment, disposals	-	-99,494	-99,494
Write-off	-	-500	-500
Transfer to assets held for sale	-	-1,820,476	-1,820,476
Balance at 31 December 2011	420,000	1,177,468	1,597,468
Accumulated impairment loss			
Balance at 31 December 2010	-	2,127,271	2,127,271
Additions			
Impairment	-	305	305
Disposal			
Transfer to assets held for sale	-	-1,211,335	-1,211,335
Balance at 31 December 2011	-	916,241	916,241
Net amount at 31 December 2010	**-**	**837,691**	**837,691**
Net amount at 31 December 2011	**420,000**	**261,227**	**681,227**

Note 22: Operating receivables

(EUR)	31.12.2012	31.12.2011
Current trade receivables:		
On domestic market	9,287,483	8,686,696
On foreign markets	5,656,630	5,677,713
Current operating receivables due from exporters	6,704,855	7,407,604
Bad debt allowance	-1,705,830	-1,758,479
Current operating receivables due from Group companies	-	-
Current operating receivables due from associated	272,929	62,057
Current advances and guarantees given	2,370	1,333
Current interest and dividend receivables	117,954	201,219
Bad debt allowance related to finance income, advances and guarantees	-50,221	-73,944
VAT receivables	1,632,329	1,311,247
Tax and excise duty receivables	74,849	32,224
Other current receivables	721,002	1,571,324
Bad debt allowance	-1,132	-1,132
Total	**22,713,218**	**23,117,862**

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 at 31 December 2012.

Maturity of receivables:

(EUR)	31.12.2012	31.12.2011
Outstanding trade receivables neither past due not impaired	16,860,155	18,315,821
Past due receivables:		
Up to 30 days	2,229,602	2,275,655
31 to 60 days overdue	424,346	308,341
61 to 90 days overdue	143,462	100,270
91 to 180 days overdue	181,479	209,042
181 to 365 days overdue	1,854,778	336,602
More than 365 days overdue	348,400	452,681
Total due but not impaired	3,426,015	1,850,168
Overdue and (partly) impaired	1,756,051	1,832,423
Total	**22,042,221**	**21,998,412**

Note: The amount includes trade receivables and interest receivables.

Changes in receivable allowances:

(EUR)	31.12.2012	31.12.2011
Balance at 1.1.	1.833.555	256.006
Additions		
Bad debt allowance	388,497	449,226
Transfer between accounts	-	1,216,217
Disposals		
Receivables written-off, later collected	-304,340	-52,172
Write-off of receivables	-171,429	-35,722
Balance at 31 December	**1,746,283**	**1,833,555**

Note 23: Cash and cash equivalents

(EUR)	31.12.2012	31.12.2011
Cash in hand	5,954	3,441
Cash at bank	324,924	42,557
Current deposits	1,277,467	992,272
Total	**1,608,345**	**1,038,270**

Note 24: Deferred cost and accrued revenue

(EUR)	31.12.2012	31.12.2011
Short-term deferred costs	169,755	53,345
Insurance premiums	92,252	67,720
Accrued revenue	1,293,496	431,683
Total	**1,555,503**	**552,748**

Short-term accrued revenue is entirely represented by accrued revenue based on incurred costs for European projects co-financed by European institutions.

Note 25: Share capital and reserves

Share capital

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" of the Luka Koper Group's Business Report.

Reserves

Capital surplus and legal reserves are not included in the balance sheet total. The formation of other revenue reserves is described in the financial report of the Company in Note 25.

(EUR)	31.12.2012	31.12.2011
Capital surplus	89,562,703	89,562,703
Legal reserves	18,877,761	18,882,889
Other revenue reserves	60,027,111	56,263,317
Total	**168,467,575**	**164,708,909**

Consolidated equity of the Luka Koper Group

The total controlling interest's equity of the Group amounts to EUR 249,200,127.

Note 26: Provisions and accrued costs and deferred revenue

(EUR)	31.12.2012	31.12.2011
Provisions for termination benefits and jubilee awards	1,046,159	1,251,736
Provisions for disputes	1,828,648	2,337,581
State grants and subsidies received	96,111	716
Long-term accrued costs and deferred revenue for regular maintenance	8,619,882	8,487,073
Other long-term accrued costs and deferred revenue	462,282	358,818
Total	**12,053,082**	**12,435,924**

In addition to provisions and long-term accrued cost and deferred revenue, which are formed by the controlling company Luka Koper, d. d., and which are explained in Note 26 of the financial report of the company, the Group also discloses deferred revenue from property, plant and equipment 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 assets depreciation charge or else they are recognised as revenue when received and used to cover salaries of the disabled persons.

Total provisions for legal disputes and damages are formed based on the assessment of the Management Board through obtained legal opinions. The Management Board made their assessment based on the following:

- Whether the Group has a present obligation (legal or constructive) as a result of past events,
- It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognise if the probability is high.
- A reliable estimate can be made of the amount of the obligation.

Changes in provisions and accrued costs and deferred revenue

FY 2012

(EUR)	Pensions, jubilee awards, termination benefits on retirement	Disputes and damages	Received state support and grants	Accrued costs and deferred revenue for regular maintenance	Other accrued costs and deferred revenue	Total
Balance at 31 December 2011	1,251,737	2,337,581	716	8,487,073	358,818	12,435,925
Changes:						
Formation	168,296	61,703	1,742,271	1,215,547	103,750	3,291,567
Transfer from other liabilities		305,165				305,165
Utilisation	-284,580	-323,804	-1,646,876	-1,082,738	-286	-3,338,284
Reversal	-89,294	-551,997		-	-	-641,291
Balance at 31 December 2012	**1,046,159**	**1,828,648**	**96,111**	**8,619,882**	**462,282**	**12,053,082**

FY 2011

(EUR)	Pensions, jubilee awards, termination benefits on retirement	Disputes and damages	Received state support and grants	Accrued costs and deferred revenue for regular maintenance	Other accrued costs and deferred revenue	Total
Balance at 31 December 2010	1,495,685	1,972,368	-	8,951,331	217,417	12,636,801
Changes:						
Formation	93,635	1,184,901	274,954	4,363,731	141,638	6,058,859
Utilisation	-337,584	-	-274,238	-4,827,989	-237	-5,440,048
Reversal	-	-819,688		-	-	-819,688
Balance at 31 December 2011	**1,251,736**	**2,337,581**	**716**	**8,487,073**	**358,818**	**12,435,924**

Note 27: Non-current financial liabilities – borrowings and other financial liabilities

(EUR)	31.12.2012	31.12.2011
Non-current financial liabilities to associates	550,000	1,064,212
Non-current borrowings from banks and companies in Slovenia	116,398,246	103,590,916
Non-current borrowings from banks and companies abroad	64,901,392	64,889,949
Other non-current financial liabilities	1,607,383	496,823
Current amounts of non-current financial liabilities	-46,586,860	-13,177,192
Total	**136,870,161**	**156,864,708**

Changes in non-current financial liabilities – borrowings and other financial liabilities

Year 2012

	Lender			
(EUR)	Associates	Banks	Others	Total
Principal amount at 1 January 2012	1,064,212	155,303,673	496,823	156,864,708
New borrowings	1,206,296	27,000,000	-	28,206,296
Repayments	-1,720,508	-1,004,035	-13,059	-2,737,602
Change in fair value	-	-	1,123,619	1,123,619
Amounts maturing in2013	-	-46,586,860	-	-46,586,860
Principal amount at 31 December 2012	**550,000**	**134,712,778**	**1,607,383**	**136,870,161**

Year 2011

	Lender			
(EUR)	Associates	Associates	Associates	Associates
Principal amount at 1 January 2011	-	158,376,144	-	158,376,144
New borrowings	-	45,000,000	-	45,000,000
Attributed interest	-	-	-	-
Transfer from current borrowings	1,064,212	-	-	1,064,212
Repayments	-	-34,895,279	-	-34,895,279
Foreign currency differences	-	-	-	-
Reclassification	-	-	123,966	123,966
Change in fair value	-	-	372,857	372,857
Amounts maturing in 2012	-	-13,177,192	-	-13,177,192
Principal amount at 31 December 2011	**1,064,212**	**155,303,673**	**496,823**	**156,864,708**

The Group's financial liabilities to banks, both non-current as well as current, are financial liabilities of the controlling company Luka Koper, d. d. They are specified in Note 27 of the financial report of the company. All liabilities from non-current borrowings from banks are collateralised with blank bills of exchange and financial obligations. The Group complies with all financial covenants under loan agreements.

Note 28: Non-current operating liabilities

(EUR)	31.12.2012	31.12.2011
Non-current advances and securities received	201,430	130,935
Total	**201,430**	**130,935**

Non-current operating liabilities include guarantees received for leased business premises.

Note 29: Current financial liabilities – borrowings and other financial liabilities

(EUR)	31.12.2012	31.12.2012
Current financial liabilities to associates	-	45,000
Current borrowings from banks and companies in Slovenia	-	31,600,001
Current borrowings from banks and companies abroad	-	4,000,000
Current liabilities related with the distribution of the profit	112,559	112,572
Other current financial liabilities	230,382	-
Current amount of non-current financial liabilities	46,586,860	13,177,192
Total	**46,929,801**	**48,934,765**

Changes in current financial liabilities – borrowings and other financial liabilities

FY 2012

	Lender			
(EUR)	Associates	Banks	Others	Total
Principal amount at 1 January 2012	45,000	48,777,193	112,572	48,934,765
New borrowings	-	30,807,000	230,369	31,037,369
Transfer from non-current borrowings	-	46,586,860	-	46,586,860
Repayments	-45,000	-79,584,193	-	-79,629,193
Principal amount at 31 December 2012	**-**	**46,586,860**	**342,941**	**46,929,801**

FY 2011

(EUR)	Lender Associates	Banks	Others	Total
Principal amount at 1 January 2011	1,577,856	66,202,339	113,311	67,893,506
New borrowings		30,223,470	-	30,223,470
Transfer from non-current borrowings	-	13,177,192	-	13,177,192
Transfer to non-current borrowings	-1,064,212	-	-	-1,064,212
Repayments	-468,644	-60,825,808	-739	-61,295,191
Principal amount at 31 December 2011	**45,000**	**48,777,193**	**112,572**	**48,934,765**

Note 30: Other current liabilities

(EUR)	31.12.2012	31.12.2011
Current liabilities to suppliers		
On domestic market	9,397,298	9,621,575
On foreign markets	342,762	146,829
Current liabilities to associates	51,917	51,727
Current liabilities from advances, guarantees	41,765	26,816
Current liabilities to employees	2,670,780	3,370,475
Current liabilities to the state and other institutions	1,987,009	2,092,540
Current liabilities to financers	162,173	258,828
Other current liabilities	264,429	560,184
Total	**14,918,133**	**16,128,974**

At 31 December 2012, the Group's corporate income tax liability is EUR 808,070 (in 2011: EUR 1,130,339).

Note 31: Short-term accrued cost and deferred revenue

(EUR)	31.12.2012	31.12.2011
Accrued cost/expenditure	1,782,029	1,301,778
Short-term deferred revenue	3,600	-
Total	**1,785,629**	**1,301,778**

Note 32: Related party transactions

Receipts of Members of the Management and Supervisory Boards of the controlling company Luka Koper, d. d., are presented in Note 32 of the financial report of the Company. Receipts of managements of Group's subsidiaries are presented below.

Remuneration in 2012

Receipts of groups of persons in 2012

Groups of persons	Gross salary (fixed and variable part)	Annual holiday pay and jubilee awards	Benefits and other receipts	Managerial and other contracts
Members of the Management Board of the controlling company	531,125	763	84,932	23,629
Members of the Supervisory Board of the controlling company	-	-	187,662	-
Management of subsidiaries	232,465	2,289	4,412	
Employees with individual employment contracts - Group	2,197,209	63,946	52,243	
Employed under corporate collective agreement - Group	25,908,361	979,958	32,576	-
Total	**28,869,160**	**1,046,956**	**361,825**	**23,629**

Related party transactions

Items from the income statement	Luka Koper, d.d.		The Luka Koper Group	
(EUR)	2012	2011	2012	2011
Net sales				
To subsidiaries	732,486	925,812	-	-
To associates and jointly controlled companies	628,352	727,596	613,656	596,235
Cost of material				
To subsidiaries	730	7,707	-	-
To associates and jointly controlled companies	-	-	-	-
Cost of services				
To subsidiaries	3,173,401	4,192,508	-	-
To associates and jointly controlled companies	144,449	86,913	145,315	86,932
Labour cost				
To subsidiaries	1,517	1,497	-	-
To associates and jointly controlled companies	-	-	-	-
Other operating revenue				
To subsidiaries	8,855	11,485	-	-
To associates and jointly controlled companies	22,889	14,928	22,889	14,928
Finance income from shares				
To subsidiaries	644,513	1,042,729	-	-
To associates and jointly controlled companies	309,462	572,615	395,108	442,885
Finance income from loans				
To subsidiaries	7,398	7,884	-	-
To associates and jointly controlled companies	-	-	-	-
Finance expenses from impairment and write-downs of investments				
To subsidiaries	-	-	-	-
To associates and jointly controlled companies	1,025,980	14,536,434	1,184,011	14,160,047
Finance expenses from financial liabilities				
To subsidiaries	304,401	270,307	-	-
To associates and jointly controlled companies	21,087	29,081	21,087	29,081

Items of statement of financial position (EUR)	**Luka Koper, d.d.** 31.12.2012	31.12.2011	**The Luka Koper Group** 31.12.2012	31.12.2011
Non-current investments other than loans				
To subsidiaries	4,279,678	5,280,453	-	-
To associates and jointly controlled companies	8,687,059	8,753,710	12,087,827	12,269,902
Current loans				
To subsidiaries	423,319	176,359	-	-
To associates and jointly controlled companies	-	554,209	-	554,209
Current operating receivables				
Due from subsidiaries	60,172	61,019	-	-
Due from associates and jointly controlled companies	272,929	62,057	272,929	62,057
Non-current financial liabilities				
To subsidiaries	10,183,575	9,784,838	-	-
To associates and jointly controlled companies	550,000	-	550,000	-
Current financial liabilities				
To subsidiaries	-	-	-	-
To associates and jointly controlled companies	-	45,000	-	45,000
Current operating liabilities				
To subsidiaries	407,272	597,036	-	-
To associates and jointly controlled companies	51,917	51,727	51,917	51,727

Intragroup transactions eliminated from the income statement (EUR)	**2012**	**2011**
Net sales	3,948,255	5,143,866
Other operating revenue	-	526
Cost of material	75,297	141,384
Cost of services	3,774,466	4,904,652
Labour cost	1,727	1,542
Other operating expenses	96,765	96,814
Finance revenue	953,975	1,298,394
Finance expenses	1,025,980	654,579
Deferred tax	94,609	37,639

Intragroup transactions eliminated from the income statement (EUR)	**31.12.2012**	**31.12.2011**
Assets	**12,145,185**	**12,472,004**
Non-current investments other than loans	877,318	1,764,260
Non-current loans	10,183,575	9,784,838
Deferred tax assets	191,856	97,247
Current loans	423,319	167,359
Current operating receivables	469,117	658,300
Equity and liabilities	**12,145,185**	**12,472,004**
Equity	1,069,173	1,852,507
Non-current financial liabilities	10,183,575	9,784,838
Current financial liabilities	423,319	176,359
Current operating liabilities	469,118	658,300

In 2012, the Group carried out transactions with the company Slovenske Železnice, d. o. o., where Bojan Brank, who was at that time a Member of the Supervisory Board of Luka Koper, d. d., served as the Chairman of the Supervisory Board until 7 September 2012. The Group incurred EUR 634 of costs of transactions with Slovenske Železnice, d. o. o., and no outstanding receivables or payables at 31 December 2012.

The Group also made transactions with the company NLB, d. d., where Bojan Brank, who was at that time a Member of the Supervisory Board of Luka Koper, d. d., served as a Member of the Supervisory Board until 27 June 2012. The Group incurred EUR 52 of costs in transactions with NLB, d. d., and paid EUR 1,050,697 of interest on long term borrowings, which stood at EUR 29,898,500 at 31 December 2012. The Group has no outstanding receivables due from NLB, d. d., but it has EUR 230,385 of liabilities.

In 2012, the Group carried out transactions with the company Marmor Sežana, d. o. o., where Tomaž Može, a Member of the Supervisory Board of Luka Koper, d. d., held the position of the Chairman of the Supervisory Board until 28 June 2012. The Group generated EUR 511 of revenue in transactions with Marmor Sežana, d. o. o., and had no outstanding receivables or payables at 31 December 2012.

In addition to transactions based on the concession agreement with the Republic of Slovenia, the Group had transactions related with the dredging of navigation channel to the port. The subsidiary Luka Koper Inpo, d. o. o., entered into agreement with the Republic of Slovenia in 2012 about the dredging of the navigation channel to the port outside the concession area. Accordingly, Luka Koper Inpo, d. o. o., realised EUR 820,697 of revenue and at the end of the year reported EUR 579,425 of outstanding receivables due from the Republic of Slovenia. All transactions related with the concession agreement are presented in the appendix to the annual report.

Note 33: Financial risk management

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 unpredictability and, consequently, higher level of risk. The Group 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.

1. Managing the risk of fair value changes

Only the controlling company Luka Koper, d. d., holds investments measured at fair value. The fair value risk is provided in Note 33 of the financial report of the company.

2. Management of the risk of changes in interest rates

Only the controlling company Luka Koper, d. d., is exposed to the risk of changes in interest rates due to having financial liabilities with variable interest rates. The interest rate risk is presented in Note 33 of the financial report of the company.

3. Management of liquidity risk

The 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 2012, the Group continued its process of converting current financial liabilities to non-current liabilities and raising new borrowings with extended maturity which has additionally reduced its exposure to liquidity risk.

(EUR)	Past due	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2012						
Borrowings*		8,218	38,369	84,425	51,109	**182,121**
Anticipated interest on all borrowings		616	3,091	9,150	5,158	**18,015**
Other financial liabilities		343		1,607		**1,950**
Supplier payables		9,834		201		**10,035**
2011						
Borrowings*		30,393	18,384	76,479	80,230	**205,486**
Anticipated interest on all borrowings		1,009	5,522	16,561	10,841	**33,933**
Other financial liabilities	112			497		**609**
Supplier payables		9,847				**9,847**

*The item includes borrowings from associates

The management 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.

4. 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 2012 totalled USD 0.51 million, whereas the lowest invoiced monthly sales was USD 0.36 million and the highest USD 0.64 million. As at 31 December 2012, outstanding receivables denominated in US dollars amount to 3 percent (in 2011: 3.47 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 use any hedging instruments in order to mitigate currency risk.

The management 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.

5. 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 2012 reached 1.94 percent compared to 2.04 percent in 2011.

Assets exposed to credit risk:

(EUR)	Note	31.12.2012	31.12.2011
Non-current loans	17	1,526,547	4,567,302
Non-current operating receivables	18	5,243	8,664
Assets of disposal groups held for sale	20	5,992,398	6,975,723
Current deposits	22	3,147,323	40,026
Current loans	22	130,968	641,201
Current trade receivables	23	19,943,138	20,011,234
Other current receivables	23	2,497,151	3,044,571
Cash and cash equivalents	24	1,608,345	1,038,270
Total		**34,851,113**	**36,326,991**

The management 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.

6. 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 2012, the Group reduced its overall debt by 10.7 percent compared to the previous year to EUR 183,799,962. This has had a positive impact on the risk of adequate capital structure. In future years, the Group will, in line with its long-term policy, try to gradually decrease its share of liabilities.

The management 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.

Note 34: Contingent liabilities

Off-balance sheet accounts include items that do not qualify for balance sheet recognition.

(EUR)	31.12.2012	31.12.2011
Letters of credit from banks	546,728	1,850,000
Guarantees and security	2,991,974	2,760,000
Collaterals	53,610,439	39,747,093
Legal disputes	8,534,839	-
Other contingent items	70,015	-
Total	**65,753,995**	**44,357,093**

Luka Koper, d. d. reports a majority part of the Group's total guarantees and contingent liabilities. Off-balance sheet items are detailed in Note 33 of the company's financial report.

11. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

The Group presents cash flow from operating activities under the indirect method based on items in the balance sheet at 31 December 2012 and 31 December 2011, the 2012 income statement and additional data needed for the adjustments of inflows and outflows. 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 45,828,425 in cash flows from operating activities. Cash flows from investing activities in the amount of EUR 2,960,678 (dividends, disposal of investments and fixed assets) were used to partly cover expenses incurred on investing activities of EUR 19,065,586, primarily investments in property, plant and equipment, intangible assets and long-term accrued expenses and deferred revenue and investment property in the amount of EUR 18,639,095.

Net cash used in financing activities was EUR 29,153,442.

The cash flow for the period is positive and amounts to EUR 570,075 (in 2011: EUR 357,441).

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 2013 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.

12. NOTES TO THE CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity shows the changes in individual items of equity in the financial year (the total income and expenses and transactions with owners, when acting as owners), including the use of the net profit or loss. The statement of comprehensive income is included and it increases the net profit for the year by the total revenue and expenses, which were directly recognised in equity.

Net profit or loss for the year

Equity was increased by the net profit of the year in the amount of EUR 10,498,559.

Other comprehensive income for the period

Other comprehensive income is positive and totals EUR 8,545,793.

Movements within equity

Based on the resolution of the Management Board regarding the formation of other revenue reserves in the amount of a half of the net profit generated in 2012, Luka Koper, d. d., formed additional other revenue reserves of EUR 3,763,795 in accordance with Article 230 (§3) of the Companies Act.

TABLE OF NOTES:

13. SUBSEQUENT EVENTS

JANUARY 2013

- As of 17 January 2013, the Management Board of Luka Koper d.d. received a communication from the Slovenska Odškodninska Družba (SOD) proposing that the call for a General Meeting be postponed until all the verification procedures in relation to Supervisory Board candidates are completed in accordance with the provisions of the Corporate Governance Code.

FEBRUARY 2013

- On 6 February 2013, the Management Board of Luka Koper, d. d., received an appeal from Slovenska Odškodninska Družba (SDO) to call for a General Meeting of Shareholders within 60 days in the manner requested by the shareholder, i.e. the Republic of Slovenia, on 20 December 2012.
- On the basis of the provisions of Article 3 (§10) of the Articles of Association of Luka Koper, d. d., the Management Board called and scheduled the 21st General Meeting of Shareholders of Luka Koper, d. d., for 5 April 2013 as required by the Republic of Slovenia, who is the owner of 7,140,000 shares of Luka Koper, d. d., (hereinafter: Company), which account for 51% of the share capital of the Company, which is, in accordance with Article 295 of the Companies Act (ZGD-1) represented by the Capital Assets Management Agency of the Republic of Slovenia (AUKN), in the time of acceptance of the call for the convening of the General Meeting.

The said events have no effect on the consolidated financial statements.

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, 2012, 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, 2012, 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, March 22, 2013

ERNST & YOUNG
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Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

Lidija Šinkovec
Certified Auditor

CONTENTS

FINANCIAL STATEMENTS OF LUKA KOPER, D. D., FOR THE YEAR 2012

1. INCOME STATEMENT

(EUR)	Notes	2012	2011
Operating revenue	1	133,409,267	134,426,838
Other revenue	2	954,210	386,008
Cost of material	3	10,950,674	9,858,119
Cost of services	4	41,491,867	41,425,483
Labour cost	5	31,474,106	31,764,802
Write-downs	6	28,518,730	26,196,999
Other operating expenses	7	5,678,739	6,569,314
Operating profit or loss		**16,249,361**	**18,998,129**
Finance income from shares	8	1,615,928	2,448,431
Finance income from loans	8	988,618	262,300
Finance income from operating receivables	8	90,036	151,586
Finance expenses for financial investments	9	2,997,688	14,538,345
Finance expenses for financial liabilities	9	6,272,503	8,271,455
Finance expenses for operating liabilities	9	63,281	1,806
Profit or loss from financing activities		**-6,638,890**	**-19,949,289**
Profit or loss before tax	10	**9,610,471**	**-951,160**
Income tax	11	947,871	586,187
Deferred tax	12	1,135,010	311,858
Net profit or loss for the period	**13**	**7,527,590**	**-1,849,205**
Net profit or loss per share – basic and diluted	**13**	**0,54**	**-0,13**

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

2. STATEMENT OF COMPREHENSIVE INCOME

(EUR)	2012	2011
Net profit or loss for the period	**7,527,590**	**-1,849,205**
Gains/losses on revaluation of available-for-sale financial assets	-1,195,797	-4,389,895
Change in fair value of financial instruments used in hedge accounting	-1,123,620	-372,857
Deferred tax	366,279	951,563
Other comprehensive income	-1,953,138	-3,811,189
Total comprehensive income for the period	**5,574,452**	**-5,660,394**

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

3. STATEMENT OF FINANCIAL POSITION

(EUR)	Notes	31.12.2012	31.12.2011
ASSETS			
Property, plant and equipment	14	327,801,022	338,692,965
Investment property	15	35,342,753	35,523,894
Intangible assets and long-term deferred cost	16	5,324,587	4,580,294
Non-current investments	17	42,260,883	45,506,981
Loans	17	1,517,396	4,567,302
Non-current operating receivables	18	5,243	8,665
Deferred tax assets	19	7,976,607	9,111,617
Non-current assets		**420,228,491**	**437,991,718**
Assets (disposal group) held for sale	20	5,988,745	6,963,061
Investments and loans	21	3,525,810	817,560
Operating receivables	22	20,629,730	21,485,589
Cash and cash equivalents	23	629,077	901,134
Current assets		**30,773,362**	**30,167,344**
Short-term deferred cost and accrued revenue	24	**1,528,525**	**540,428**
TOTAL ASSETS		**452,530,378**	**468,699,490**
EQUITY AND LIABILITIES			
Share capital	25	58,420,965	58,420,965
Capital surplus	25	89,562,703	89,562,703
Profit reserves	25	78,792,226	75,028,431
Revaluation surplus	25	4,750,560	6,703,698
Retained earnings		-	-
Net profit or loss for the year		3,763,795	-
Equity		**235,290,249**	**229,715,797**
Provisions and long-term accrued costs and deferred revenue	26	**6,627,678**	**6,026,603**
Borrowings	27	145,446,353	166,152,723
Other financial liabilities	27	1,496,476	372,857
Non-current operating liabilities	28	164,000	77,021
Deferred tax liabilities	19	1,310,880	1,677,159
Non-current liabilities		**148,417,709**	**168,279,760**
Loans	29	46,586,860	48,822,193
Other financial liabilities	29	342,941	112,572
Other current liabilities	30	13,594,858	14,544,065
Current liabilities		**60,524,659**	**63,478,830**
Short-term accrued costs and deferred revenue	31	**1,670,083**	**1,198,500**
TOTAL EQUITY AND LIABILITIES		**452,530,378**	**468,699,490**

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

4. CASH FLOW STATEMENT

(EUR)	2012	2011
Cash flows from operating activities		
Net profit or loss for the period	7,527,590	-1,849,205
Adjustments for:		
Amortisation and depreciation	26,481,697	26,374,436
Write-downs and loss on disposal of property, plant, equipment and investment property	1,713,735	346,992
Gains from the sale of property, plant, equipment, intangible assets and investment property	-80,053	-79,963
Bad debt allowance	78,388	316,533
Finance income	-2,694,582	-2,710,731
Finance expenses	9,333,472	22,809,800
Income tax and deferred tax assets and liabilities	2,082,881	898,045
Operating profit before the change in net current assets and tax	**44,443,128**	**46,105,907**
Changes in net current assets and provisions		
Change in operating receivables	780,893	249,739
Change in assets (disposal group) held for sale	-	378,101
Change in deferred cost and accrued revenue	-988,097	229,323
Change in operating liabilities	-1,086,731	-158,648
Change in provisions	601,075	144,048
Change in accrued cost and deferred revenue	471,583	466,637
Income tax	-723,368	-586,187
Net cash from operating activities	**43,498,483**	**46,828,920**
Cash flows from investing activities		
Received interest	1,078,654	413,886
Received dividends	1,615,928	1,773,910
Receipts from sale of property, plant, equipment and intangible assets	72,773	140,432
Receipts from sale of investment property	21,427	805,253
Receipts from sale, decrease in financial investments and loans	782,564	3,018,684
Disbursements to acquire property, plant, equipment and intangible assets	-17,598,240	-17,236,679
Disbursements to acquire investment property	-169,979	-43,870
Disbursements to acquire financial investments and increase loans	-526,549	-6,137,690
Net cash from investing activities	**- 14,723,422**	**- 17,266,074**
Cash flows from financing activities		
Interest paid	-6,335,784	-8,271,455
Cash repayments of non-current borrowings	-4,279,637	-34,895,279
Cash repayments of current borrowings	-79,629,193	-62,420,517
Receipts from non-current borrowings	30,160,127	45,000,000
Receipts from current borrowings	31,037,369	31,333,352
Dividends paid	-	-108
Net cash from financing activities	**- 29,047,118**	**- 29,254,007**
Opening balance of cash and cash equivalents	**901,134**	**592,295**
Financial result for the period	**-272,057**	**308,839**
Closing balance of cash and cash equivalents	**629,077**	**901,134**

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

5. STATEMENT OF CHANGES IN EQUITY

FY 2012

(EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Total revenue reserves	Retained earnings	Net profit or loss	Revaluation surplus	Total equity
At 31 December 2011	**58,420,965**	**89,562,703**	**18,765,115**	**56,263,316**	**75,028,431**	**-**	**-**	**6,703,698**	**229,715,797**
At 1 January 2012	**58,420,965**	**89,562,703**	**18,765,115**	**56,263,316**	**75,028,431**	**-**	**-**	**6,703,698**	**229,715,797**
Changes in equity – transactions with owners									
	-	-	-	-	-	-	-	-	**-**
Total comprehensive income for the period	-								
Net profit or loss for the period	-	-	-	-	-	-	7,527,590	-	**7,527,590**
Other comprehensive income for the period	-	-	-	-	-	-	-	-1,953,138	**-1,953,138**
	-	**-**	**-**	**-**	**-**	**-**	**7,527,590**	**-1,953,138**	**5,574,452**
Changes within equity									
Appropriation of a portion of the net profit for the year to other items of equity based on a decision of the Management and Supervisory Boards	-	-	-	3,763,795	3,763,795	-	-3,763,795	-	**-**
	-	**-**	**-**	**3,763,795**	**3,763,795**	**-**	**-3,763,795**	**-**	**-**
At 31 December 2012	**58,420,965**	**89,562,703**	**18,765,115**	**60,027,111**	**78,792,226**	**-**	**3,763,795**	**4,750,560**	**235,290,249**

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

FY 2011

(EUR)	Share capital	Capital surplus	Legal reserves	Other revenue reserves	Total revenue reserves	Retained earnings	Net profit or loss	Revaluation surplus	Total equity
At 31 December 2010	**58,420,965**	**89,562,703**	**18,765,115**	**58,112,521**	**76,877,636**	**-**	**-**	**10,514,887**	**235,376,191**
At 1 January 2011	**58,420,965**	**89,562,703**	**18,765,115**	**58,112,521**	**76,877,636**	**-**	**-**	**10,514,887**	**235,376,191**
Changes in equity – transactions with owners									
	-	-	-	-	-	-	-	-	**-**
Total comprehensive income for the period	-								
Net profit or loss for the period	-	-	-	-	-	-	-1,849,205	-	**-1,849,205**
Other comprehensive income for the period	-	-	-	-	-	-	-	-3,811,189	**-3,811,189**
	-	**-**	**-**	**-**	**-**	**-**	**-1,849,205**	**-3,811,189**	**-5,660,394**
Changes in equity									
Release of revenue reserves for loss settlement based on a decision of the Management Board	-	-	-	-1,849,205	-1,849,205	-	1,849,205	-	**-**
	-	**-**	**-**	**-1,849,205**	**-1,849,205**	**-**	**1,849,205**	**-**	**-**
At 31 December 2011	**58,420,965**	**89,562,703**	**18,765,115**	**56,263,316**	**75,028,431**	**-**	**-**	**6,703,698**	**229,715,797**

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

6. NOTES TO THE FINANCIAL STATEMENTS

Luka Koper, d. d., pristaniški in logistični sistem, with its registered office at Vojkovo nabrežje 38, Koper, Slovenia, is the controlling entity of the Luka Koper Group.

The financial statements of the Company are prepared for the year ended 31 December 2012.

A list and the relevant data of all the entities in which Luka Koper, d. d., (the Company) holds a minimum of 20% equity share, are included in the Section »Presentation of the Luka Koper Group of the Annual Report.

Statement of compliance

The separate 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.

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 IFRS and IFRS adopted by the EU.

The Management Board of Luka Koper approved these financial statements on 20 March 2013.

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 applied

The accounting policies used are consistent with those applied in the financial year ended 31 December 2011, except for the adoption of new standards and interpretations effective from 1 January 2012 and which are noted below.

Newly adopted standards and interpretations

IFRS 7 – Financial instruments Disclosures – Transfer of Financial Assets

The amendments are effective for periods beginning on or after 1 July 2011 and were issued to improve the disclosure requirements relating to the transfer of financial assets. Amendments require disclosures for transfers of financial assets that are derecognised in their entirety, as well as those that are not, to enable the user of the financial statements to understand the relationship with those assets that have not been derecognised and their associated liabilities. The amendment requires retrospective application. The amendment affects disclosures only and has no impact on the Company's financial statements.

Standards and interpretations issued but not yet effective and not early adopted

The Company has not early adopted any standard or interpretation issued but not yet effective. The Company intends to adopt these standards, if applicable, when they become effective.

The following new and amended standards will be applied in future periods as required by IFRSs and the European Union:

IFRS 7 – Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities (amended)
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 retrospectively applied.

IFRS 10 – Consolidated Financial Statements
This standard replaces the part of IAS 27 Consolidated and Separate Financial Statements which refers to consolidated financial statements. It also addresses the issues raised in SIC-12 Consolidation – Special Purpose Entities. The standard is applicable in the EU for periods beginning on or after 1 January 2014. IFRS 10 establishes a single control model that applies to all entities. This will require management to exercise significant judgment to determine which entities are controlled, and therefore are required to be consolidated by a parent. The standard also changes the definition of control.

IFRS 11 – Joint Arrangements
This standard replaces IAS 31 Interest in Joint Ventures and SIC 13 Jointly-controlled entities – non-monetary contributions by venturers. The new standard addresses only two forms of joint arrangements (joint operations and joint ventures), where there is joint control. IFRS 11 uses the principle of control in IFRS 10. In addition, IFRS 11 removes the option to account for jointly-controlled entities using proportionate consolidation, leaving only the option to use the equity method. The standard is effective in the EU for periods beginning on or after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities
This standard is effective in the EU for periods beginning on or after 1 January 2014 and includes disclosure requirements that were previously in IAS 27 Consolidated and Separate Financial Statements related to consolidated financial statements, as well as all of the disclosures that were previously included in IAS 28 Investments in Associates and IAS 31 Interest in Joint Ventures. A number of new disclosures are also required, especially regarding judgments made to determine whether an entity controls another entity.

IFRS 13 – Fair Value Measurement

The new standard is applicable for 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 the fair value of financial and non-financial assets and liabilities when required or permitted by IFRSs.

IAS 1 – Presentation of Financial Statements: Presentation of Items in Other Comprehensive Income

The amendments to IAS 1 change the grouping of items presented in other comprehensive income. Items that could be reclassified to profit or loss at a future point in time would be presented separately from items which will never be reclassified. The amendments are effective for periods beginning on or after 1 July 2012.

IAS 12 – Deferred Tax (amended)

The amendment is effective in the EU for annual periods beginning on or after 1 January 2013. This amendment concerns the determination of deferred tax on investment property measured at fair value and also incorporates SIC-21 Income Taxes – Recovery of Revalued Non-Depreciable Assets into IAS 12 for non-depreciable assets measured using the revaluation model in IAS 16. The aim of this amendment is to include a) 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) a requirement that deferred tax on non-depreciable assets, measured using the revaluation model in IAS 16, should always be measured on a sale basis.

IAS 19 – Employee Benefits (amended)

In June 2011, the International Accounting Standards Board (the "the IASB") issued numerous amendments to IAS 19. The key amendment refers to the removal of the corridor mechanism for recognising changes in the value of defined benefit plans. This means all changes in the value of defined benefit plans will be recognised as they occur depending on the type of change either in profit or loss or in other comprehensive income. The amendments are effective for periods beginning on or after 1 January 2013.

IAS 27 – Separate Financial Statements (revised)

This revised standard was issued in May 2011 as a result of the new standards IFRS 10, IFRS 11 and IFRS 12. IAS 27 contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The standard is effective in the EU for periods beginning on or after 1 January 2014.

IAS 28 – Investments in Associates and Joint Ventures (revised)

This revised standard was issued in May 2011 as a result of the new standards IFRS 10, IFRS 11 and IFRS 12. IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. This revised standard is effective in the EU for periods beginning on or after 1 January 2014.

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.

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.

In compliance with the requirements of IFRSs and subject to the endorsement by the European Union, the Company will have to apply in future periods the following amended and revised standards and interpretations:

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Government loans (Amendment)

The amendment is effective for annual periods beginning on or after 1 January 2013. This amendment sets out how a first-time adopter would account for a government loan with a below-market rate of interest when they transition to IFRSs. This amendment provides the same relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying IAS 20 Accounting for Government Grants and Disclosure of Government Assistance.

IFRS 9 – Financial Instruments

The Standard replaces IAS 39, IFRS 9 Financial Instruments was published in November 2009 and contained requirements for financial assets. Requirements for financial liabilities were added to IFRS 9 in October 2010. Most of the requirements for financial liabilities were carried forward unchanged from IAS 39. However, some changes were made to the fair value option for financial liabilities. In December 2011, the IASB amended IFRS 9 to require application for annual periods beginning on or after 1 January 2015 and to not require the restatement of comparative-period financial statements upon initial application.

Phase II of IFRS 9, relating to impairment, has been in the process of re-deliberations from January 2011.

In September 2012, the IASB issued a review draft on general hedge accounting requirements (Phase III of IFRS 9) which will be added to IFRS 9 Financial Instruments.

IFRS 10 – Consolidated Financial Statements: Investment Entities (amendment)
In October 2012, IASB issued an amendment to IFRS 10 Consolidated Financial Statements to provide an exception to the consolidation requirements for entities that meet the definition of an investment entity. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments. An entity must meet all three elements of the definition and consider whether it has four typical characteristics, in order to qualify as an investment entity. There is one exception to this requirement not to consolidated subsidiaries for investment entities. If an investment entity has a subsidiary that provides investment-related services (e.g. investment management services) to the entity or third parties, then the investment entity must consolidated its subsidiary. The amendment applies for annual periods beginning on or after 1 January 2014.

IFRS 12 – Disclosure of Interests in Other Entities: Investment Entities (amendment)
In addition to the amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities has also been amended to require additional disclosures for investment entities. The amendment applies for annual periods beginning on or after 1 January 2014.

IAS 27 – Separate Financial Statements: Investment Entities (amendment)
In addition to the amendments to IFRS 10 Consolidated Financial Statements, IAS 27 Separate Financial Statements has also been amended to define the accounting for and disclosure of subsidiaries of investment entities in the separate financial statements of an investment entity. The amendment applies for annual periods beginning on or after 1 January 2014.

Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)

The guidance is effective for annual periods beginning on or after 1 January 2013. The IASB issued amendments to IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities. The amendments change the transition guidance to provide further relief from full retrospective application. The date of initial application in IFRS 10 is defined as 'the beginning of the annual reporting period in which IFRS 10 is applied for the first time'. The assessment of whether control exists is made at 'the date of initial application' rather than at the beginning of the comparative period. If the control assessment is different between IFRS 10 and IAS 27/SIC-12, retrospective adjustments should be determined. However, if the control assessment is the same, no retrospective application is required. If more than one comparative period is presented, additional relief is given to require only one period to be restated. For the same reasons IASB has also amended IFRS 11 Joint Arrangements and IFRS 12 Disclosure of Interests in Other Entities to provide transition relief.

The Company is reviewing the impact of standards and interpretations which are not yet mandatory and have not yet been endorsed by the EU and, for the time being, has not assessed the impact of new pronouncements on its financial statements. The Company will apply new standards and interpretations in accordance with their requirements, if endorsed by the EU.

Improvements to IFRS

In May 2012, the IASB issued its annual improvements to IFRSs which included improvements of some of the existing standards. The effective date for the amendments is for annual periods beginning on or after 1 January 2012, but the amendments have not been endorsed yet by the EU.

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Repeated application of IFRS 1

This amendment clarifies that an entity that stopped applying IFRS in the past and chooses, or is required, to apply IFRS again, has the option to re-apply IFRS 1. If IFRS 1 is not re-applied, an entity must retrospectively restate its financial statements as if it had never stopped applying IFRS (according to IAS 8).

IFRS 1 – First-time Adoption of International Financial Reporting Standards: Borrowing costs

Upon transition to IFRS, an entity will be allowed to retain its previously capitalised borrowing costs, without adjustment. After transition, borrowing costs are recognised in accordance with IAS 23 Borrowing costs.

IAS 1 – Presentation of Financial Statements: Clarification of the requirements for comparative information

The amendment clarifies the difference between voluntary additional comparative information and the minimum required comparative information (this is generally the previous period information). If an entity chooses to voluntarily provide comparative information beyond the minimum required comparative period, it must include comparative information also in the related notes to the financial statements.

Also, the amendment requires entities to present a third balance sheet (the opening balance sheet) (a) when an entity changes its accounting policies; or (b) makes retrospective restatements or makes reclassifications which have a material effect on the balance sheet. In such cases the entity is not required to provide supporting notes for the opening balance sheet.

IAS 16 – Property, plant and equipment: Classification of servicing equipment

The amendment clarifies that major spare parts and servicing equipment that meet the definition of property, plant and equipment are not inventory.

IAS 32 – Financial instruments: Presentation: Tax effect of distributions to holders of equity instruments

The amendment removes existing income tax requirements from IAS 32 and requires entities to apply the requirements in IAS 12 Income taxes to any income tax arising from distributions to equity holders.

IAS 34 – Interim financial reporting: Interim financial reporting and segment information for total assets and liabilities

This amendment aligns the disclosure requirements for total segment assets with total segment liabilities in interim financial statements. It also ensures that interim disclosures are aligned with annual disclosures in IFRS 8 Operating segments.

The Company is reviewing the impact of the improvements to IFRS which are not yet mandatory and have not yet been endorsed by the EU and, for the time being, has not assessed the impact of new pronouncements on its financial statements. The Company will apply the improvements to IFRS in accordance with their requirements, if endorsed by the EU.

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 recognised in the income statement.

Profit/loss from operations

Profit from operations is defined as the result before income tax and finance items. Finance items comprise interest revenue on cash balances at the bank, deposits, interest bearing available-for-sale investments, interest expense on borrowings, gains and losses 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 awards and termination benefits upon retirement,
- Provisions for legal disputes and damages,
- Impairment of investments,
- Impairment of receivables,

Deferred tax assets recognised on account of provisions for jubilee awards, termination benefits, legal disputes, 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 capitalised on sale or disposal of the investment or financial instrument as well as on final write-off of receivables.

Deductible temporary differences are recognised on account of provisions and impairments at the tax rate of 17 percent and for which we expect to be reversed in the short-term, and at the tax rate of 15 percent for provisions and impairments which we believe are long-term in nature.

Deferred tax liabilities are recognised for temporary differences arising on revaluation of available-for-sale financial assets (at fair value through profit or loss) to a higher value, whereas on revaluation of available-for-sale financial assets to a lower value, deferred tax assets are recognised.

On the reporting date 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:

- Provisions for jubilee awards and termination benefits upon retirement are set on the basis of actuarial calculation,
- Provisions for legal disputes and damages are set aside using the following criteria:
    - Whether present obligation (legal or constructive) exists a result of past events,
    - It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognise if the probability is high,
    - A reliable estimate can be made of the amount of the obligation.

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. In 2012, the Company changed the method of recognition of the surplus of port dues over the costs of the public commercial services of regular maintenance of the port infrastructure in individual financial year in accordance with Item 9,3, of the concession agreement. In line with the new recognition method, the revenue from dock dues was reduced by the surplus amount of revenue over the costs of the public commercial services of regular maintenance of the port infrastructure, and the surplus was reported as deferred revenue. In 2011, the surplus amount was recognised as an item of other operating expenses (provisions) and reported within items of long-term deferred revenue. The recognition method is explained in more detail in Note 1 and Section 12.

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.

When an item of property, plant and equipment comprises major components having different useful lives, these components are accounted for as separate items of property, plant and equipment. 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 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.

In 2012, the Company did not acquire any items of property, plant and equipment under finance lease.

Subsequent expenditure

Subsequent expenditure incurred to replace a component of an item of property, plant and equipment increases its cost. Other subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the item of property, plant and equipment. 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 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 assets (disposal group) held for sale, and works of art are not depreciated.

Asset	2012	2011
Buildings	1.5–6 %	1.5–6 %
Transport and transhipment equipment	5.6–20 %	5.6–20 %
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 losses resulting from disposal of individual item of property, plant and equipment is determined as the differences between the gains from disposal 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 less the 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. All items of intangible assets have a finite of 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. Assessed useful life of other items of intangible assets is between 5 and 10 years (average amortisation rates used are presented below).

Intangible assets	2012	2011
Concessions, trademarks and licences	10–20%	10–20%

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. Average depreciation rates applied to investment property are as follows:

Investment property	2012	2011
Buildings	1.5–6 %	1.5–6 %

Investments in related parties

Investments in subsidiaries, associates, jointly controlled entities and other entities are measured at cost. On each balance sheet date, the Company checks if there is any objective evidence of potential impairment of investments. Any impairment loss is recognised in the profit or loss.

Financial instruments

Financial instruments are classified into the following categories:

1. Financial instruments at fair value through profit or loss,
2. Financial investments held to maturity,
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.

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, non-current and current receivables are carried separately as are trade receivables. Trade receivables include interest receivables. Non-current and current 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 due from 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 non-current or current financial 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 non-current and current financial liabilities. On the last day of the year, all financial liabilities maturing in the next 12 months are transferred to current financial liabilities. Interest-bearing borrowings are insured with bills of exchange 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 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. 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 company and there is sufficient evidence that the company 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

The Company does not hold or issue derivative financial instruments for trading purposes. Derivative financial instruments are used to hedge the Company’s exposure to risks arising from financing and investing activities. Derivative financial instruments are recognised 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 applies derivatives only for the purpose of 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

Share capital of Luka Koper, d. d., is represented by 14,000,000 ordinary, freely transferable nominal non-par value shares.

Dividends

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 2012, the Company did not trade in treasury shares.

Authorised capital

As at 31 December 2012, the Company had no authorised capital.

Provisions

Provisions for disputes and damages

The Company made provisions for disputes and damages related to alleged business offences. The amount of provisions and the need for their recognition is determined in consideration of the following criteria:

- Whether present obligation (legal or constructive) exists as a result of past events,
- It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognise if the probability is high,
- A reliable estimate can be made of the amount of the obligation.

Provisions for termination benefits and jubilee awards

In accordance with the statutory requirements and the collective agreement, the Company is obligated to pay jubilee awards 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.

Maintenance of the port infrastructure

In accordance with the concession agreement with the Republic of Slovenia, and criteria approved by the government of the Republic of Slovenia. Luka Koper, d. d., recognises long-term accrued costs for ordinary maintenance of the port infrastructure to the amount equal to the surplus of the income from the port dues over the costs. In the case the Company reports a surplus of costs over revenue from port dues, the relevant amount of deferred revenue is transferred to the revenue.

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

Non-current operating liabilities include collateral received for rented business premises, Trade liabilities and payables to the state and employees are shown 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 last day of the reporting period.

Accrued and deferred items

Capitalised short-term deferred costs and accrued revenue include items of deferred costs or deferred expenses, as well as items of accrued revenue, whereas short-term accrued costs and deferred revenue include accrued costs or expenses, as well as items of deferred income.

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 2012 the Company did not receive a positive decision from the 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 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 2012, income tax liability was calculated at the rate of 18 percent of the tax basis compared to 20 percent tax rate applied in the previous year. In accordance with the applicable legislation, in the next few years, the income tax rate will be gradually decreased to 15 percent in 2015.

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 temporary differences resulted in an increase of the taxable amounts and deferred tax liabilities. Whereas deductible temporary differences resulted in a decrease of taxable amounts and an increase in deferred tax assets.

Earnings per share

The basic and diluted earnings per share was calculated by dividing the net profit for the financial year 2012 by the weighted average number of ordinary shares in issue.

Income

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. 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 (primarily 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 operating revenue

Other operating revenue comprises revaluation operating revenue from the sale of property, plant and equipment.

Other revenue

Other revenue includes subsidies, grants, insurance proceeds and other revenue. Other revenue is recognised when it can be justifiably expected that the related receipts will flow to the Company.

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. Costs of borrowings and approval of these are recognised in the profit or loss over the entire maturity of the borrowings.

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 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 (or any other method). The impairment loss is recognised in the profit or loss as a revaluation financial expense.

Statement of comprehensive income

In the statement of comprehensive income the Company reports net profit or loss as well as other comprehensive income (inclusive of any adjustments due to reclassification) that are not included in the income statement in accordance with the provisions and requirements of 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 2012 and 31 December 2011, as well as the items in the income statement for the financial year ended 31 December 2012, 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 and expenses, directly recognised in the equity.

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. Efficient 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 33: Financial Risk Management.

8. ADDITIONAL NOTES TO THE INCOME STATEMENT

Note 1: Operating revenue

(EUR)	2012	2011
Net sales in the local market	47,045,771	45,492,365
- Services	45,271,766	43,529,412
- Goods and materials	75,360	24,548
- Rent	1,698,645	1,938,405
Net sales in foreign markets	86,283,407	88,854,483
- Services	85,955,036	88,702,506
- Goods and materials	101,342	-
- Rent	227,029	151,977
Total net sales	**133,329,178**	**134,346,848**
Other operating revenue		
Revaluation operating revenue	80,089	79,990
Total other operating revenue	**80,089**	**79,990**
Total operating revenue	**133,409,267**	**134,426,838**

In 2012, the Company changed the method of recognition of the surplus of port dues over the costs of the public commercial services of regular maintenance of the port infrastructure in individual financial year in accordance with the concession agreement and criteria approved by the government of the Republic of Slovenia. In accordance with the new recognition method, the revenue from port dues was reduced by the surplus amount of revenue over the costs of the public commercial services, and deferred revenue in the amount of EUR 1,215,545 was recognised. The long-term deferred revenue amounts will be utilised to cover the costs of public commercial services of regular maintenance of the port infrastructure in the next financial years.

Note 2: Other revenue

(EUR)	2012	2011
Subsidies, grants and similar income	917,199	335,398
Insurance proceeds	34,203	6,658
Other operating revenue	2,808	43,951
TOTAL	**954,210**	**386,007**

The majority of other revenue recognised in 2012 and in 2011 relates to revenue from subsidies, grants and similar income that are recognised entirely as the revenue accrued on the basis of the costs incurred on European projects and the Company justifiably expects to receive these subsidies and grants.

Note 3: Costs of materials

(EUR)	2012	2011
Costs of materials and spare parts	3,383,163	2,647,886
Costs of power supply	7,108,529	6,796,273
Office stationery	125,203	133,209
Other costs of material	333,779	280,751
TOTAL	**10,950,674**	**9,858,119**

Note 4: Costs of services

(EUR)	2012	2011
Costs of physical services	17,576,699	16,909,791
Costs of transportation	223,441	192,367
Costs of maintenance	8,220,886	8,529,566
Rent	747,755	781,358
Reimbursement of costs associated with labour	249,178	292,429
Costs of payment processing and insurance premiums	399,367	384,471
Costs of intellectual and personal services	980,146	814,983
Advertising, trade fairs and hospitality	1,135,170	1,215,827
Costs of services provided by natural entities	256,022	247,614
Costs of other services	11,703,203	12,057,077
TOTAL	**41,491,867**	**41,425,483**

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 includes also audit fees for the audit of the financial statements of Luka Koper d.d. in the amount of EUR 29,000. The costs of other services include two significant items: the cost of information technology support of EUR 2,908,617 (in 2011: EUR 3,140,116), and concession charges in the amount of EUR 4,471,855 (in 2011: EUR 4,473,430).

The cost of payment processing and insurance premiums include property insurance and personnel insurance costs in the amount of EUR 362,732 (2011: EUR 336,529). The Company has insured its property to the new value against fire, liability for damages caused to third persons and a portion of goods owned by others against fire risk. 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 under long-term lease) is insured against any damages.

Note 5: Labour cost

(EUR)	2012	2011
Employee benefits	19,818,928	20,707,707
Salary substitutes	4,047,870	3,450,337
Voluntary pension insurance	976,949	973,198
Employer's contributions on employee benefits	3,893,781	3,943,012
Holiday pay, reimbursements and other costs	2,736,578	2,690,548
TOTAL	**31,474,106**	**31,764,802**

At 31 December 2012, Luka Koper, d. d., had 785 employees compared to 787 at the end of the previous year. Average number of employees in 2012 was 789, compared to 759 in the previous year.

Average number of employees by level of education in 2012 and 2011

Educational level	Average 2012	Average 2011
VIII/2	2	2
VIII/1	18	17
VII	96	94
VI/2	118	117
VI/1	57	51
V	236	228
IV	201	182
III	14	15
I–II	47	53
TOTAL	**789**	**759**

In 2012, all the employees, except for the members of Management Board and staff with individual contracts of employment, received an additional salary (13th salary) equal to 60 percent of each employee's average salary, for having reached the planned added value. Other benefits awarded to employees include the payment of voluntary pension insurance premium by the employer, which has been funding the pension scheme for the eleventh consecutive year.

In 2012, the holiday pay amounted to EUR 763 per employee (2011: EUR 910).

In accordance with internal rules and business plan of Luka Koper d.d., the Company approves housing loans to its employees as means of resolving their housing problems. In 2012 no loans were approved to employees with individual contract of employment. In 2011 the balance of loans approved to employees with individual contract of employment was EUR 2,508.

No loans were granted to members of the Management or Supervisory Boards.

Note 6: Write-downs

(EUR)	2012	2011
Depreciation of buildings	11,390,394	11,188,742
Depreciation of equipment, replacement parts and small tools	14,016,554	13,784,809
Depreciation of investment property	566,809	612,172
Amortisation of intangible assets	507,940	264,284
Operating expenses from revaluation of property, plant and equipment	1,958,645	30,459
Operating expenses from revaluation of current assets	78,388	316,533
TOTAL	**28,518,730**	**26,196,999**

In 2012, amortisation and depreciation rates applied to intangible assets, property, plant and equipment were not changed. Depreciation and amortisation charges on intangible assets, property, plant and equipment, and investment property increased in 2012 as a consequence of new purchases and the completion of some major investments.

Majority of revaluation operating expenses were incurred on revaluation of property, plant and equipment (EUR 1,164,681), the Luna facility (EUR 430,000) which is included in a group of assets held for disposal, and land in Sežana in the amount of EUR 244,911.

The revaluation operating expenses from current assets arose on impairment of receivables with maturity of over 180 days (the same criteria as the one applied in 2011). Receivables due from related parties were not impaired.

Note 7: Other operating expenses

(EUR)	2012	2011
Charges unrelated to labour costs or other costs	5,292,352	5,263,413
Environmental charges	71,061	79,177
Awards and scholarship to students	5,937	8,839
Other costs (fines, compensation paid and demurrage)	799,683	693,456
Provisions for disputes and damages	-490,294	365,213
Costs of ordinary maintenance in accordance with the concession agreement	-	159,216
TOTAL	**5,678,739**	**6,569,314**

A significant item of charges represents urban land rates, which in 2012 amounted to EUR 4,951,858 (in 2011: EUR 4,799,548). The Company spent EUR 186,650 for donations (in 2011: EUR 304,674). Provisions for damages relate to the difference between the amount of provisions set aside during the year and reversal of provisions for disputes and damages.

Note 8: Finance income

(EUR)	2012	2011
Financial revenue from shares and interests		
Financial revenue from shares and interests in the group	644,513	1,042,729
Financial revenue from shares and interests in associates	309,462	572,615
Financial revenue from shares and interests in others	661,953	608,151
Financial revenue from disposal of shares and interests in others	-	224,936
Financial revenue from loans		
Financial revenue from loans to group companies	7,398	7,884
Financial revenue from loans and deposits to others	981,220	254,416
Financial revenue from operating receivables		
Financial revenue from operating receivables due from others	90,036	151,586
TOTAL	**2,694,582**	**2,862,317**

In 2012, finance income did not reach the 2011 level, particularly due to lower realised finance income from shares in subsidiaries and associates. Total revenue from interests in non-current and current financial investments (using the actual interest method) slightly decreased in 2012 and amounted to EUR 236,094 (2011: EUR 262,300).

The major amount of financial revenue from loans to others represents impairment reversal of a loan granted to T. O. Delta SPA in 2006 in the amount of EUR 656,131 and the attributed interest in the amount of EUR 96,393. Loan impairment was recognised in 2007, however the debtor repaid the loan in the financial year 2012.

Note 9: Finance expense

(EUR)	2012	2011
Financial expenses from financial investments	2,997,688	14,538,345
Financial expenses from financial liabilities		
Financial expenses for borrowings from group companies	304,401	270,307
Financial expenses for borrowings from banks	5,947,015	7,966,719
Financial expenses for other financial liabilities	21,087	34,429
Financial expenses for operating liabilities		
Financial expenses for trade payables	42,711	422
Financial expenses for other operating liabilities	20,570	1,384
TOTAL	**9,333,472**	**22,811,606**

In addition to financial expenses for borrowings, a significant amount of financial expenses relates to impairment of the following investments:

- Impairment loss of EUR 449,850 from NLB d.d. shares – a reduction from EUR 116 per share to EUR 41 per share in accordance with decisions of the Shareholders' meeting of NLB d.d. adopted on 27 June 2012;

- Impairment loss of EUR 921,441 from Intereuropa d.d. shares – a reduction to EUR 1 per share in accordance with decisions of the Shareholders' meeting of Intereuropa d.d. adopted on 28 August 2012;
- Impairment loss of EUR 1,000,775 as a result of impairment of investment in Adria Terminali, d.o.o., in line with the valuation assessment of the entity,
- Impairment loss of EUR 624,880 as a result of impairment of investments in the Primorske novice, d. o. o., Adriatic Fund B. V., Railport Arad, s. r. i., and TOC, d. o. o., in line with the assessment made by the Management Board based on operational data provided by the entities and their performance projections for the future.

In 2012, financial expenses for financial liabilities fell by 24 percent primarily as a result of a reduction in a variable interest rate EURIBOR and reduced scope of the Company's borrowings. 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 33: Financial risk management.

Financial expenses for other operating liabilities represent the difference between foreign exchange rate gains in the amount of EUR 117,924 and losses (EUR 138,494). The result is exchange rate loss in the amount of EUR 20,570.

Note 10: Profit or loss before tax

In 2012, the Company generated an operating result of EUR 16,249,361, compared to EUR 18,998,129 generated in 2011. After taking account of the financial loss incurred in 2012 in the amount of EUR 6,638,890 (2011: loss of EUR 19,949,289), in 2012 the Company generated pre-tax profit of EUR 9,610,471, compared to a loss incurred in 2011 in the amount of EUR 951,160.

Note 11: Effective tax rate

(EUR)	2012	2011
Profit or loss before tax	**9,610,471**	**-951,161**
Income tax (18% in 2012; 20% in 2011)	**-1,729,885**	**190,232**
Non-taxable income and increase in expenditure	116,694	219,627
Non-taxable dividends received	284,571	385,099
Tax allowances	1,229,805	295,371
Expenses not recognised for tax purposes	-439,211	-563,217
Impairment loss not recognised for tax purposes	-248,096	-1,453,928
Other reduction in the tax basis	9,279	28,771
Effect of changes in the tax rate	-1,306,038	-
Total income tax payable	**-2,082,881**	**-898,045**
Effective tax rate	**-21,67%**	**-**

In 2012, Luka Koper, d. d. reported tax base before reduction and tax allowances in the amount of EUR 12,098,194. Considering legally recognised tax allowances in the amount of EUR 6,832,247, the income tax basis in 2012 is EUR 5,265,947.

Note 12: Deferred tax

In 2012, deferred taxes reduced the amount of net profit by EUR 1,135,010, whereas in 2011 deferred taxes increased the loss incurred in the financial year by EUR 311,858. Deferred tax assets were made on account of the impairment charge for investments and provisions which are not fully tax deductible. Major amount of reduction in deferred taxes is due to adjustment to new tax rates in the amount of EUR 1,306,038 in accordance with the tax legislation adopted in 2013. Deferred tax assets were further reduced by EUR 508,896 relating to the write-off of receivables, as well as utilisation and reversal of provisions, EUR 679,923 increase in deferred taxes is primarily on account of deferred tax recognised on impairment of investments.

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

(EUR)	2012	2011
Provisions	-25,492	26,596
Unutilised tax losses	-	-1,701,622
Non-current investments	174,925	1,312,728
Receivable allowances	-201,360	50,440
Decommissioning of fixed assets	-31,446	-
Interest hedging	254,401	-
Amendment to tax legislation	-1,306,038	-
TOTAL	**-1,135,010**	**-311,858**

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

(EUR)	2012	2011
Deferred tax on changes in fair value of AFS financial assets	366,279	-951,563

FY 2012

(EUR)	Assets Balance at 1.1.2012	Assets Recognised in the profit or loss	Assets Balance at 31.12.2012	Liabilities Balance at 1.1.2012	Liabilities Deferred through revaluation surplus	Liabilities Balance at 31.12.2012
Deferred tax assets and liabilities on account of						
Impairment of investments and financial instruments	8,170,573	-765,833	7,404,740	1,677,159	-366,279	1,310,880
Provisions for termination benefits and jubilee awards, and long-term accrued revenue from public commercial services	630,085	-131,700	498,385	-	-	-
Receivable allowances	279,513	-206,031	73,482	-	-	-
Decommissioning of fixed assets	31,446	-31,446	-	-	-	-
TOTAL	**9,111,617**	**-1,135,010**	**7,976,607**	**1,677,159**	**-366,279**	**1,310,880**

FY 2011

(EUR)	Assets Balance at 1.1.2011	Recognised in the profit or loss	Balance at 31.12.2011	Liabilities Balance at 1.1.2011	Deferred through revaluation surplus	Balance at 31.12.2011
Deferred tax assets and liabilities on account of						
Impairment of investments and financial instruments	6,857,845	1,312,728	8,170,573	2,628,722	-951,563	1,677,159
Provisions for termination benefits and jubilee awards, and long-term accrued revenue for public commercial services	603,489	26,596	630,085	-	-	-
Receivable allowances	229,073	50,440	279,513	-	-	-
Decommissioning of fixed assets	31,446	-	31,446	-	-	-
Tax loss	1,701,622	-1,701,622	-	-	-	-
TOTAL	**9,423,475**	**-311,858**	**9,111,617**	**2,628,722**	**-951,563**	**1,677,159**

Note 13: Earnings per share

(EUR)	31.12.2012	31.12.2011
Net profit for the year	7,527,590	-1,849,205
Number of shares	14,000,000	14,000,000
Ordinary shares	14,000,000	14,000,000
Basic and diluted net earnings per share	**0,54**	**-0,13**

Net earnings per share for the year 2012 were calculated by dividing the net operating profit 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.

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.

Note 14: Property, plant and equipment

(EUR)	31.12.2012	31.12.2011
Property, plant and equipment		
Land	6,261,659	6,261,659
Buildings	223,593,152	230,161,043
Plant and equipment	73,871,587	76,988,193
Other plant and equipment	139,696	139,696
Fixed assets being acquired and advances given	23,934,928	25,142,374
TOTAL	**327,801,022**	**338,692,965**

No items of property, plant and equipment are pledged as collateral. At 31 December 2012, there is no significant difference between the carrying amount of property, plant and equipment and their fair value.

The cost of the property, plant and equipment in use, of which the carrying value as at 31.12.2012 is zero, is EUR 177,644,822.

Changes in the value of property, plant and equipment are presented below.

At 31 December 2012, the outstanding payables to suppliers of property, plant and equipment amounted to EUR 2,398,375 (2011: 2,156,573).

In 2012, the Company realised the following major investments:

- the Company invested in additional three RTG cranes in the total amount of EUR 3,963,318 in the container terminal, acquired additional manipulators to the value of EUR 797,300 and additional terminal tugs in the total amount of EUR 933,646; furthermore, of EUR 1,485,141 was spent on work to strengthen additional surfaces for the storage of containers,
- in order to fulfil regulatory requirements, the Company started, in compliance with the Decree on the emissions of substances in discharge of waste water, to abolish flow-through cesspools in the area of the port and to build a new sewage system, with an investment of EUR 57,670 in 2012,
- the Company started rehabilitation of the shore of pier II with EUR 244,232 worth of investment,
- the Company started arranging additional areas for the storage of cars with an investment of EUR 147,705 in 2012.

For the performance of its core activity, Luka Koper, d. d., also uses 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 Section 12.

Table of changes in property, plant and equipment

FY 2012

(EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Fixed assets being acquired	Advances for fixed assets	Total
Cost							
At 31 December 2011	6,261,659	386,481,354	222,409,241	139,696	23,894,674	1,247,700	640,434,324
Adjustments							-
1 January 2012	6,261,659	386,481,354	222,409,241	139,696	23,894,674	1,247,700	640,434,324
Additions	-	1,411,033	10,007,524	-	5,440,665	-	16,859,222
Transfer from investments in progress	-	3,652,891	1,244,249	-	-4,897,140	-	-
Disposals, write-downs	-	-	-1,986,357	-	-	-	-1,986,357
Transfer from/to intangible assets	-	-	-	-	-414,439	-	-414,439
Transfer from/to investment property	-	-239,070	-	-	-100,532	-	-339,602
Transfer from/to current assets	-	-7,400	-2,251,587	-	-	-	-2,258,987
Reclassifications in property, plant and equipment	-	-4,448	1,240,448	-	-	-1,236,000	-
At 31 December 2012	6,261,659	391,294,360	230,663,518	139,696	23,923,228	11,700	652,294,161
Carrying amount							
At 31 December 2011	-	156,320,311	145,421,049	-	-	-	301,741,360
Adjustments							-
At 1 January 2012	-	156,320,311	145,421,049	-	-	-	301,741,360
Depreciation	-	11,390,395	14,016,554	-	-	-	25,406,949
Disposals, write-downs	-	-	-1,913,584	-	-	-	-1,913,584
Impairments	-	-	1,164,681	-	-	-	1,164,681
Transfer from/to investment property	-	-1,954	-	-	-	-	-1,954
Transfer from/to current assets	-	-7,400	-1,896,913	-	-	-	-1,904,313
Reclassifications in property, plant and equipment	-	-144	144	-	-	-	-
At 31 December 2012	-	167,701,208	156,791,931	-	-	-	324,493,139
Carrying amount							
At 31 December 2011	**6,261,659**	**230,161,043**	**76,988,192**	**139,696**	**23,894,674**	**1,247,700**	**338,692,964**
At 1 January 2012	**6,261,659**	**230,161,043**	**76,988,192**	**139,696**	**23,894,674**	**1,247,700**	**338,692,964**
At 31 December 2012	**6,261,659**	**223,593,152**	**73,871,587**	**139,696**	**23,923,228**	**11,700**	**327,801,022**

FY 2011

(EUR)	Land	Buildings	Plant and equipment	Other plant and equipment	Fixed assets being acquired	Advances for fixed assets	Total
Cost							
At 31 December 2010	6,261,659	371,326,056	217,419,290	138,696	26,084,265	505,222	621,735,188
Adjustments							-
At 1 January 2011	6,261,659	371,326,056	217,419,290	138,696	26,084,265	505,222	621,735,188
Additions	-	4,848,824	6,494,007	1,000	3,936,935	742,478	16,023,244
Transfer from investments in progress	-	5,809,802	316,724	-	-6,126,526	-	-
Disposals, write-downs	-	-14,768	-1,230,997	-	-	-	-1,245,765
Transfer from/to intangible assets	-	3,664,483	1,156,506	-	-	-	4,820,989
Transfer from/to investment property	-	846,957	-	-		-	846,957
Transfer from/to current assets	-		-1,746,289	-	-	-	-1,746,289
At 31 December 2011	6,261,659	386,481,354	222,409,241	139,696	23,894,674	1,247,700	640,434,324
Accumulated depreciation							
At 31 December 2010	-	144,517,985	133,373,910	-	-	-	277,891,895
Adjustments							-
At 1 January 2011	-	144,517,985	133,373,910	-	-	-	277,891,895
Depreciation	-	11,188,742	13,784,809	-	-	-	24,973,551
Disposals, write-down	-	-10,720	-1,166,841	-	-	-	-1,177,561
Transfer from/to intangible assets	-	-	1,156,506	-	-	-	1,156,506
Transfer from/to investment property	-	624,304	-	-	-	-	624,304
Transfer from/to current assets	-	-	-1,727,336	-	-	-	-1,727,336
At 31 December 2011	-	156,320,311	145,421,048	-	-	-	301,741,359
Carrying amount							
At 31 December 2010	**6,261,659**	**226,808,071**	**84,045,380**	**138,696**	**26,084,265**	**505,222**	**343,843,293**
At 1 January 2011	**6,261,659**	**226,808,071**	**84,045,380**	**138,696**	**26,084,265**	**505,222**	**343,843,293**
At 31 December 2011	**6,261,659**	**230,161,043**	**76,988,193**	**139,696**	**23,894,674**	**1,247,700**	**338,692,965**

Note 15: Investment property

(EUR)	31.12.2012	31.12.2011
Investment property - land	21,070,841	20,828,209
Investment property - buildings	14,271,912	14,695,685
Total	**35,342,753**	**35,523,894**

Investment property consists of buildings that are leased out. The amount of income from rent and costs for investment property are presented in the table below.

Property, plant and equipment have not been pledged as collateral. As at 31 December 2012, the carrying amount of investment property does not deviate substantially from their fair value.

(EUR)	31.12.2012	31.12.2011
Rental income from investment property	1,465,803	1,616,782
Depreciation of investment property	-566,809	-612,172

In 2012, income from the rent of investment property amounted to EUR 1,465,803 (in 2011: EUR 1,616,782). A significant cost related to investment property is its depreciation, which in 2012 amounted to EUR 566,809 (in 2011: EUR 612,172).

Table of changes in investment property

FY 2012

(EUR)	Land	Buildings	Total
Cost			
At 31 December 2011	20,828,209	20,754,097	41,582,306
Adjustments			-
At 1 January 2012	20,828,209	20,754,097	41,582,306
Additions	-	69,447	69,447
Disposals, write-downs	-	-37,489	-37,489
Transfer from/to property, plant and equipment	239,070	100,532	339,602
Transfer from/to current assets	-	-520	-520
Reclassification of investment property	3,562	-3,562	-
At 31 December 2012	21,070,841	20,882,505	41,953,346
Accumulated depreciation			
At 31 December 2011	-	6,058,412	6,058,412
Adjustments			-
At 1 January 2012	-	6,058,412	6,058,412
	-		
Depreciation	-	566,809	566,809
Disposals, write-downs	-	-16,062	-16,062
Transfer from/to property, plant and equipment	-	1,954	1,954
Transfer from/to current assets	-	-520	-520
At 31 December 2012	-	6,610,593	6,610,593
Carrying amount			
At 31 December 2011	**20,828,209**	**14,695,685**	**35,523,894**
At 1 January 2012	**20,828,209**	**14,695,685**	**35,523,894**
At 31 December 2012	**21,070,841**	**14,271,912**	**35,342,753**

FY 2011

(EUR)	Land	Buildings	Total
Cost			
At 31 December 2010	20,828,209	22,670,450	43,498,659
Adjustments			-
At 1 January 2011	20,828,209	22,670,450	43,498,659
Additions	-	43,870	43,870
Disposals, write-downs	-	-1,113,266	-1,113,266
Transfer from/to property, plant and equipment	-	-846,957	-846,957
At 31 December 2011	20,828,209	20,754,097	41,582,306
Accumulated depreciation			
At 31 December 2010	-	6,378,558	6,378,558
Adjustments			-
At 1 January 2011	-	6,378,558	6,378,558
	-		
Depreciation	-	612,171	612,171
Disposals, write-downs	-	-308,013	-308,013
Transfer from/to property, plant and equipment	-	-624,304	-624,304
At 31 December 2011	-	6,058,412	6,058,412
Carrying amount			
At 31 December 2010	**20,828,209**	**16,291,892**	**37,120,101**
At 1 January 2011	**20,828,209**	**16,291,892**	**37,120,101**
At 31 December 2011	**20,828,209**	**14,695,685**	**35,523,894**

Note 16: Intangible assets

(EUR)	31.12.2012	31.12.2011
Intangible assets		
Concessions, trademarks and licences	5,324,587	4,580,294
Total	**5,324,587**	**4,580,294**

No impairment loss was recognised on intangible assets in 2012 as there were no indications of their impairment. As at 31 December 2012, their carrying amount does not deviate substantially from their fair value. The movements in and accumulated amortisation of intangible assets in the year 2012 and comparable information for the year 2011 are presented in the following table. The most significant investment in 2012 was made in the implementation of Tideworks – a container terminal management information system – in the amount of EUR 413,739. As at 31 December 2011 and 2012, no items of intangible assets were pledged as collateral.

The cost of intangible assets with the carrying amount equalling zero as at 31 December 2012 is EUR 10,079,277.

Outstanding supplier payables relating to property, plant and equipment amounted to EUR 344,890 at the end of 2012 (in 2011: EUR 484,476).

Table of changes in intangible assets

FY 2012

(EUR)	Concessions, trademarks and licences	Intangible assets being acquired	Total
Cost			
At 31 December 2011	14,242,940	967,369	15,210,309
Adjustments			-
At 1 January 2012	14,242,940	967,369	15,210,309
Additions	55,116	782,678	837,794
Transfer from/to property, plant and equipment	414,439	-	414,439
At 31 December 2012	14,712,495	1,750,047	16,462,542
Accumulated amortisation			
At 31 December 2011	10,630,015	-	10,630,015
Adjustments			-
At 1 January 2012	10,630,015	-	10,630,015
Amortisation	507,940	-	507,940
At 31 December 2012	11,137,955	-	11,137,955
Carrying amount			
At 31 December 2011	**3,612,925**	**967,369**	**4,580,294**
At 1 January 2012	**3,612,925**	**967,369**	**4,580,294**
At 31 December 2012	**3,574,540**	**1,750,047**	**5,324,587**

FY 2011

(EUR)	Concessions trademarks and licences	Intangible assets being acquired	Total
Cost			
At 31 December 2010	11,915,537	6,906,261	18,821,798
Adjustments			-
At 1 January 2011	11,915,537	6,906,261	18,821,798
Additions	347,015	866,419	1,213,434
Transfer from investments in progress	3,140,828	-3,140,828	-
Disposals, write-downs	-3,934	-	-3,934
Transfer from/to property, plant and equipment	-1,156,506	-3,664,483	-4,820,989
At 31 December 2011	14,242,940	967,369	15,210,309
Accumulated amortisation			
At 31 December 2010	11,522,400	-	11,522,400
Adjustments			-
At 1 January 2011	11,522,400	-	11,522,400
Amortisation	264,284	-	264,284
Disposals, write-downs	-163	-	-163
Transfer from/to property, plant and equipment	-1,156,506	-	-1,156,506
At 31 December 2010	10,630,015	-	10,630,015
Carrying amount			
At 31 December 2010	**393,137**	**6,906,261**	**7,299,398**
At 1 January 2011	**393,137**	**6,906,261**	**7,299,398**
At 31 December 2011	**3,612,925**	**967,369**	**4,580,294**

Note 17: Non-current investments and loans

As at 31 December 2012, the Company's non-current investments stood at EUR 43,778,279, and were composed mainly of investments in subsidiaries, associates and jointly controlled companies and other investments in securities and interests.

(EUR)	31.12.2012	31.12.2011
Loans:		
Held-to-maturity investments:		
Non-current loans with purchase of securities	1,454,471	1,586,889
Cost of held-to-maturity investments to others	1,497,241	1,629,659
Impairment of held-to-maturity investments to others	-42,770	-42,770
Loans		
Non-current loans to others, including finance lease	62,925	127,796
Non-current housing loans to employees	57,353	101,367
Non-current loans	6,284	31,869
Impairment of non-current loans and housing loans to employees	-712	-5,440
Non-current deposits given	-	2,852,617
Total loans	**1,517,396**	**4,567,302**
Non-current investments:		
Investments in subsidiaries measured at cost	4,279,678	5,280,453
Cost of available-for-sale investments in shares and interests of Group companies	6,325,270	6,318,765
Impairment of available-for-sale investments in shares and interests of Group companies	-2,045,592	-1,038,312
Investments in associates and jointly controlled companies measured at cost	8,687,059	8,753,709
Cost of available-for-sale investments in shares and interests of associates	12,730,504	12,730,504
Impairment of available-for-sale investments in shares and interests of associates	-4,043,445	-3,976,795
Other investments measured at cost	6,205,666	7,188,541
Cost of investments in shares and interests of other companies	31,066,996	31,066,996
Impairment of available-for-sale shares and interests of other companies	-24,861,330	-23,878,455
Other investments measured at fair value through equity	23,088,480	24,284,278
Total non-current financial investments	**42,260,883**	**45,506,981**
Total	**43,778,279**	**50,074,283**

Compared to the previous year, in 2012 the value of investments in subsidiaries reduced by EUR 1 million resulting from impairment of the investment in Adria terminali, d. o. o., Decrease in the value of investments in associates in the amount of EUR 66,650, represents impairment loss on investment in Railport Arad, s. r. l.. Furthermore, impairment loss of EUR 449,850 was recognised in 2012 on investments in the shares of NLB, d.d.

At the reporting date, other investments measured at fair value through equity were assessed to be worth EUR 23,088,480. Compared to their value at the end of 2011 in the amount of EUR 24,284,278 their value decreased slightly and accordingly, the Company reduced the amount of equity revaluation surplus to EUR 7,557,916 (2011: EUR 8,753,714).

Other investments measured at cost in the amount of EUR 6,205,666 represent non-marketable securities and shares.

At 31 December 2012, loans approved by the Company totalled EUR 1,517,396 (2011: EUR 4,567,302. Of the amount, housing loans to employees and others account for 4 percent, whereas 96 percent of the amount represents bonds of Slovenian issuers.

Housing loans were approved to employees in accordance with the 1991 Housing Act and the Company's internal housing rules. The longest repayment period is 20 years. All the housing loans are appropriately collateralised.

Majority of the investments in securities with fixed return represent investments in bonds of Slovene commercial banks that mature in a period up to 2020. The nominal interest rate on investments in loans ranges from 2.7 and 6.0 percent.

Table of changes in non-current investments and loans

FY 2012

(EUR)	Held-to-maturity investments	Loans	Non-current investments	Total
Gross value				
Balance at 31 December 2011	1,629,659	2,985,853	74,400,543	79,016,055
Additions				
New loans, acquisitions	-	-	-	-
Attribution of interest	-	-	-	-
Reclassifications	-	-	25,205	25,205
Restatement to fair value	-	-	-	-
Disposals				
Repayments, disposals	-132,418	-37,704	-	-170,122
Transfer to current investments	-	-2,884,512	-	-2,884,512
Write-down	-	-	-18,700	-18,700
Revaluation to fair value through equity	-	-	-1,195,798	-1,195,798
Balance at 31 December 2012	1,497,241	63,637	73,211,250	74,772,128
Accumulated impairment loss				
Balance at 31 December 2011	42,770	5,440	28,893,562	28,941,772
Additions				
Impairment	-	-	2,075,505	2,075,505
Disposals				
Investments written-off ,later recovered	-	-4,728	-	-4,728
Transfer to current investments	-	-	-	-
Write-down	-	-	-18,700	-18,700
Balance at 31 December 2012	42,770	712	30,950,367	30,993,849
Net amount at 31 December 2011	**1,586,889**	**2,980,413**	**45,506,981**	**50,074,283**
Net amount at 31 December 2012	**1,454,471**	**62,925**	**42,260,883**	**43,778,279**

FY 2011

(EUR)	Held-to-maturity investments	Loans	Non-current investments	Total
Gross value				
Balance at 31 December 2011	2,169,701	226,656	81,813,113	84,209,470
Additions				
New loans, acquisitions, capital increase	-	2,800,000	478,134	3,278,134
Attribution of interest	-	52,617	-	52,617
Disposals				
Repayments, disposal	-120,042	-6,428	-1,424,192	-1,550,662
Transfer to current investments	-420,000	-86,992	-	-506,992
Transfer to assets held for sale	-	-	-2,081,553	-2,081,553
Revaluation to fair value through equity	-	-	-4,384,959	-4,384,959
Balance at 31 December 2011	1,629,659	2,985,853	74,400,543	79,016,055
Accumulated impairment loss				
Balance at 31 December 2010	42,770	9,847	29,682,329	29,734,946
Additions				
Impairment	-	-	620,387	620,387
Disposals				
Investments written-off, later recovered	-	-4,407	-	-4,407
Repayments, disposals	-	-	-1,409,154	-1,409,154
Balance at 31 December 2011	42,770	5,440	28,893,562	28,941,772
Net amount at 31 December 2010	**2,126,931**	**216,809**	**52,130,784**	**54,474,524**
Net amount at 31 December 2011	**1,586,889**	**2,980,413**	**45,506,981**	**50,074,283**

Note 18: Non-current operating receivables

(EUR)	31.12.2012	31.12.2011
Non-current operating receivables:		
Non-current advances and guarantees	7,664	8,665
Impairments	-2,421	-
Total	**5,243**	**8,665**

Note 19: Deferred tax assets and liabilities

(EUR)	Assets 31.12.2012	Assets 31.12.2011	Liabilities 31.12.2012	Liabilities 31.12.2011
Deferred tax assets and receivables relating to:				
- investments and financial instruments	7,404,740	8,170,573	1,310,880	1,677,159
- trade receivables	73,482	279,513	-	-
- provisions for termination benefits	41,520	89,802	-	-
- provisions for jubilee awards	20,707	27,156	-	-
- long-term deferred revenue for commercial services	436,158	513,127		
- decommissioning of fixed assets	-	31,446		
Total	**7,976,607**	**9,111,617**	**1,310,880**	**1,677,159**

Deferred tax assets are accounted for as temporary differences arising from the creation of provisions for termination benefits and jubilee awards in the amount of EUR 62,227, impairment of receivables in the amount of EUR 73,482, long-term investments and interest hedging of EUR 7,404,740 and from deferred revenue for the cost of public commercial service in the amount of EUR 436,158.

Note 20: Assets held for sale

(EUR)	31.12.2012	31.12.2011
Assets held for sale:		
Property, plant and equipment	1,272,226	1,389,813
Other assets held for sale	4,716,519	5,573,248
Total	**5,988,745**	**6,963,061**

Based on a potential buyer's interest in the acquisition of shares of Intereuropa, d. d., and in accordance with the adopted segmentation and investment management policy, the Management Board decided to carry out the sale of its stake in Intereuropa, d. d..

In 2012, we additionally impaired this investment by EUR 921,441; as at 31 December 2012, the investment value is EUR 1,960,513.

The assets of disposal groups held for sale include investments in the subsidiaries Adria Investicije, d. o. o., in the amount of EUR 2,081,552, and Logis Nova, d. o. o., in the amount of EUR 674,453 as at 31 December 2012.

The assets of disposal groups held for sale also include the Luna building with its value of EUR 950,000, on which impairment loss of EUR 430,000 was recognised in 2012, as well, as a small number of other property, plant and equipment items which were classified within this group at the annual physical stock count.

(EUR)	Property, plant and equipment	Other assets	Total
Gross value			
Balance at 31 December 2011	2,184,573	23,615,132	25,799,705
Additions			
Transfer from the non-current assets	2,259,507	-	2,259,507
Transfer from receivables	-	245,716	245,716
Disposals			
Repayments, disposals	-931,343	-	-931,343
Balance at 31 December 2012	3,512,737	23,860,848	27,127,869
Accumulated impairment loss			
Balance at 31 December 2011	794,760	18,041,884	18,836,644
Additions			
Impairment	430,000	921,441	1,351,441
Transfer from receivables		181,004	
Transfer from the non-current assets	1,904,833	-	1,904,833
Disposals			
Repayments, disposals	-889,082	-	-889,082
Balance at 31 December 2012	2,240,511	19,144,329	21,203,836
Net amount at 31 December 2011	**1,389,813**	**5,573,248**	**6,963,061**
Net amount at 31 December 2012	**1,272,226**	**4,716,519**	**5,988,745**

Note 21: Investments and loans

(EUR)	31.12.2012	31.12.2011
Loans:		
Held-to-maturity investments		
Non-current loans with purchase of securities	-	420,000
Total held-to-maturity investments	**-**	**420,000**
Loans		
Current loans to Group companies	423,319	176,359
Current loans to Group companies	423,319	176,359
Impairment of current loans to Group companies	-	-
Current loans to others	130,968	221,201
Current loans to others	303,308	1,137,442
Impairment of current loans to others	-172,340	-916,241
Current deposits	2,971,523	-
Total loans	**3,525,810**	**397,560**
Total	**3,525,810**	**817,560**

The current loans approved to group companies represent a single loan to subsidiary Adria Terminali, d. o. o., granted at the rate of interest applicable to related parties as recognised for tax purposes.

Current loans to others are the current amounts of housing loans and loans to other corporate entities. A short-term deposit was made at the Gorenjska banka.

Total interest income from non-current and current financial investments (using the actual interest method) slightly decreased in 2012 and amounted to EUR 236,094 (in 2011: 262,300).

Changes in investments and loans

FY 2012

(EUR)	Held-to-maturity investments	Loans	Loans to Group companies	Total
Gross value				
Balance at 31 December 2011	420,000	1,137,442	176,359	1,733,801
Additions				
New loans, acquisitions	-	35,615	374,960	410,575
Attribution of interest	-	120,702	-	120,702
Transfer from the non-current investments	-	2,884,513	-	2,884,513
Disposals				
Repayment, disposals	-420,000	-632,520	-128,000	-1,180,520
Transfer to assets held for sale	-	-245,716	-	-245,716
Reclassifications	-	-25,205	-	-25,205
Balance at 31 December 2012	-	3,274,831	423,319	3,723,355
Impairment				
Balance at 31 December 2011	-	916,241	-	916,241
Additions				
Impairment	-	453	-	453
Disposals				
Investments written-off, later recovered	-	-563,350	-	-563,350
Transfer to assets held for sale	-	-181,004	-	-181,004
Balance at 31 December 2012	-	172,340	-	172,340
Net amount at 31 December 2011	**420,000**	**221,201**	**176,359**	**817,560**
Net amount at 31 December 2012	**-**	**3,102,491**	**423,319**	**3,525,810**

FY 2011

(EUR)	Held-to-maturity investments	Loans	Loans to Group companies	Total
Gross value				
Balance at 31 December 2010	-	2,964,962	293,338	3,258,300
Additions				
New loans, acquisitions	-	-	566,790	566,790
Attribution of interest	-	5,958	5,409	11,367
Transfer from the non-current investments	420,000	86,992	-	506,992
Disposals				
Repayment, disposals	-	-99,494	-689,178	-788,672
Write-off	-	-500	-	-500
Transfer to assets held for sale	-	-1,820,476	-	-1,820,476
Balance at 31 December 2011	420,000	1,137,442	176,359	1,733,801
Impairment				
Balance at 31 December 2010	-	2,127,271	-	2,127,271
Additions				
Impairment	-	305	-	305
Disposals				
Transfer to assets held for sale	-	-1,211,335	-	-1,211,335
Balance at 31 December 2011	-	916,241	-	916,241
Net amount at 31 December 2010	**-**	**837,691**	**293,338**	**1,131,029**
Net amount at 31 December 2011	**420,000**	**221,201**	**176,359**	**817,560**

Note 22: Operating receivables

(EUR)	31.12.2012	31.12.2011
Current trade receivables:		
On domestic market	8,082,926	8,073,698
On foreign markets	5,570,822	5,570,827
Current operating receivables due from exporters	6,399,022	7,056,566
Bad debt allowance (trade and exporters)	-1,532,026	-1,601,956
Current operating receivables due from Group companies	60,172	63,025
Current operating receivables due from associated	272,929	62,057
Current advances and guarantees given	1,879	800
Current interest and dividend receivables	52,682	140,188
Bad debt allowance related to finance income, advances and guarantees	-48,037	-72,773
VAT receivables	1,073,752	579,177
Tax and excise duty receivables	74,849	32,224
Other current receivables	621,893	1,582,889
Bad debt allowance (other receivables)	-1,133	-1,133
Total	**20,629,730**	**21,485,589**

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 1,073,752, which relate to VAT declaration for the months of November and December 2012. The same receivables in 2011 amounted to EUR 1,020,060 and included VAT declaration for the months from November to December 2011 and input tax receivables. Receivables from excise duties include settlement for October, November and December 2012 in the amount of EUR 74,849 (in 2011: EUR 32,224).

Other current receivables are mainly input VAT receivables, which can be deducted in 2013, in the amount of EUR 495,553.

As at 31 December 2012 and 2011, no receivables due from related parties were due and outstanding.

As at 31 December 2012 and 2011, no receivables were due from Members of the Management and the Supervisory Boards. Receivables are not pledged as collateral for debts.

Maturity of receivables:

(EUR)	31.12.2012	31.12.2011
Outstanding trade receivables neither past due nor impaired	15,849,173	17,817,617
Past due receivables:		
Up to 30 days	1,942,999	2,044,243
31 to 60 days overdue	242,414	251,951
61 to 90 days overdue	129,467	33,186
91 to 180 days overdue	158,325	188,834
181 to 365 days overdue	1,842,177	252,807
More than 365 days overdue	275,877	378,524
Total due but not impaired	3,011,196	1,474,816
Overdue and (partly) impaired	1,580,063	1,674,729
Total	**20,440,432**	**20,967,162**

Note: The amount includes trade receivables, receivables to subsidiaries and associates and interest receivables,

Total interest income from past due payments of receivables in 2012 is EUR 90,036 (in 2011: EUR 147,991).

Changes in receivable allowances:

(EUR)	31.12.2012	31.12.2011
Balance at 1,1,	1,674,729	145,536
Additions		
Bad debt allowance	359,207	346,947
Transfer between accounts	-	1,216,217
Disposals		
Receivables written-off, later collected	-282,444	-33,855
Write-off of receivables	-171,429	-116
Balance at 31 December	**1,580,063**	**1,674,729**

Note 23: Cash and cash equivalents

(EUR)	31.12.2012	31.12.2011
Cash in hand	20	20
Cash at bank	220,511	27,598
Current deposits	408,546	873,516
Total	**629,077**	**901,134**

Cash, which amounted to EUR 629,077 as at 31 December 2012, 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 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 24: Deferred cost and accrued revenue

(EUR)	31.12.2012	31.12.2011
Short-term deferred costs and expenses	151,086	45,107
Insurance premiums	83,943	64,363
Accrued revenue	1,293,496	430,958
Total	**1,528,525**	**540,428**

Short-term accrued revenue is entirely represented by accrued revenue based on incurred costs of European projects co-financed by European institutions.

Note 25: Share capital and reserves

Share capital

The share capital consists of 14,000,000 registered ordinary no-par value shares that are freely transferable.

Reserves

The company has set aside legal reserves in the amount of 10 percent of its capital. Capital surplus and legal reserves are not included in the distributable profit. The Company has no statutory reserves since these are not determined in its Articles of Association. Based on the Management Board's proposal regarding the formation of other revenue reserves in the amount of a half of the net profit, the Company additionally formed, pursuant to Article 230 (§3) of the Companies Act, other revenue reserves in the amount of EUR 3,763,795 at the end of 2012.

(EUR)	31.12.2012	31.12.2011
Capital surplus	89,562,703	89,562,703
Legal reserves	18,765,115	18,765,115
Other revenue reserves	60,027,111	56,263,316
Total	**168,354,929**	**164,591,134**

Revaluation surplus

At the end of 2012, revaluation surplus from equity, revaluation of investments measured at fair value, and revaluation of fair value of hedging instruments amounted to EUR 6,061,440, representing a decrease of EUR 2,319,417 over the previous financial year. After deduction of deferred tax liabilities, the revaluation surplus amounts to EUR 4,750,560.

Distributable profit

The appropriation of the 2011 distributable profit and formation of the distributable profit for the financial year 2012 are presented in Section 13 "Statement of the distributable profit".

Note 26: Provisions and accrued costs and deferred revenue

(EUR)	31.12.2012	31.12.2011
Provisions for termination benefits and jubilee awards	772,461	981,750
Provisions for claims and damages	1,828,648	2,337,581
Long-term accrued costs and deferred revenue for regular maintenance	3,781,181	2,565,634
Other long-term accrued costs and deferred revenue	245,388	141,638
Total	**6,627,678**	**6,026,603**

Provisions for retirement and long-term service bonuses were set aside in the amount of the present value of expected future expenditure, The amount is based on an actuarial calculation made as at 31 December 2012, considering the following assumptions:

- valid current level of retirement and long-term service bonuses,
- expected increase of salaries in the Company,

- average inflation from December 2011 to November 2012,
- death rate based on the mortality tables in Slovenia 2000–2002,
- 4.98 percent discount factor,
- Employees' turnover: 1 percent.

Total provisions for claims and damages in the amount of EUR 1,828,648 (in 2011: EUR 2,337,581) are set aside based on the assessment of the Management Board through obtained legal opinions. The Management Board made their assessment based on the following:

- Whether the company has a present obligation (legal or constructive) a result of past events,
- It is probable that an outflow of resources will be required to settle the obligation (legal dispute) – provision is recognised if the probability is high,
- A reliable estimate can be made of the amount of the obligation.

In accordance with the concession agreement, Luka Koper, d. d., has received the right to collect port dues, which is income intended to cover the costs of commercial services performance. For an annual surplus of receipts over expenditures, the Company recognises long-term deferred revenues to cover the cost of commercial services of regular port infrastructure maintenance in the future years.

As at 31 December 2012, long-term deferred revenues relating to the commercial services performance amounted to EUR 3,781,181 (in 2011: EUR 2,565,634).

Changes in provisions and accrued costs and deferred revenue

FY 2012

(EUR)	Pensions, Jubilee awards, Termination benefits on retirement	Claims and damages	Deferred revenue for regular maintenance	Other accrued costs and deferred revenue	Total
Balance at 31 December 2011	981,750	2,337,581	2,565,634	141,638	6,026,603
Changes:					
Formation	106,760	61,703	1,215,547	103,750	1,487,760
Transfer from other liabilities		305,165			305,165
Utilisation	-232,819	-323,804	-	-	-556,623
Reversal	-83,230	-551,997	-	-	-635,227
Balance at 31 December 2012	**772,461**	**1,828,648**	**3,781,181**	**245,388**	**6,627,678**

FY 2011

(EUR)	Pensions, Jubilee benefits, Termination benefits on retirement	Claims and damages	Deferred revenue for regular maintenance	Other accrued costs and deferred revenue	Total
Balance at 31 December 2010	979,341	1,972,367	2,406,419	-	5,358,127
Changes:					
Created	78,814	1,184,901	909,722	141,638	2,315,075
Utilised	-76,405	-	-750,507	-	-826,912
Reversal	-	-819,687	-	-	-819,687
Balance at 31 December 2010	**981,750**	**2,337,581**	**2,565,634**	**141,638**	**6,026,603**

Note 27: Non-current financial liabilities – borrowings and other financial liabilities

(EUR)	31.12.2012	31.12.2011
Non-current financial liabilities to Group companies	10,183,575	9,784,838
Non-current financial liabilities to associates	550,000	1,064,212
Non-current borrowings from banks and companies in Slovenia	116,398,246	103,590,916
Non-current borrowings from banks and companies abroad	64,901,392	64,889,949
Other non-current financial liabilities	1,496,476	372,857
Current amount of non-current financial liabilities	-46,586,860	-13,177,192
Total	**146,942,829**	**166,525,580**

Changes in non-current financial liabilities – borrowings and other financial liabilities

FY 2012

	Lender				
(EUR)	Group companies	Associates	Banks	Others	Total
Principal amount at 1 January 2012	9,784,838	1,064,212	155,303,673	372,857	166,525,580
New borrowings	1,953,831	1,206,296	27,000,000	-	30,160,127
Repayments	-1,555,094	-1,720,508	-1,004,035	-	-4,279,637
Change in fair value	-	-	-	1,123,619	1,123,619
Amount maturing in 2013	-	-	-46,586,860	-	-46,586,860
Principal amount at 31 December 2012	**10,183,575**	**550,000**	**134,712,778**	**1,496,476**	**146,942,829**

FY 2011

(EUR)	Group companies	Associates	Banks	Others	Total
			Lender		
Principal amount at 1 January 2011	-	-	158,376,144	-	158,376,144
New borrowings	-	-	45,000,000	-	45,000,000
Transfer from current borrowings	9,784,838	1,064,212	-	-	10,849,050
Repayments	-	-	-34,895,279	-	-34,895,279
Change in fair value	-	-	-	372,857	372,857
Amount maturing in 2013	-	-	-13,177,192	-	-13,177,192
Principal amount at 31 December 2011	**9,784,838**	**1,064,212**	**155,303,673**	**372,857**	**166,525,580**

Total financial liabilities to banks, both non-current as well as current, decreased by EUR 22,781,228 in 2012 as compared to the financial year 2011.

Non-current financial liabilities to banks amount to EUR 134,712,778. The amount of the principals (EUR 46,586,860) of non-current liabilities which falls due in 2013 was re-classified to current liabilities.

In 2012, Luka Koper, d. d., raised a non-current borrowing of EUR 27 million in order to restructure a portion of current borrowings raised in the past.

All bank loans are ties to a variable interest rate. Variable interest rate, calculated as annual nominal interest rate as at 31 December 2012, is between 0.911 and 3.845 percent.

Interest rate agreed on these loans is tax recognised rate for transactions with related parties.

All non-current borrowings are repaid according to a predetermined schedule. For some of the borrowings the Company was granted a moratorium on the payment of the principal. All liabilities from long-term borrowings from banks are collateralised with blank bills of exchange and financial covenants. The Company complies with all financial covenants under the loan agreements.

Scheduled payments of non-current borrowings from banks are presented in the table below.

In addition to bank borrowings, the Company has agreed EUR 12 million of borrowings from subsidiaries and associated companies. Of the total amount only EUR 10,733,575 (in 2011: EUR 10,849,050), was withdrawn since the contracts were agreed as long-term revolving borrowings maturing in 2016.

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 18,196,469.

All non-current loans are repaid according to a predetermined schedule.

Other non-current financial liabilities include the fair value of interest rate swap, which is explained in detail in Note 33.

Balance of non-current and current bank loans and their maturity

FY 2012

(EUR)	Principal as at 31.12.2012	2013	2014	2015	2016	2017	Period 2018–2031
Balance of the principal of borrowings from banks, their maturity	181,570,913	46,586,860	14,051,860	17,686,939	14,616,017	15,763,558	72,865,679
Expected interest		3,711,261	2,883,637	2,516,056	2,100,092	1,719,799	5,265,623

FY 2011

(EUR)	Principal as at 31.12.2011	2012	2013	2014	2015	2016	Period 2017–2031
Balance of the principal of borrowings from banks, their maturity	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

Note 28: Non-current operating liabilities

(EUR)	31.12.2012	31.12.2011
Non-current advances and guarantees received	164,000	77,021
Total	**164,000**	**77,021**

Non-current operating liabilities include long-term guarantees received for leased business premises, Deferred tax liabilities are explained in Note 19.

Note 29: Current financial liabilities – borrowings and other financial liabilities

(EUR)	31.12.2012	31.12.2011
Current financial liabilities to associates	-	45,000
Current borrowings from banks and companies in Slovenia	-	31,600,001
Current borrowings from banks and companies abroad	-	4,000,000
Current liabilities related with the distribution of the profit	112,559	112,572
Other current financial liabilities	230,382	-
Current amount of non-current financial liabilities	46,586,860	13,177,192
Total	**46,929,801**	**48,934,765**

Current financial liabilities from bank borrowings at 31 December 2012 stood at EUR 46,817,242 (in 2011: EUR 48,777,193). They represent the current amount of non-current principals, which are due in 2013 in accordance with the amortisation plans, and other financial liabilities. In accordance with the Company's financial policy, a large proportion of current financial liabilities were restructured as non-current.

Short-term borrowings include a revolving loan of EUR 4 million granted by commercial banks, which was not withdrawn as at 31 December 2012. The total current borrowings withdrawn and repaid in 2012 are presented in the table below. The withdrawals refer only to withdrawals of revolving loans during the year, whereas repayments represent a return of EUR 27 million worth of a current borrowing through raising non-current borrowings, and repayment of revolving loans during the year.

Other short-term financial liabilities include the interest rate swap liability in accordance with the interest rate risk management strategy.

The total interest expense in 2012 using the actual interest method is EUR 6,272,503 (in 2011: EUR 8,271,455).

As at 31 December 2012, the Company did not have any liabilities that were outstanding and past due.

Changes in current financial liabilities – borrowings and other financial liabilities

FY 2012

	Lender			
(EUR)	**Associates**	**Banks**	**Other**	**Total**
Principal amount at 1 January 2012	45,000	48,777,193	112,572	48,934,765
New borrowings	-	30,807,000	230,369	31,037,369
Transfer from non-current borrowings	-	46,586,860	-	46,586,860
Repayments	-45,000	-79,584,193	-	-79,629,193
Principal amount at 31 December 2012	**-**	**46,586,860**	**342,941**	**46,929,801**

FY 2011

	Lender				
(EUR)	**Group companies**	**Associates**	**Banks**	**Other**	**Total**
Principal amount at 1 January 2011	9,800,389	1,577,856	66,202,339	113,311	77,693,895
New borrowings	854,575	3,343,777	27,135,000	-	31,333,352
Transfer from non-current borrowings	-	-	13,177,192	-	13,177,192
Transfer to non-current borrowings	-9,784,838	-1,064,212	-	-	-10,849,050
Repayments	-870,126	-3,812,421	-57,737,338	-739	-62,420,624
Principal amount at 31 December 2011	**-**	**45,000**	**48,777,193**	**112,572**	**48,934,765**

Note 30: Other current liabilities

(EUR)	31.12.2012	31.12.2011
Current liabilities to suppliers		
On domestic market	8,797,876	8,595,472
On foreign markets	297,633	131,861
Current liabilities to Group companies	407,272	598,740
Current liabilities to associates	51,917	51,727
Current liabilities from advances, guarantees	29,642	24,316
Current liabilities to employees	2,209,648	2,892,081
Current liabilities to the state and other institutions	727,467	909,022
Other current liabilities	1,073,403	1,340,846
Total	**13,594,858**	**14,544,065**

The major items of other current operating liabilities are two letters of credit from Banka Koper in the amount of EUR 504,350 and the assignment of receivables to the company Adriaing d.o.o. in the amount of EUR 155,460.

At 31 December 2012, the Company's corporate income tax liability is EUR 361,684 (in 2011: EUR 586,187).

Note 31: Short-term accrued cost and deferred revenue

(EUR)	31.12.2012	31.12.2011
Accrued cost/expenditure	1,670,083	1,198,500
Total	**1,670,083**	**1,198,500**

Accrued cost of interest on borrowings and accrued cost of concession fees based on the actual data represent and important item in the table above.

Note 32: Related party transactions

Receipts of Members of the Management Board in 2012

Surname and name	Gross salary (fixed part)	Gross salary (variable part)	Annual holiday pay and jubilee awards	Benefits and other receipts	Managerial and other contracts	Total receipts
Gregor Veselko, Chairman until 7.9.2012	114,007	47,850	-	72,223	-	234,080
Bojan Brank, Chairman from 7.9.2012	-	-	-	31	23,629	23,660
Tomaž Martin Jamnik, Deputy Chairman until 31.05.2012	63,058	37,533	763	2,757	-	104,111
Marko Rems, Member of the Management Board	127,131	14,474	-	6,975	-	148,580
Matjaž Stare, Employee Director	127,072	-	-	2,946	-	130,018
Total	**431,268**	**99,857**	**763**	**84,932**	**23,629**	**640,449**

Groups of persons	Gross salary (fixed and variable part)	Annual holiday pay and jubilee awards (net)	Other receipts (net)	Managerial and other contracts (net)	Total net receipts
Gregor Veselko, Chairman until 7.9.2012	77,227	-	31,022	-	108,249
Bojan Brank, Chairman from 7.9.2012	-	-	-	17,714	17,714
Tomaž Martin Jamnik, Deputy Chairman until 31.05.2012	48,357	474	-	-	48,831
Marko Rems, Member of the Management Board	67,882	-	-	-	67,882
Matjaž Stare, Employee Director	61,193	-	-	-	61,193
Total	**254,659**	**474**	**31,022**	**17,714**	**303,869**

To determine the variable income, i.e. remuneration for the Management Board, the Company applied several quantitative indicators, which contribute to the 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. Accordingly, one half of the remuneration is paid on the basis of the decision by the Supervisory Board, after two years of the individual annual report consideration. 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 for 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.

Receipts of groups of persons in 2012

Groups of persons	Gross salary (fixed and variable part)	Annual holiday pay and jubilee awards	Benefits and other receipts	Managerial and other contracts	Total receipts
Members of the Management Board	531,125	763	84,932	23,629	640,449
Members of the Supervisory Board (nine members)	-	-	187,662	-	187,662
Employees with individual employment contracts	2,119,406	62,420	48,272	-	2,230,098
Employed under corporate collective agreement	21,755,543	738,166	22,442	-	22,516,151
Total	**24,406,074**	**801,349**	**343,308**	**23,629**	**25,574,360**

Receipts of Members of the Supervisory Board and Supervisory Board's Committees in 2012

Name and surname	Attendance fees and reimbursements of costs	Insurance premium benefit for SB	Performance of function	Total gross payments
Janez Požar, Member from 14.7.2009	6,072	166	16,500	22,738
Tomaž Može, Member from 14. 7. 2009	4,015	166	13,750	17,931
Bojan Brank, Member from 14. 7. 2009	3,214	120	10,702	14,036
Jordan Kocjančič, Member from 14. 7. 2009	8,316	166	15,125	23,607
Marko Simoneti, Member from 14. 7. 2009	5,358	166	15,927	21,451
Stojan Čepar, Member from 8. 4. 2009	4,408	166	11,000	15,574
Mladen Jovičič, Member from 8. 4. 2009	6,050	166	13,750	19,966
Nebojša Topič, Member from 27. 7. 2008	4,510	166	16,500	21,176
Sabina Mozetič, Member from 11.7.2011	3,439	166	13,750	17,355
Blanka Vezjak, Member of the Audit Committee	2,827	-	11,000	13,827
TOTAL	**48,208**	**1,450**	**138,004**	**187,662**

Name and surname	Net attendance fees and reimbursements of costs*	Net performance of SB function and SB's Committee function*	Total net payments*
Janez Požar, Member from 14.7.2009	4,834	12,788	17,622
Tomaž Može, Member from 14. 7. 2009	3,241	10,656	13,897
Bojan Brank, Member from 14. 7. 2009	2,584	8,294	10,878
Jordan Kocjančič, Member from 14. 7. 2009	6,573	11,722	18,295
Marko Simoneti, Member from 14. 7. 2009	4,281	12,344	16,625
Stojan Čepar, Member from 8. 4. 2009	3,545	8,525	12,070
Mladen Jovičič, Member from 8. 4. 2009	4,818	10,656	15,474
Nebojša Topič, Member from 27. 7. 2008	3,623	12,788	16,411
Sabina Mozetič, Member from 11.7.2011	2,794	10,656	13,450
Blanka Vezjak, Member of the Audit Committee	2,191	8,525	10,716
TOTAL	**38,484**	**106,954**	**145,438**

*Net amounts represent payments less personal income tax prepayments,

On the basis of the provisions of Article 25 of the Articles of Association of Luka Koper, d. d., the General Meeting adopted on 9 July 2012 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 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 to the supplement of 50% of the basic payment for carrying out the function of a Member of the Supervisory Board. The Chairman of the Committee is also entitled to an additional supplement of 50% 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.

An external member of a Supervisory Board's Committee, who is at the same time not a Member of the Supervisory Board, receives payment for carrying out the function in the annual amount of EUR 11,000 gross.

Members of the Supervisory Board and the Committees of the Supervisory Board receive basic salary and an additional fee for carrying out the function in proportionate monthly payments, which they are entitled while carrying out their function. A monthly payment is one twelfth of the above-indicated annual sums. If they have carried out their function for less than a month, they are entitled to 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.

No liabilities are outstanding to members of the Supervisory Board or 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 and associates

(EUR)	2012	2011
Sale to subsidiaries and associates:		
Luka Koper INPO, d. o. o.	261,852	359,394
Luka Koper Pristan, d. o. o.	82,622	95,753
Adria Terminali, d. o. o.	388,012	469,913
TOC, d. o. o.	-	752
Adria Transport, d. o. o.	239,052	302,796
Adria-Tow, d. o. o.	223,053	221,584
Avtoservis, d. o. o.	149,500	172,729
Adriafin, d. o. o.	13,440	13,440
Adria Investicije, d. o. o.	3,307	17,047
Total	**1,360,838**	**1,653,408**

Sales to subsidiaries includes rental income in the amount of EUR 729,122, which refers to the following companies: Adria Terminali, d. o. o., in the amount of EUR 364,955, Adria transport, d. o. o., in the amount of EUR 143,662, Luka Koper INPO, d. o. o., in the amount of EUR 124,269, Luka Koper Pristan, d. o. o., in the amount of EUR 85,673 and Adria-Tow, d. o. o., in the amount of EUR 10,563.

Other major revenue from the sale to subsidiaries and associates refers to the toll charged to Luka Koper INPO, d. o. o., in the amount of EUR 697,647 in 2012.

(EUR)	2012	2011
Purchase from subsidiaries and associates:		
Luka Koper INPO, d. o. o.	3,145,456	4,168,230
Luka Koper Pristan, d. o. o.	25,930	24,916
Adria Terminali, d. o. o.	1,813	2,028
TOC, d. o. o.	11,304	8,955
Adria Transport, d. o. o.	113,580	56,430
Adria-Tow, d. o. o.	13,822	13,454
Avtoservis, d. o. o.	130,390	22,648
Adria Investicije, d. o. o.	39,936	1,940
Total	**3,482,231**	**4,298,601**

The Company made most purchases from the subsidiary Luka Koper INPO, d. o. o., which carries out maintenance work on the port infrastructure and electrical installation work for Luka Koper, d. d..

(EUR)	2012	2011
Operating receivables due from subsidiaries and associates:		
Luka Koper INPO, d. o. o.	18,558	21,294
Luka Koper Pristan, d. o. o.	1,074	1,393
Adria Terminali, d. o. o.	40,540	38,332
TOC, d. o. o.	-	903
Adria Transport, d. o. o.	16,686	35,925
Adria-Tow, d. o. o.	11,889	17,615
Avtoservis, d. o. o.	43,010	6,300
Adriafin, d. o. o.	201,344	1,344
Adria Investicije, d. o. o.	-	144
Total	**333,101**	**123,250**

(EUR)	2012	2011
Payables to subsidiaries and associates:		
Luka Koper INPO, d. o. o.	401,823	592,188
Luka Koper Pristan, d. o. o.	2,673	1,634
TOC, d. o. o.	2,776	3,214
Adria Transport, d. o. o.	11,232	18,720
Adria-Tow, d. o. o.	-	1,692
Avtoservis, d. o. o.	40,685	31,315
Adria Investicije, d. o. o.	-	1,705
Total	**459,189**	**650,468**

(EUR)	2012	2011
Loans to subsidiaries and associates:		
Adria Terminali, d. o. o.	424,068	177,108
Total	**424,068**	**177,108**

(EUR)	2012	2011
Borrowings from subsidiaries and associates:		
Luka Koper INPO, d. o. o.	9,957,995	9,669,258
Luka Koper Pristan, d. o. o.	225,580	115,580
Adria Transport, d. o. o.	215,000	564,212
Adria-Tow, d. o. o.	335,000	500,000
Adriafin, d. o. o.	-	45,000
Total	**10,733,575**	**10,894,050**

Note 33: Financial risk management

The most significant financial risks which Luka Koper, d. d., is exposed to, 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 unpredictability and, consequently, higher level of risk. The Company has consequently tightened the control over individual financial categories. Other, mainly non-financial risks are described in detail in the Business Report in section Risk Management.

1. Managing the risk of fair value changes

Luka Koper, d. d., has invested 5.1 percent of its assets (5.2 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 market securities of successful Slovene companies. As at the last day of the year 2012, the value of current available-for-sale investments at fair value through equity amounted to EUR 23,088,480. 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 the following table.

(EUR)	Balance at the end of the year	Increase in comparable class (in %)	Anticipated increase in value	Decrease in comparable class (in %)	Anticipated decrease in value
Year 2012					
Shares and interests at fair value (average change over the last five years)	23,088,480	6.89	1,590,796	-7.75	-1,789,357
Shares and interests at fair value (10% change)	23,088,480	10.00	2,308,848	-10.00	-2,308,848
Shares and interests at fair value (annualised maximum change over the last five years)	23,088,480	15.03	3,470,199	-66.09	-15,259,176
Year 2011					
Shares and interests at fair value (average change over the last five years)	24,284,278	9.88	2,398,670	-5.80	-1,408,774
Shares and interests at fair value (10% change)	24,284,278	10.00	2,428,428	-10.00	-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

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 2013 the fair value of investment portfolio carried at fair value could decrease by 7.75 percent or increase by 6.89 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 15.03 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 2,308,848. 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

(EUR)	31.12.2012	Level 1
Available-for-sale financial assets	23,088,480	23,088,480
Securities and other investments	23,088,480	23,088,480

(EUR)	31.12.2012	31.12.2011
Available-for-sale financial assets	23,088,480	24,284,278
Securities and other investments	23,088,480	24,284,278

The management estimates that fair values 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 financial resources, 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 2012, the Company managed to decrease financial liabilities by 10 percent compared to the previous financial year, reaching EUR 193,872,630 as at the last day of 2012. The share of financial liabilities in the overall structure of liabilities decreased from 46.0 percent in 2011 to 43 percent in 2012. Detailed information concerning non-current financial liabilities is provided in business report in the chapters "Analysis of operations of the Luka Koper Group in 2012" and "Financial management". The effect of potential changes in variable interest rates on future results of the Company is presented in the table below.

Sensitivity analysis of financial liabilities with regard to changes in variable interest rates

(EUR)	Amount of liabilities 31.12.2012	Potential increase in interest rates by 15 %	Potential increase in interest rates by 50 %	Potential increase in interest rates by 100 %
1M EURIBOR	-	-	-	-
3M EURIBOR	118,770,912	33,315	111,051	222,102
6M EURIBOR	62,800,000	30,144	100,480	200,960
Total effect	**181,570,912**	**63,459**	**211,531**	**423,062**

(EUR)	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 %
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**

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 2013 by 15 percent, the Company would incur interest expenses of EUR 63,459 (taking into account the level of financial liabilities as at 31 December 2012). 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 211,531 or EUR 423,062, 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 non-current borrowings. The hedge item accounts for 20.4 percent of all non-current financial liabilities. The borrowings are linked to a 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 borrowings, we can justifiably expect that the interest rate hedge will be successful. As at 31 December 2012, the fair value of the swap instrument was EUR −1,496,476 and was recognised as a non-current 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 2013. The Company decreased the exposure to this risk for the period of the next five years by setting up interest risk hedge on 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 of receivable management. In 2012, Luka Koper, d. d., continued its process of converting current financial liabilities to non-current liabilities and raising new borrowings with extended maturity which has additionally reduced its exposure to liquidity risk.

(in thousand EUR)	Past due	Up to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
2012						
Borrowings*	-	8,218	38,369	94,609	51,109	**192,304**
Anticipated interest on all borrowings	-	693	3,300	10,085	5,158	**19,236**
Other financial liabilities	-	343	-	1,496	-	**1,839**
Supplier payables	-	9,584	-	164	-	**9,748**
2011						
Borrowings*	-	30,393	18,384	86,264	80,230	**215,271**
Anticipated interest on all borrowings	-	1,062	5,684	17,767	10,841	**35,354**
Other financial liabilities	-	113	-	373	-	**486**
Supplier payables	-	9,402	-	77	-	**9,479**

*The item includes borrowings from subsidiaries and associates

The management estimates that the Company's exposure to liquidity risk is low, and due to the risk management mechanisms put in place, there is a low likelihood of damages.

4. 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 2012 totalled USD 0.50 million, whereas the lowest invoiced monthly sales was USD 0.35 million and the highest USD 0.63 million. As at 31 December 2012, outstanding receivables denominated in US dollars account for 3.5 percent (in 2011: 3.4 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 due to the risk management mechanisms put in place, there is a low likelihood of damages.

5. 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 resulted in 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 (we do 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 of our distinctive features 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 2012 reached 2.02 percent compared to 1.66 percent in 2011.

Assets exposed to credit risk:

(EUR)	Note	31.12.2012	31.12.2011
Non-current loans	17	1,517,396	4,567,302
Non-current operating receivables	18	5,243	8,665
Assets (of disposal groups) held for sale	20	5,988,745	6,963,061
Current deposits	21	2,971,523	-
Current loans	21	554,287	397,560
Current trade receivables	22	18,520,744	19,099,135
Other current receivables	22	1,775,885	2,261,372
Cash and cash equivalents	23	629,077	901,134
Total		**31,962,900**	**34,198,229**

The management estimates that the Company's exposure to credit risk is low, and due to the risk management mechanisms put in place, there is a low likelihood of damages.

6. 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 Company. 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 Company has been increasing the share of liabilities primarily to finance its further development. In 2012, Luka Koper, d. d., reduced its overall debt by 10 percent compared to the previous year to EUR 193,872,630. 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.

(EUR)	31.12.2012	31.12.2011
Total liabilities	208,942,368	231,758,590
Cash and cash equivalents and current deposits	-3,600,600	-901,134
Net debt	**205,341,768**	**230,857,456**
Equity	**235,290,249**	**229,715,797**
Net debt / equity	**0,87**	**1,00**

The management estimates that the Company'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.

Note 34: Contingent liabilities

Off-balance sheet accounts include items that do not qualify for balance sheet recognition.

(EUR)	31.12.2012	31.12.2011
Letters of credit from banks	546,728	1,291,300
Guarantees given	2,760,000	3,318,710
Collaterals	53,610,439	52,375,652
Legal actions	8,534,839	-
Other contingent liabilities	70,015	-
Total	**65,522,021**	**56,985,662**

A majority part of guarantees given are guarantees for customs transactions.

The collateral consists of the following:

- Luka Koper, d. d., guarantees borrowings drawn by Adria-Tow, d. o. o., of EUR 3,000,000 and has received a guarantee for EUR 3,000,000;
- Adria Terminali, d. o. o., received a bank guarantee for customs duties of EUR 250,000, which is secured with joint collateral issued by Luka Koper, d. d.;
- EUR 9932,380 guaranteed by Luka Koper, d. d., to Adria Transport, d. o. o., for financial lease of train engines;
- EUR 750,000 (the same as in 2011) guaranteed by Luka Koper, d. d., for borrowings raised by Railport Arad, s. r. l.;
- interest rate swap liability of EUR 30,000,000 for borrowings (the same as in 2011). In books of account, the interest rate swap is recognised in the off balance sheet records under the principle of hedge accounting. The amount of the liability had not changed.

Guarantees given in the amount of EUR 2,760,000 are guarantees to Banka Koper d. d. of EUR 1,500,000 and to the Customs Administration in the amount of EUR 1,260,000.

Contingent liabilities include all legal disputes, which failed to comply with the criterion for recognition as provisions for legal disputes; as at the end of 2012, these stood at EUR 8,534,839.

10. ADDITIONAL NOTES TO THE CASH FLOW STATEMENT

The Company presents cash flow from operating activities under the indirect method based on items in the balance sheet at 31 December 2012 and 31 December 2011, the 2012 income statement and additional data needed for the adjustments of inflows and outflows. 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 43,498,483 in cash flows from operating activities. Cash flows from investing activities in the amount of EUR

3,571,346 (dividends, disposal of investments and fixed assets) were used to partly cover expenses incurred on investing activities of EUR 18,294,768, primarily investments in property, plant and equipment in the amount of EUR 17,598,240.

Net cash used in financing activities amounted to EUR 29,047,118.

The Company generated a net cash loss in the amount of EUR 272,057 (in 2011: EUR 308,839).

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 2013 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.

11. ADDITIONAL NOTES TO THE STATEMENT OF CHANGES IN EQUITY

The statement of changes in equity shows the changes in individual items of equity in the financial year (the total income and expenses and transactions with owners, when acting as owners), including the appropriation of the net profit or loss. The statement of comprehensive income is included and it increases the net profit for the year by the total revenue and expenses, which were directly recognised in equity.

Net profit or loss for the year

Equity was increased by the net profit for the year in the amount of EUR 7,527,590.

Total comprehensive income for the period

Total comprehensive income is positive and totals EUR 5,574,452.

Movements within equity

Based on the resolution of the Management Board regarding the formation of other revenue reserves in the amount of a half of the net profit of 2012, Luka Koper, d. d., formed additional other revenue reserves of EUR 3,763,795 at the end of 2012 in accordance with Article 230 (§3) of the Companies Act.

12. APPENDIX TO THE ANNUAL REPORT

12.1. Report 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 2012 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.

12.2. Basis for the appendix

Pursuant to item 7.3 of the concession agreement, a committee composed of six members from both contractual parties is appointed each year to perform physical stock count of the port's infrastructure**.**

Pursuant to item 7.9.6. of the concession agreement Luka Koper d.d. must in its book of accounts keep separate records of capital investments in individual assets of the port's infrastructure that show at a minimum the asset invested in, the amount of investment, depreciation period and the remaining depreciable value of investments.

In accordance with the method described in the preceding paragraph, Luka Koper d.d. is required to disclose its capital investments in a special appendix to the Annual Report, which must be reviewed and approved by a certified auditor.

Pursuant to item 9.3. of the concession agreement, the cost of regular maintenance of the port's infrastructure and revenue from port dues in an individual financial year must be disclosed in the special appendix to the annual report, which must be reviewed and approved by a certified auditor. Any surplus of revenue from port dues over the costs of the public commercial services in individual financial year must be retained as provisions for the cost of public commercial services of regular maintenance of the port's infrastructure in future periods. The amount of provisions set aside must be reported in the appendix to the annual report.

Pursuant to item 10.1., in respect of this concession agreement Luka Koper d.d. pays annual concession fee of 3.5 percent of the annual operating revenue reduced by the amount of maritime port dues collected in the financial year (MPD) as referred to in item 9.2. of the concession agreement.

The basis for the annual concession charge is determined on the basis of audited data for the previous calendar year, and the special appendix to the annual report referred to paragraph 3. item 9.3. of the concession agreement.

The annual concession charge is calculated on the basis of audited data for the previous calendar year and the special appendix to the annual report referred to in paragraph 3. item

9.3. of the concession agreement. The annual concession charge is paid in monthly prepayments calculated on the basis of audited data of the previous calendar year by no later than 30 July.

12.3. Physical stock count of the port's infrastructure in accordance with item 7.3. of the concession agreement

The six member committee appointed from representatives of both contractual parties performed the physical stock count of the port's infrastructure for the financial year 2011. While the schedule A was completed up to the financial year 2011 (recording of the total infrastructure), activities relating to schedule B (remaining depreciable amounts of fixed assets) are currently ongoing in accordance with the concession agreement.

12.4. Report on capital investments in the port's infrastructure in accordance with item 7.9.6

In accordance with the concession agreement, the following investments in the port's infrastructure were made:

1. Regular maintenance of the port infrastructure for public transport
2. Investments in the development of the port infrastructure for public transport
3. Investments in the development of the port infrastructure not for public transport

The assets (substance), investments, the amounts, depreciable period of the assets transferred to use in 2012 and remaining depreciable amount of these assets are indicated.

12.4.1. Investments in the development of port infrastructure for public transport

Pursuant to the concession agreement, Luka Koper is required to provide repair and overhaul of the port infrastructure for public transport, EUR 654,889 was invested to this aim in 2012. The assets acquired in 2012 are indicated in the attached schedules.

The costs of major maintenance and repair of the port's infrastructure for public transport are transferred to depreciation expenses as the annual amount of depreciation costs incurred in individual financial year. In 2012, depreciation costs amounted to EUR 219,392.

Investments in the development of port infrastructure for public transport in 2012

Investment no.	No. FA	Assets acquired	Investment in EUR	Depreciation period	Depreciable value at 31.12.2012
		2012			
I6401310,	22125-5	RENOVATION OF THE UPPER CONSTRUCTION TRT1	241,743	33 YEARS, 4 MONTHS	240,920
I6412109,	22134	RENOVATION OF THE MOORING ON BERTH 10	16,406	33 YEARS, 4 MONTHS	16,283
I640130,		RECONSTRUCTION 2, 1 AND 1,A BERTHS	55,715		55,715
I6411007,	90215	RENOVATION OF THE CROSSING 312/317	10,994	33 YEARS, 4 MONTHS	9,403
I6411060,	90216	CHANGE OF SWITCH No. 204	11,582	33 YEARS, 4 MONTHS	11,101
I6412142,	90217	CHANGE OF SWITCH No. 154	74,131	33 YEARS, 4 MONTHS	73,718
I6411120,	170018	FENCE (CUSTOMS) 350 M ALONG ŠKOCJANSKI ZATOK	70,063	33 YEARS, 4 MONTHS	69,672
I6412108,		REHABILITATION OF THE BETH CONSTRUCTION 7A - FOUNDATION	8,374		8,374
I6412141,		RENOVATION OF THE UPPER RAIL STRUCTURE No. 6	221,596		221,596
		TOTAL	**710,604**		**706,782**

12.4.2. 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 assets 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.

Investments in the development of port infrastructure for public transport in 2012

Investment No.	Assets acquired	Investment in EUR	Depreciation period	Depreciable value at 31.12.2012
	2012			
I640001,	DEEPENING OF THE WATERWAY AND N PART OF BASIN I	17,937		17,937
I640130,	RECONSTRUCTION OF BERTHS 2, 1 AND 1,A	122,514		122,514
I6411030,	RECLAMATION AREA 7A	3,120		3,120
I646110,	NEW BERTH 12	19,361		19,361
I646149,	CONSTRUCTION OF BERTH 7C	22,333		22,333
	TOTAL	**185,265**		**185,265**

12.4.3. Investments in the development of port infrastructure not for public transport

Investments in the development of the port infrastructure not for public transport are carried out on behalf and for the account of Luka Koper d.d. In 2012, the Company invested a total EUR 4,931,463 in the development of the port infrastructure not for public transport,

12.5. Report on funding the public commercial services pursuant to item 9.3. of the concession agreement

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 after a prior approval of the competent Ministry. 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

(in EUR)	Notes	2012	2011
Operating revenue	1	5,299,461	6,614,546
Costs of materials		2,788	1,171
Costs of services		2,404,431	2,979,107
Labour cost		227,947	190,454
Write-downs		204,632	210,585
Other operating expenses		697	161,850
Operating expenses by primary types of direct costs	**2**	**2,840,495**	**3,543,167**
Operating expenses by primary types of indirect costs (criteria)	**2**	**2,458,966**	**3,071,379**
Net profit		**-**	**-**

Note 1 – Revenue from public commercial services

Revenues from 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 (O G RS No. , 120/06 – UPB-2, 88/10 and 59/11), and include port dues paid by the vessel on account of passenger embarking and disembarking and cargo loading and unloading. Charge is made for each passenger and for specified amount of each ton or other quantity unit of cargo, or depending on the vessel size, as well as demurrage, paid by the vessel for the use of the coast or the port water area for any purpose other than passenger embarking/disembarking or loading/unloading of cargo.

Table of revenue from port dues

(in EUR)	2012	2011
Revenue from port dues in the local market	3,667,193	3,377,958
Revenue from port dues in foreign markets	2,847,813	3,236,588
Other revenue	-	-
Total revenue	**6,515,006**	**6,614,546**
Provisions and long-term deferred revenue	1,215,545	
Operating revenue	**5,299,461**	**6,614,546**

***In accordance with the new recognition method, the revenue from port dues was reduced by the surplus amount of revenue over the costs of the public commercial services of regular maintenance of the port infrastructure, and the surplus was reported as deferred revenue in the amount of €1,215,545. In 2011, the surplus was recognised as other operating expenses (provisions).**

Provisions and long-term accrued and deferred items

Pursuant to the provisions of paragraph 9.3 of the Concession Agreement and approved criteria, in 2012 long-term deferred revenue was recognised on account of the surplus of revenue from port dues over the costs of the public commercial services of regular maintenance of the port infrastructure, to cover the costs of ordinary maintenance in the future years, in the amount of EUR 1,215,547. In 2011, long-term deferred revenue was increased by EUR 159,215.

Note 2 – Operating expenses of the public commercial services

Pursuant to items 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.

The table below presents the costs of routine maintenance of the port infrastructure for public transport:

Work performed (EUR)	2012	2011
R1 – Shores, slope protection and equipment	452,050	751,785
R2 – Road infrastructure	224,980	330,484
R3 – Rail infrastructure	1,013,074	928,959
R4- Securing the port boarders	68,746	91,983
R5 – Port water area	297,191	532,739
R6 - Geodesy	1,351	7,175
TOTAL	**2,057,392**	**2,643,125**

Criteria

With the purpose of ensuring separate accounting treatment of public commercial services in accordance with the Concession Agreement, Luka Koper, d. d. has set up two cost centres.

Any expenditures relating to them are exclusively relating to the business activity of public commercial services.

Direct costs of public commercial services are recorded at their natural types depending the business activity**:** Costs of the assets include costs of depreciation, labour costs, costs of services, and costs of materials used.

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. The criteria was harmonised with and approved by the Ministry on 15 March 2011.

Operating expenses of public commercial services of Luka Koper, d.d. in 2012

	Directs costs of PCS	Direct costs of other activities	Share of direct costs of PCS	Indirect costs of all activities	Indirect costs of PCS	**Total PCS**	Indirect costs not charged against PCS	Total other activities	**Total Luka Koper d.d.**
Operating expenses	**2,840,495**	**62,283,499**	**4,36%**	**50,676,227**	**2,458,966**	**5,299,461**	**2,313,895**	**110,777,622**	**118,114,116**
Costs of materials	2,788	7,872,902	0,04%	3,061,226	1,084	**3,872**	13,757	10,946,801	**10,950,673**
Costs of services	2,404,431	19,276,981	11,09%	19,707,683	2,185,548	**4,589,979**	102,772	36,901,888	**41,491,867**
Depreciation	227,947	19,430,438	1,16%	6,217,565	72,095	**300,042**	605,748	26,181,656	**26,481,698**
Labour cost	204,632	15,703,178	1,29%	15,566,296	200,239	**404,871**	-	31,069,235	**31,474,106**
Other costs	697	-	0%*	6,123,457	-	**697**	44,879	6,168,336	**6,169,033**
Provisions	-	-	-	-	-	**-**	(490,294)	(490,294)	**(490,294)**
Revaluation operating expenses	-	-	-	-	-	**-**	2,037,033	-	**2,037,033**

* Other expenses (EUR 697), as direct expenses PCS, are not included in the calculation of the share of direct expenses PCS.

Operating expenses of public commercial services of Luka Koper, d.d. in 2011

	Directs costs of PCS	Direct costs of other activities	Share of direct costs of PCS	Indirect costs of all activities	Indirect costs of PCS	**Total PCS**	Indirect costs not charged against PCS	Total other activities	**Total Luka Koper d.d.**
Operating expenses	**3,383,952**	**58,147,942**	**5,50%**	**53,012,455**	**3,071,379**	**6,614,546**	**1,111,151**	**109,200,169**	**115,814,715**
Costs of materials	1,171	7,258,910	0,02%	2,582,573	417	**1,588**	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	35,718,464	**41,425,482**
Depreciation	190,454	18,911,336	1,00%	6,079,227	60,613	**251,067**	668,991	25,598,941	**25,850,008**
Labour cost	210,585	13,357,116	1,55%	18,197,100	282,438	**493,023**	-	31,271,778	**31,764,801**
Other costs	2,635	-	0%*	6,009,923	-	**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**

12.6. CONCESSION CHARGES

Pursuant to item 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 MAD).

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 accounting records of the past calendar year by no later than 30 July.

Overview of the calculated and paid concession charges in 2012 and 2011

(in EUR)	Operating revenue reduced by MAD	Concession charge (3,5 %)	Prepayments made excluding VAT
1. 1. 2012 – 31. 12. 2012	128,109,809	4,483,843	4,221,276
1. 1. 2011 – 31. 12. 2011	127,812,290	4,473,430	4,250,334

13. STATEMENT OF DISTRIBUTABLE PROFIT

In 2012, the Company generated net profit of EUR 7,527,590. According to the resolution of the Management Board, the Company appropriated EUR 3,763,795 of the total amount of the net profit to other revenue reserves in accordance with paragraph 3 of Article 230 of the Companies Act. Total distributable profit for the year 2012 equals EUR 3,763,795.

(in EUR)	2012	2011
Net profit for the year	**7,527,590**	**-1,849,205**
Decrease in revenue reserves	**-**	**-1,849,205**
Decrease in other revenue reserves	-	-1,849,205
Increase in revenue reserves	**3,763,795**	**-**
Increase in other revenue reserves	3,763,795	-
Total distributable profit	**3,763,795**	**-**

The Company's dividend policy represents a harmonised combination of the wish for dividend yields of the owners, and the tendency to use the net profit for financing investment plans. Taking into account the financial result achieved in 2012 and the Company's dividend policy, the Management Board proposed the following appropriation of the distributable profit of EUR 3,763,795 as at 31 December 2012.

- EUR 2,380,000 of the distributable profit is to be appropriated for dividend payment in gross amount of EUR 0,17 per ordinary share,
- The residual amount of distributable profit of EUR 1,383,795 is to remain undistributed.

The Supervisory Board is of the opinion that the Management Board's proposal complies with the Company’s dividend policy and its strategic development, taking into account also the Shareholders' interest of increasing the share value.

TABLE OF NOTES:

14. SUBSEQUENT EVENTS

JANUARY 2013

- As of 17 January 2013, the Management Board of Luka Koper d.d. received a communication from the Slovenska Odškodninska Družba (SOD) proposing that the call for a General Meeting be postponed until all the verification procedures in relation to Supervisory Board candidates are completed in accordance with the provisions of the Corporate Governance Code.

FEBRUARY 2013

- On 6 February 2013, the Management Board of Luka Koper, d. d., received an appeal from Slovenska Odškodninska Družba (Slovene Compensation Fund) to call for a General Meeting of Shareholders within 60 days in the manner requested by the shareholder, i.e. the Republic of Slovenia, on 20 December 2012.
- On the basis of the provisions of Article 3 (§10) of the Articles of Association of Luka Koper, d. d., the Management Board called and scheduled the 21st General Meeting of Shareholders of Luka Koper, d. d., for 5 April 2013 as required by the Republic of Slovenia, who is the owner of 7,140,000 shares of Luka Koper, d. d., (hereinafter: Company), which account for 51% of the share capital of the Company, and which was, at the time the request was received, represented by the Capital Assets Management Agency of the Republic of Slovenia (AUKN), in accordance with Article 295 of the Companies Act (ZGD-1).

The said events have no effect on the financial statements of the Company.

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, 2012, 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, 2012, 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, March 22, 2013

Janez Uranič
Director
Ernst & Young d.o.o.
Dunajska 111, Ljubljana

ERNST & YOUNG
Revizija, poslovno svetovanje d.o.o., Ljubljana 1

Lidija Šinkovec
Certified Auditor

16. STATEMENT OF RESPONSIBILITY OF THE MANAGEMENT BOARD

The Management Board of Luka Koper, d. d., is responsible for the preparation of the Annual Report of the Company and the Group, including the financial statements and notes thereto, that give a true and fair view of the financial position of the Luka Koper Group and Luka Koper, d.d., as of 31 December 2012 and of their financial performance for the year ended 31 December 2012.

The Management Board confirms that accounting policies were consistently applied and that the financial statements of the Group and the Company have been compiled under the principle of prudence and due diligence of a good manager.

The Management Board further confirms that the financial statements of the Group and the Company have been compiled under the assumption of a going concern of the parent and its subsidiaries and in accordance with the applicable legislation and International Financial Reporting Standards as adopted by the EU.

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.

Members of the Management Board:

Bojan Brank,

President of the Management Board

Marko Rems,

Member

Matjaž Stare

Member – Employee director

Koper, 20 March 2013